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Initiating Coverage

Eris Lifesciences Ltd.

07-Jun-2021

RETAIL RESEARCH

Eris Lifesciences Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 719	Buy at LTP & add more on dips at Rs 641	Rs 787	Rs 846	2 quarters

HDFC Scrip Code	ERILIFEQNR
BSE Code	540596
NSE Code	ERIS
Bloomberg	ERIS IN
CMP Jun 04, 2021	719
Equity Capital (Rs cr)	13.6
Face Value (Rs)	1
Equity Share O/S (cr)	13.6
Market Cap (Rs cr)	9762
Book Value (Rs)	116
Avg. 52 Wk Volumes	221129
52 Week High	735
52 Week Low	400

Share holding Pattern % (Mar, 2021)	
Promoters	54.1
Institutions	22.1
Non Institutions	23.8
Total	100.0

Fundamental Research Analyst
Kushal Rughani
kushal.rughani@hdfcsec.com

Our Take:

Eris Lifesciences has presence in the domestic formulations space largely in chronic and sub-chronic therapeutic segments. Company has strong presence in Cardiovascular (CVS), Anti-diabetic, Vitamin, Minerals, Nutrients (VMN), and Central Nervous System (CNS) etc. It has 14 marketing divisions catering to more than 80,000 super specialist and specialist doctors to promote its brands. Company has more than 2000 Medical Representatives (MRs) and 50 people in its R&D team. Eris has strong distribution network of ~2300 stockists and > 5 lakh retail chemists. Eris presents a strong growth opportunity, given its urban centric focus and a portfolio comprising high margin drugs that treat chronic lifestyle diseases.

Eris's focus on therapeutic areas, such as treating cardiovascular (CVS) and diabetes, allows for higher volume, better margin and strong growth across all age groups in urban India. We are upbeat on Eris' strategy of targeting chronic therapies where a major part of the growth accrues from the supplementary role to the treatment of chronic diseases. Eris will benefit from it urban centric strategy, given the rapidly increasing rate of lifestyle related diseases in these markets. We expect growth to be driven by drugs used to treat Cardiovascular (CVS) ailments and Diabetes, and complemented by the company's entry into other therapeutic areas, such as, Vitamins (VMN), Gastro Intestinal (GI), and OTC products. Company derives 64% of its revenues from chronic segment while 22% from sub-chronic and the balance from acute segment.

Emerging off-patent upsides in cardio-diabetes, Zomelis launch, prescription penetration in the cardiac & vitamin-mineral-nutrient (VMN) portfolios, and OTC portfolio are expected to drive ~14% sales CAGR over FY21-FY23 (> 15% in chronic area). The company continues to only focus on domestic formulations business. There is no plan to venture into international business segment in the medium term. Overall, the company would like to grow 20 to 30% ahead of the market. Top brands continue to grow at healthy pace, there is still enough scope for growth in the existing brands. Top-15 mother brands contribute to about 80% of business.

Company launched 10 products in FY21 and guides for 10+ launches including combinations which also includes 3 key products. Eris Life has five-pronged growth strategy in place that includes i) organic consolidation, ii) new product launches, iii) to expand doctor reach, iv) improve sales productivity, and v) pursuit of inorganic opportunities.

Valuation & Recommendation:

We believe Eris' focus on lifestyle-related-disease therapies will continue to drive growth in its chronic category. In India chronic diseases have been rising because of modern sedentary lifestyles, unhealthy eating habits, greater work-related stress. Thus, Eris focuses on the fastest growing therapies in the industry. In the last five years, Eris clocked a steady revenue and PAT CAGR growth of 15/21%. We estimate 14% CAGR in revenue over FY21-23E driven by strong growth from chronic area and healthy growth from EHPL, even as consolidating existing therapeutic areas remains its focus strategy. We believe margin should remain around 34-36% over the same period, the highest among all domestic formulation companies. Considering its revenue growth trajectory and steady EBITDA margin, we expect the company to report 14.3% CAGR in net profit over FY21-23E.

Profitability was suppressed during FY18-20, due to contraction in margin of 300bps on the back of integration led challenges in multi therapy acquisitions, FDC hit Triglimisave (anti-diabetic), upfront cost on new divisions and absence of key new launches. Now, we believe margin would remain at around 34-36%.

Eris has a manufacturing plant at Guwahati, Assam, which accounted for ~70% to its revenue in FY21. The Guwahati plant is eligible for certain tax incentives, incl. income-tax and excise-duty exemptions for 10 years (until FY24 and FY25, respectively), besides certain capital investment and trade subsidies. Hence, tax rate for the company would continue to remain very low. As there are no major capex plans in the next 2-3 years, the company will generate strong operating cash flows and free cash flows. Eris is a pure domestic play with little regulatory or currency risks. Also its dependence on Chinese APIs/KSM is very limited. At CMP, the stock trades at 21x FY23E EPS. We recommend Buy on Eris Lifesciences at LTP of Rs 719 and add further on dips at Rs 641 for base case fair value of Rs 787 (23x FY23E EPS) and bull case fair value of Rs 846 (24.7x FY23E EPS). We are positive on Eris given its focus on the domestic market (chronic area), robust operating and net margin profile, strong return ratios, and net cash balance sheet.

Financial Summary

Particulars (Rs cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY19	FY20	FY21P	FY22E	FY23E
Total Revenues	278	249	11.9	310	-10.2	982	1,074	1,212	1,384	1,578
EBITDA	95	77	22.4	107	-11.8	345	369	431	483	560
Depreciation	12	14	-19.6	11	8.5	36	50	43	55	62
Other Income	6	4	67.6	9	-27.1	32	15	9	19	28
Interest Cost	1	0	25.0	0	22.0	23	2	2	2	1
Tax	17	5	217.3	9	83.3	26	35	39	47	60
APAT	68	56	21.1	90	-24.4	291	297	355	399	464
EPS (Rs)						21.2	21.8	26.2	29.4	34.2
RoE (%)						28.9	24.2	24.7	23.2	22.9
P/E (x)						33.9	32.9	27.4	24.4	21.0
EV/EBITDA (x)						27.6	25.8	22.1	19.7	17.0

(Source: Company, HDFC sec)

Q4FY21 result update

Revenue grew 12% YoY at Rs 278cr. EBITDA margin expanded 290bps YoY and 60bps QoQ at 34%. Net profit increased 21% YoY at Rs 68.2cr. Eris Healthcare (EHPL) reported revenue of Rs 14.7cr in the quarter and Rs 70cr in FY21. This was the first full year operation of EHPL. Gross margin was lower due to the higher cost of launches and higher third party manufacturing during the quarter. Ahead, the company expects improvement in its gross margin.

For FY21, total revenue grew ~13% YoY at Rs 1212cr. Gross margin declined from 84% in FY20 to 80.3% in FY21, with entry into the low-margin EHPL segment, launches and higher third-party sourcing being prime reasons. EBITDA margin expanded 120bps YoY at 35.5% due to lower other expenses. Net profit grew 20% YoY at Rs 355cr. We expect consolidated margin to come under minor pressure as the contribution from this EHPL division is expected to increase and the company is likely to increase its promotional budget to market the newly launched brands. EHPL plans to launch 65 products initially, but none of these would be manufactured in-house. Its generic division is expected to have annual fixed cost of Rs 10-15cr, and gross margin would be in the range of 50-55%. MR productivity improved 15% and lower operational cost contributed to better margins in FY21. Eris had paid Rs 5.5 per share interim dividend for FY21, which was 21% of consolidated PAT; the company will maintain minimum 20% dividend payout ratio in the coming years. Management guides for 15% growth both on top line and bottom line in FY22. Given that the company has large portfolio of about 90% in chronic and sub-chronic areas, Eris was resilient to the pandemic in FY21.

Key takeaways from conference call

- Company had 5 significant product launches during the year – Gluxit (have exit rate of Rs 2.5cr per month run rate sales in March-21), Zac D (combination of Vitamins A, C and D), Rivalto, Bricet and Zayo.
- Eris has a rich pipeline of new product launches, driven by upcoming patent expirations in the Cardio Metabolic and allied segments.
- Due to high usage of steroids during the treatment of Covid, the onset age of diabetics (which is currently at ~43 yrs) can prepone as much as 5 yrs, so India as a country could be on the verge of massive surge in diabetes cases, which would be beneficial for chronic players like Eris.
- Yield per man per month (YPM) for the standalone operations increased to Rs 4.5 lakhs per month, up from Rs 3.9 lakhs per month in the last year.
- Company is not looking for any major capex for next 2-3 years. Total treasury investments as of March-2021 stood at Rs 417cr including the fixed deposits that are accounted as part of other financial assets; management would like to maintain cash for future inorganic opportunities.
- In Q4FY21 Eris launched the Zayo (Sacubitril + Valsartan) brand in Cardio therapy and Bricet (Brivaracetam) in CNS. Company has lined up 10 new launches for FY22 and of these, 3-4 are expected to be significant.
- After a gap of several years, the company launched 10 new products, including combinations in FY21. MR productivity improved around 15% and lower operational cost contributed to better margins in FY21.
- Guwahati plant accounted for 74% of sales in FY21, and 60% in Q4FY21. Management expects improvement in gross margin in FY22 as new products ramp up in scale and also contribution from Guwahati facility increases. The plant operated at 45% utilization level in Q4FY21 on single-shift basis (scalable to three shifts).
- Currently, Eris has 2,036 MRs in the branded segment (vs. 2345 in Q3FY21) and 250 in the EHPL segment.
- Zomelis, the Vildagliptin brand acquired in December 2019, has grown by nearly 4.5x in sales run rate since acquisition. Currently, it is clocking monthly sales of Rs 4.4cr. The company aims at Rs 50cr from sales of this product in FY22, and ~Rs 100cr in the next 3 years.
- Company is the first to launch a combination vildagliptin + remogliflozin under the brand Zomelis SG. It has in-licensed remogliflozin from Glenmark.

- Company continue to generate strong cash flows. Standalone operating cash flow for the year was at 95% of EBITDA and standalone free cash flow for the year was at 81% of EBITDA. In terms of consolidated numbers, consolidated operating cash flow was at 87% of EBITDA and consolidated free cash flow was at 81% of EBITDA.
- Management guided for 15% growth in revenue and net profit in FY22. Gross margin may remain around 82% in FY22.
- The company intends to widen its reach of cardiologists and consulting physicians by 50% in the next two years and expects this without any significant increase in the field force.
- In the next two years (FY21-23), the company will have large opportunities in terms of products coming in, which would fuel growth momentum in the long term.

Targets specialists and super-specialists

Eris' product range primarily focuses on therapeutic areas requiring the intervention of specialists and super-specialists (cardiologists, diabetologists, endocrinologists, gastroenterologists). Its business model is of building strong and sustainable brands which has enabled the company to not only maintain, but also expand market share. Apart from its leading brands the company has deep routed network of MRs which are constantly serving the doctors. Its YPM in standalone operations grew by ~ 15% to Rs 4.5 lakh p.m. in FY21 from Rs 3.9 lakh p.m. in FY20 (Number of MRs in standalone operations at 2,036). The company focuses on metropolises and class-1 towns in India, which have a higher incidence of lifestyle disorders and a concentration of specialists and super-specialists. Sales are largely through prescriptions for Eris' products by such specialists and super-specialists. The combination of diagnostics with commercialization and marketing enhance the quality of diagnosis and prognosis. Initiatives to support doctors have helped it increase prescription rates of products.

Company continues to outgrow in focused therapeutic areas

The Indian pharmaceutical market (IPM) was at Rs 1.48 lakh cr in Mar-2021. In India, CVS is the largest chronic therapeutic area with market size of about Rs 20,400cr. Anti-diabetic segment is around Rs 14800cr market and Vitamins (VMN) is ~Rs 13,200cr market. In the Covid-19 pandemic, Vitamins (VMN) segment has recorded strong growth. Eris has sizable presence in these three therapeutic areas. For Eris, hypertension and lipid-lowering agents are key therapeutic sub-segments within CVS. The key brands in CVS are Eritel, Olmin, LnBloc, Atorsave and Crevast. In the last ten years, Eris has registered 28% CAGR in CVS segment. Its largest brand 'Glimisave' addresses this market, which continues to grow strongly over the past two-three years. In the last ten years, Eris has registered 35% CAGR in Anti-diabetic segment.

Company is adopting aggressive approach with expansion of higher selling franchise, launch of off-patent molecules, foray into new therapeutic areas, launching products in trade generics, acquisitions of brands and in-licensing molecules.

Cardiovascular (CVS) Segment

Cardiac sales have been better than covered market growth of ~12% in the last three years but its performance in key molecules has been mixed. Telmisartan is the largest molecule for Eris by sales (~35% of cardiac sales), followed by Olmesartan (18%) and Cilnidipine (15%). In terms of covered market growth, Telmisartan, Rosuvastatin and Cilnidipine lead the pack, as these are gaining market share from Olmesartan, Losartan, Atorvastatin and Amlodipine. Company has grown 1.7x faster than overall therapy growth. Top 4 cardiac care Mother Brands – Eritel, Olmin, LNBloc and Crevast – Olmin and Crevast outgrew their respective segments and gained market share. LN Bloc continued to be the No.2 brand in its segment, 8 years after its launch still reaping the benefits of Eris' applied research capability.

In Cardiac therapeutic segment, there are three sub-segments. Anti-hypertensive - wherein the company is reasonably placed even though Eris has few molecules; Statins - Eris has good brands Crevast and Atorsave and the one sub-segment which has really gone through the roof in COVID times is the antithrombotic segment because of the D-dimer tests, that sub-segment has recorded a growth of more than 25% in FY21. Eris didn't have an offering in the anti-thrombotic space. Recently with the launch of Rivalto which is Rivaroxaban, the company now has a brand in the sub-segment.

Diabetes segment - future patent expiry to fuel growth

Eris Life is a strong player in the diabetes market with an IPM rank of #6 by sales and #3 by prescriptions. The segment accounted for 29% of FY20 sales. Led by strong volumes, the segment sales grew ~1.5x faster than the market, at a CAGR of 32% over FY11-FY20. Company commands 5.7% market share vs. 4% three years ago, mainly led by the Glimepiride combination which remains a flagship molecule. Top 4 Mother Brands in the segment - Glimisave, Tendia, Cyblex and Zomelis - all outgrew their respective markets and gained market share, with Cyblex climbing up a rank in terms of revenue and Glimisave and Tendia maintaining their ranks. Eris' strategic presence in key molecules along with traction in diabetes drug Zomelis and the upcoming patent cliff are key triggers.

As part of one of the studies that the company did in the diabetes area - the average onset age of diabetes in India is around 43 years. There is enough evidence to show now that the use of steroids because of COVID-19 is likely to prepone the onset of diabetes by as much as five years. Eris is strategically placed to deal with that because of Gluxit and Zomelis.

Eris Lifesciences had acquired the trademark for anti-diabetes novel drug Zomelis for US$ 13mn in Dec-2019. The acquisition of the trademark from Novartis AG is meant only for the Indian market. Zomelis, the common name for which is vildagliptin, is used to treat type 2 diabetes, and is the first innovator pharmaceutical product trademark acquisition by Eris. The acquisition of Zomelis helps strengthen position in the diabetes care market in India. Company said that Zomelis clocked ~Rs 50cr revenue in FY21 and eyes Rs 100cr revenue in the next 3-4 years.

Eris entered Vildagliptin market with the launch of Zomelis in Dec-19 after the drug went off-patent. The company acquired the trademark from Novartis at an investment cost of Rs 93cr. Post patent expiry, Vildagliptin has become a crowded market with >50 generics but still remains a good opportunity. Zomelis is among the top 3 preferred brands in the segment by diabetologists (besides Novartis and USV) with 5-6% prescription share.

Vitamins & CNS

Vitamins-minerals-nutrients has several strong brands while Gastro lags market. Over 70% of Eris' VMN brands are in the high-growth portfolio, performing ahead of the market. Renerve, Tayo and Ginkocer are gaining share. Most of these brands were acquired from Strides Pharma. In Q3FY21, the company launched Zac D (combination of Vitamins A, C and D). The company expects VMN to emerge in a big way in coming years as a complementary segment to chronic ailments. Top 3 VMN mother brands – Renerve, Tayo and Ginkocer – significantly outgrew their markets and are gaining market share. While Renerve is now no.2 in its category, Ginkocer remains No.1 in its category.

Eris is a relatively new player in the CNS market with a portfolio acquired from Strides in FY18. The segment accounts for ~7% of sales and has been growing at 8-10% for the last three years. Key brands such as Serlift and Desval ER have been weak whereas Sonaxa and Levroxa have done well. The company has about 4% share in the addressable CNS market.

Over the last 12 months, Eris has adopted a go-to-market strategy to scale up the business, using scientific engagement with doctors to drive better growth visibility. Company has also doubled its MR strength to 200+ in this segment.

OTC business

Eris life entered the trade generics business via its 100% subsidiary Eris Healthcare (EHPL) during Q4FY20, with a focus on driving synergies and leveraging its existing acute presence. The trade generics business in India has been growing at a healthy mid teen CAGR over the last five years and most peers have demonstrated good scalability both in sales and EBITDA. With a sharper focus on the OTC side for disease prevention, Eris has seen good traction in this segment, clocking sales of ~Rs 70cr in FY21 (~6% revenue share in FY21). The company is continuing to build channel partnerships in tier-1/2 towns, gradually expanding product offerings and developing a consumer connect with key brands. It is likely to use all channels possible for promotions while ensuring minimal cash burn. Management's goal is to create a large OTC portfolio over the long-term. Led by strong sales traction, we expect the segment to reach 15% EBITDA margin in FY23.

New launches to drive growth

Company had five significant new product launches during FY21. The first of them is Gluxit, It is offering in the Dapagliflozin molecule which is an SGLT2 inhibitor in oral diabetes care. Gluxit ranks #1 by volume and value among all 30-plus generic versions of Dapagliflozin in the market. Gluxit showed an exit run rate of Rs.2.5cr per month sales in March-21.

The other new launch, ZAC D is a unique combination of zinc and vitamins A, C and D in a convenient once-a-day chewable tablet. Rivalto was launched in the recently off-patent Rivaroxaban molecule in the anti-thrombotic segment.

Zomelis, the Vildagliptin brand has grown by nearly 4.5x in sales run rate post acquisition. Zomelis market share in value terms has increased from 7.3% in Dec-2019 to ~11% in March-2021 among the generics. Zomelis had an exit sales run rate of Rs.4.4cr in March 21. Company has been able to ramp up gross margin in Zomelis by > 500bps on account of manufacturing efficiencies at Guwahati facility.

Eris plans launch of derma products with addition of new MRs in H1FY22E.

Aggressive investments done over the last 3-4 years

ERIS has invested heavily in M&A over the last 3-4 years which has resulted in achieving reasonable success in driving synergies over time. It has invested over Rs. 740Cr behind inorganic growth in last 3-4 years. This includes Aprica, Kinedex, Zomelis brand and Strides' portfolio which is largest amongst all.

Acquisition of Strides Portfolio

In Nov-2017, Eris had acquired the Strides' India business (branded), together with the employees for Rs 500cr. This branded generics business, comprised more than 130 brands in neurology (CNS), nutraceuticals, gastrointestinal, etc., had sales of Rs 180cr in FY17 and was EBITDA neutral with gross margin of 65-68%. Company has improved gross margin substantially over the past two years and now it is at near to company level gross margin.

This transaction was a good strategic fit for Eris. The acquisition marks its foray into CNS (central nervous system) therapy and helped scale up its operations in gynaecology and gastrointestinal area. It has strengthened Eris' position as a chronic-focused specialty player on the emergence of CNS therapy as Eris' third-largest therapy. The synergies of the acquisition provided Eris' core portfolio immediate access to south Indian markets and offer opportunities to expand the Strides range of products to other parts of the country.

Capital intensity remains low

Eris's capital intensity is low, in terms of both working capital and fixed assets. Along with high margins, this drives its healthy cash generation. We believe its strong revenue growth, healthy EBITDA margin (around 35%) and low capex requirement would continue to result in healthy free-cash-flow generation. This would help it grow inorganically as management stated that it would keep on seeking inorganic growth opportunities. Management said that there are no large capex plans in the medium term.

Company said that acquisitions of assets, brands and joint ventures will remain the cornerstone of its strategic expansion plan in India. Eris had acquired the trademarks of 40 brands from Amay Pharma in the CVS and anti-diabetics therapeutic areas. Company acquired 75.5% of the equity of Kinedex, a company focusing on products catering to disorders in the musculoskeletal therapeutic area, through two transactions in November and December-2017. After that, Eris acquired remaining equity in two parts and now it is 100% owned by Eris. Separately, Eris acquired UTH Healthcare for Rs 13cr and the India portfolio (branded) of Strides in October and November 2017 to boost its presence in the multi-vitamin segment and to enter the CNS segment. Along with acquisitions, Eris plans to expand its existing portfolio by introducing new generation molecules.

Key Concerns

- Regulatory overhang: The Drug Price Control (Amendment) Order limits price increases in schedule drugs mentioned in the National List of Essential Medicines (NLEM). While it has been observed that competitive forces in the market have been more effective in controlling prices, amendments in the list will continue to pose challenges for the industry. As on March 2020, 8% of the company’s revenue came from drugs scheduled in the NLEM.
- Risk of trade margin capping for generics business: Eris has forayed into trade generics recently (contribute ~6% of sales). This business operates in a dynamic regulatory environment tainted by uncertainty over proposed changes related to trade margins.
- Concentration Risk: Company derives ~75% of business from three therapeutic areas (i.e. CVS, anti-diabetic and VMN). Any adverse news flow or heightened competition may lead to lower growth.
- Any slowdown in IPM growth, delay in new launches and sales ramp up of new products may hurt its earnings.
- Any reduction in or termination of tax incentives by the government like NEIIPP 2007, whereby the company enjoys certain tax incentives including income tax and excise duty exemption for a period of 10 years (until Fiscal 2024 and 2025, respectively) for Assam plant may affect business, results of operations and financials.
- Inability to sustain higher growth on the back of organic business. A large part of Eris growth in the last 3-4 years has been on account of acquisitions. Also inability to scale up brands acquired can result in slower growth and longer payback periods.
- The government of India is encouraging the use of generic products through various initiatives. This may have an impact on the company’s domestic business as it has strong presence in branded generic space.
- Shareholding of retail shareholders (holding nominal value of equity capital less of than Rs.2 lakh) is just 1.74%, while that of Non promoter, non-institutional shareholders holding nominal value of equity capital of more than Rs.2 lakh is at 21.54%. This results in large price moves in the stock price on relatively smaller volumes.

Company Background

Eris was incorporated as a public company in February, 2007. It has been founded by Mr. Amit Bakshi and his team, which consists of all first generation entrepreneurs. It is engaged in manufacturing and marketing of branded finished dosages in the Indian Pharmaceutical Market since 2007. It has a presence in the high-growth chronic and sub-chronic therapeutic areas that require high intervention of specialists and super specialists. Its diverse product portfolio comprises of 100+ mother brands, which are focused primarily on lifestyle-related disorders. It caters to specific therapeutic areas in the chronic and specialty acute categories of cardiovascular, anti-diabetes, vitamins (VMN), gastroenterology, gynaecology and others. The company has manufacturing facility at Guwahati, Assam.

For FY19, FY20 and FY21, products manufactured at the facility contributed to 61%, 76% and 74% of its revenues, respectively. The remaining contribution came from toll manufacturing arrangements. The facility enjoys fiscal benefits in terms of Income Tax exemption till FY24 and GST subsidies till FY25.

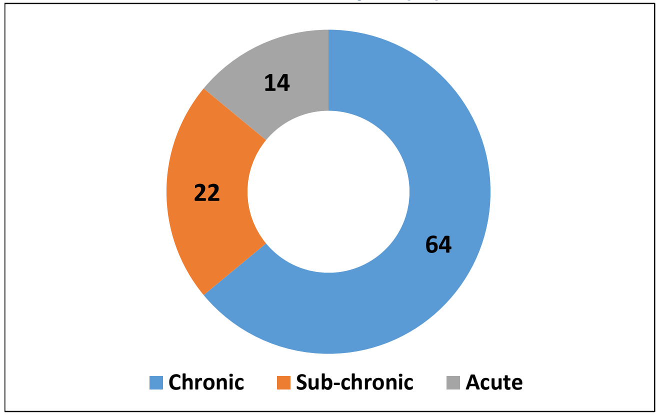
Peer Comparison

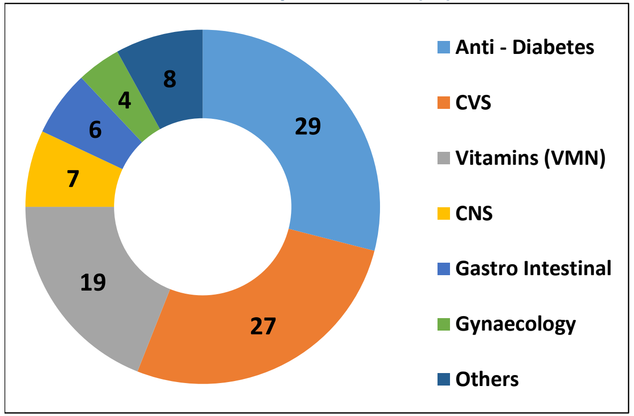
Company	Mcap (Rs cr)	Revenue				EBITDA Margin				PAT				RoE			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Abbott India	33925	4093	4310	4883	5427	18.5	21.4	21.1	21.9	593	691	802	939	24.8	27.2	28.7	28.2
Eris Life	9762	1074	1212	1384	1578	34.3	35.5	34.9	35.5	297	355	399	464	24.2	24.7	23.2	22.9
Torrent Pharma	47572	7939	8005	8814	9825	27.3	31.0	30.3	30.8	1025	1252	1392	1699	21.3	23.5	22.0	23.3
Sanofi India^	17870	2902	2969	3266	3554	24.7	25.6	26.3	26.0	478	567	654	705	22.5	27.6	30.8	30.5

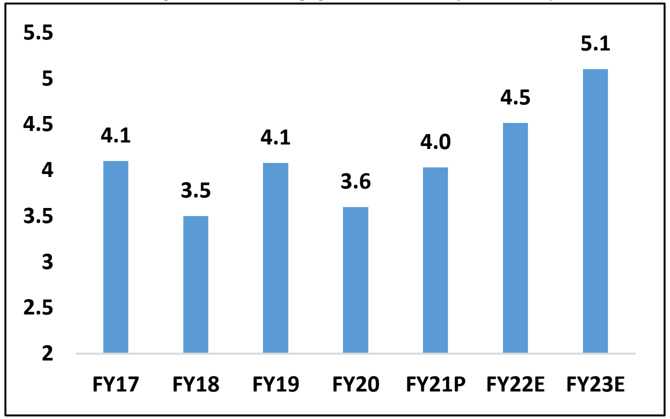
Company	EV/EBITDA				P/E			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Abbott India	23.2	15.8	15.2	12.5	57.3	49.2	42.4	36.2
Eris Life	25.8	22.1	19.7	17.0	32.9	27.4	24.4	21
Torrent Pharma	24.2	19.8	18.5	16.3	45.3	37.3	33.3	27.5
Sanofi India^	23.5	22	19.5	18.1	37.5	31.6	27.4	25.4

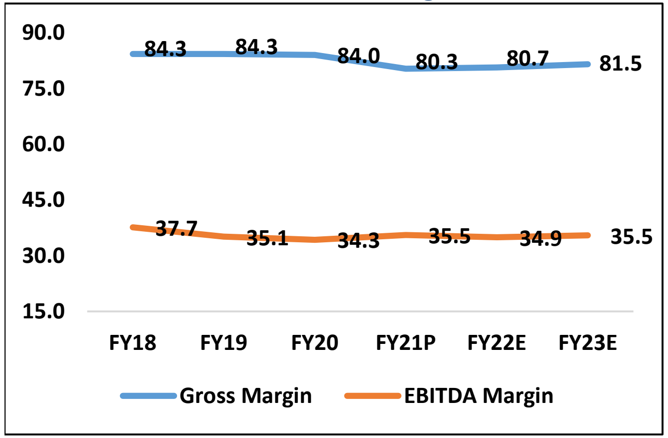
Source: Company, HDFC sec Research ^CY20, CY21E, CY22E and CY23E

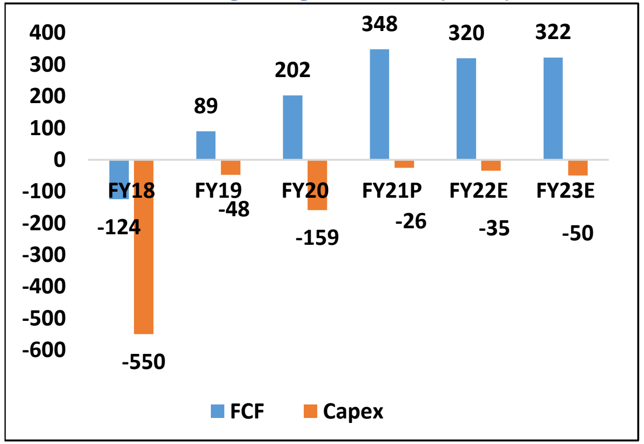
Eris Lifesciences Ltd.

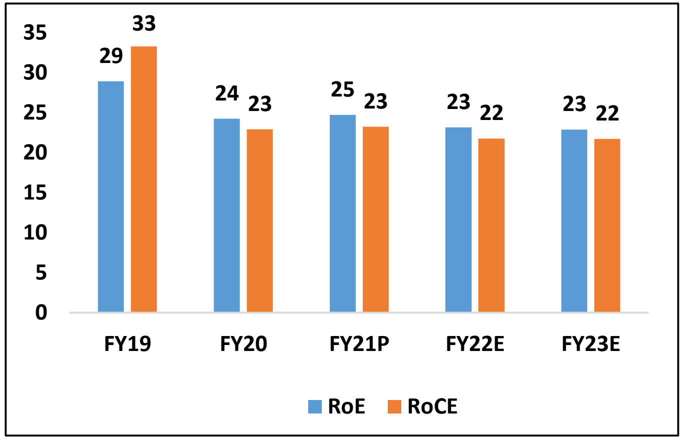












Source: Company, HDFC sec Research

Eris Lifesciences Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
Total Income	**982**	**1074**	**1212**	**1384**	**1578**
Growth (%)	14.8	9.4	12.8	14.2	14
Operating Expenses	637	706	781	901	1018
EBITDA	**345**	**369**	**431**	**483**	**560**
Growth (%)	7	6.9	16.8	12.3	15.8
EBITDA Margin (%)	**35.1**	**34.3**	**35.5**	**34.9**	**35.5**
Depreciation	36	50	43	55	62
EBIT	308	318	388	428	498
Other Income	32	15	9	19	28
Interest expenses	23	2	2	2	1
PBT	317	332	395	446	525
Tax	26	35	39	47	60
RPAT	**291**	**297**	**355**	**399**	**464**
Growth (%)	-1.5	1.9	19.8	12.4	16.3
EPS	21.2	21.8	26.2	29.4	34.2

Balance Sheet

As at March	FY19	FY20	FY21P	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	13.8	13.6	13.6	13.6	13.6
Reserves	1137	1283	1563	1855	2172
Shareholders' Funds	**1151**	**1296**	**1576**	**1869**	**2185**
Long Term Debt	1	12	8	6	4
Net Deferred Taxes	-93	-120	-155	-151	-148
Long Term Provisions & Others	27	29	34	39	43
Minority Interest	18	0	0	0	0
Total Source of Funds	**1103**	**1217**	**1463**	**1763**	**2085**
APPLICATION OF FUNDS					
Net Block	56	80	78	78	85
Goodwill & Intangible Assets	708	792	778	758	739
Non-Current Investments	63	29	308	332	371
Total Non-Current Assets	**827**	**901**	**1163**	**1167**	**1194**
Current Investments	315	75	50	111	184
Inventories	83	69	95	106	124
Trade Receivables	84	157	140	155	186
Cash & Equivalents	8	68	38	252	420
Other Current Assets	91	110	140	158	177
Total Current Assets	**583**	**481**	**467**	**787**	**1097**
Trade Payables	84	100	103	124	136
Other Current Liab & Provisions	200	34	37	38	40
Short-Term Provisions	21	30	28	29	31
Total Current Liabilities	**306**	**164**	**167**	**192**	**206**
Net Current Assets	276	316	300	596	890
Total Application of Funds	**1103**	**1217**	**1463**	**1763**	**2085**

Eris Lifesciences Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
Reported PBT	317	332	395	446	525
Non-operating & EO items	-32	-15	-1	-19	-28
Interest Expenses	23	2	2	2	1
Depreciation	36	50	43	55	62
Working Capital Change	-50	-46	5	-82	-127
Tax Paid	-72	-52	-69	-47	-60
OPERATING CASH FLOW (a)	**223**	**271**	**375**	**355**	**372**
Capex	-48	-159	-26	-35	-50
Free Cash Flow	89	202	348	320	322
Investments	11	266	-298	-24	-39
Non-operating income	32	15	1	19	28
INVESTING CASH FLOW (b)	**-5**	**123**	**-323**	**-40**	**-61**
Debt Issuance / (Repaid)	-192	-167	0	7	5
Interest Expenses	-23	-2	-2	-2	-1
FCFE	-204	212	347	326	326
Share Capital Issuance	-6	-18	0	0	0
Dividend/Buyback	0	-147	-81	-107	-148
FINANCING CASH FLOW (c)	**-221**	**-335**	**-82**	**-101**	**-143**
NET CASH FLOW (a+b+c)	**-3**	**59**	**-30**	**214**	**167**

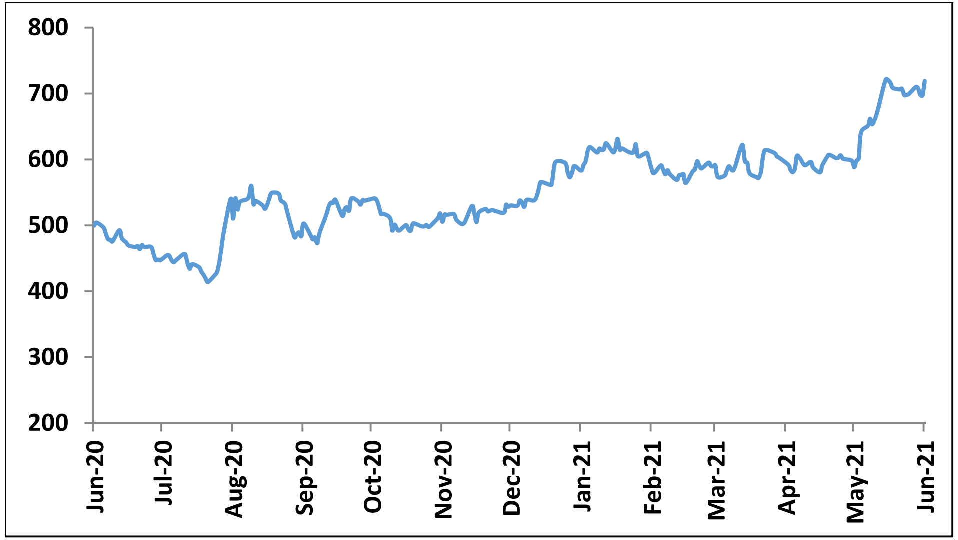
Source: Company, HDFC sec Research

Key Ratios

	FY19	FY20	FY21P	FY22E	FY23E
Profitability (%)					
EBITDA Margin	35.1	34.3	35.5	34.9	35.5
EBIT Margin	31.4	29.6	32	31	31.5
APAT Margin	29.6	27.6	29.3	28.8	29.4
RoE	28.9	24.2	24.7	23.2	22.9
RoCE	33.3	22.9	23.2	21.8	21.7
Solvency Ratio					
Net Debt/EBITDA (x)	-0.9	-0.4	-0.2	-0.8	-1.1
D/E	0	0	0	0	0
Net D/E	-0.3	-0.1	-0.1	-0.2	-0.3
PER SHARE DATA					
EPS	21.2	21.8	26.2	29.4	34.2
CEPS	23.8	25.5	29.3	33.4	38.8
BV	84	95	116	138	161
Dividend	0	2.9	5.5	7.5	10.5
Turnover Ratios (days)					
Debtor days	31	53	42	41	43
Inventory days	28	29	25	28	29
Creditors days	67	76	63	69	68
VALUATION					
P/E	33.9	32.9	27.4	24.4	21
P/BV	8.6	7.5	6.2	5.2	4.5
EV/EBITDA	27.6	25.8	22.1	19.7	17
EV / Revenues	9.7	8.8	7.8	6.9	6
Dividend Payout	0	13.1	21	25.5	30.7

Eris Lifesciences Ltd.

Stock Price Chart



Disclosure:

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Any holding in stock – No

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Disclaimer:

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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