

# Result Update

Q2 FY24

**Eris Lifesciences Ltd.**

Institutional  
Research

## Acquisition of brands in Nephrology and Dermatology to enhance growth

### Result Highlights

Eris Lifesciences Ltd. reported a revenue growth of 9.7% YoY / up 8.3% QoQ to Rs. 5,053 mn and was above market expectations of Rs. 4,850 mn. The company's strong performance was driven by growth in the branded formulations business and Oakanet consolidation. EBITDA for the quarter grew 19.6% YoY / up 6.7% QoQ to Rs.1,811 mn. During the quarter, OPM expanded by 296bps YoY to 35.8% in Q2FY24, aided by an expansion in gross margins by 424bps YoY to 81.3%. Net income stood at Rs. 1,223 mn, higher 2.5% YoY / up 30.6% QoQ in Q2FY24. PAT margin stood at 24.2% versus 20.1% in the previous quarter. ERIS has signed a definitive agreement with Biocon to purchase nephrology and dermatology business for Rs. 3.6bn. The acquisition marks Eris's entry into the nephrology segment, a logical extension of its market-leading position in the cardiometabolic part. Further, we expect ERIS to outperform the industry over the near to medium term as it has an established presence in the cardiac/antidiabetic segments. Additionally, the company remains on track to improve the profitability of acquired businesses and build a new launch of the product pipeline going ahead.

### Valuation and Outlook:

Eris Lifesciences Ltd. recorded robust annual revenue growth in Q2FY24, led by smooth integration of Oaknet operations and growth in the branded formulation business that aided growth during the quarter. The profitability of its acquired businesses, such as Oaknet, Glenmark brands and Dr Reddy brands, has improved to the company level in H1FY24. Further, the acquisition marks Eris's entry into the nephrology segment, a logical extension of its market-leading position in the cardiometabolic segment. The Nephrology market is currently worth around Rs. 3,000 crores per annum and is growing at 11% per annum. Eris also aims to deliver market-leading growth in the coming years and is well-positioned in three of the top five chronic therapies. The company plans to continue its strategic priorities for FY24, including successfully commercialising its new product pipeline. In addition to its core anti-diabetes, cardiology and VMN therapies, ERIS has enhanced its presence in dermatology and Nephrology through acquisitions, expanding its overall offering in the branded formulation space. We expect the company to outperform within the cardio-metabolic, nephrology, and derma markets and expect robust growth over the next 2-3 years with wide patent expiration opportunities.

### Key Highlights

Particulars (Rs. mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	4,605	4,666	5,053	9.7%	8.3%
Gross profit	3,548	3,882	4,107	15.8%	5.8%
Gross margin (%)	77.0%	83.2%	81.3%	424bps	-192bps
EBITDA	1,514	1,697	1,811	19.6%	6.7%
OPM (%)	32.9%	36.4%	35.8%	296bps	-53bps
Adj. PAT	1,194	936	1,223	2.5%	30.6%
PAT Margin (%)	25.9%	20.1%	24.2%	-172bps	-414bps

Source: Company, BP Equities Research

### Sector Outlook

Positive

### Stock

CMP (Rs.)	906
BSE code	540596
NSE Symbol	ERIS
Bloomberg	ERIS IN
Reuters	ERIS.BO

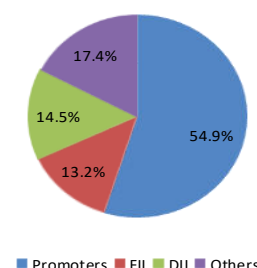
### Key Data

Nifty	19,443
52 Week H/L (Rs.)	972/551
O/s Shares (Mn)	136
Market Cap (Rs. bn)	123
Face Value (Rs.)	1

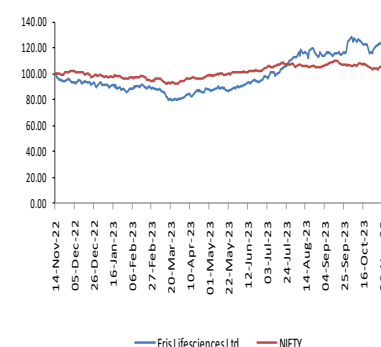
### Average Volume

3 months	171,750
6 months	181,570
1 year	132,960

### Share Holding (%)



### Relative Price Chart



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## Key Concall Highlights

### Base business outlook:

The company's top 20 power brands accounted for 70% of revenues in Q2FY24. Of these, 13 brands are ranked among the top five in their respective segments. We expect this portfolio to continue growing well in the coming years, generating high margins and strong cash flows for investment.

### Acquisition of brands in Nephrology & Derma:

With the acquisition of the nephrology and dermatology businesses from Biocon, ERIS has gained entry to the nephrology division. The nephrology market is currently worth around Rs. 3,000 crores per annum and is growing at 11% per annum. With this acquisition, Eris has a strong base in power and emerging brands to launch the nephrology franchise. The acquisition strengthens Eris' position in dermatology, making it the second-largest player in psoriasis with an 11% market share.

### New product launches:

Eris will launch one to two new products every quarter in the cardiology and dermatology segments. In addition to products ready to be commercialized in FY24, ERIS is also working on two new drugs, each in neurology and gynae and one new drug each in the Cardiac and respiratory spaces. These are expected to be commercialized by FY25.

*"Eris Lifesciences has guided for 33% EBITDA margin and 20% PAT Margin for FY24."*

### Focus on therapy diversification:

The company strongly focuses on therapy diversification, with three emerging therapies (Derma, CNS, and Women's Health) accounting for 26% of Branded Formulations revenue in Q2FY24. Further, Eris will continue to invest in these therapies to achieve higher revenue growth.

### Physician coverage:

Eris continues to progress in expanding coverage of specialists and consulting physicians and plans to add 90 more MR after the Biocon deal.

### Other key highlights:

- Eris has seen growth in its Branded Formulations revenue, with a growth rate of 13% in Q2FY24 and 17% in H1FY24.
- The company is scaling up its injectable Anti-Diabetes franchise and expects to earn Rs.50 crores this year.
- The company aims to fill gaps in its covered market and expects organic growth to improve.



## Eris Lifesciences Ltd.

## Result Update Q2FY24

## Key Financials

YE March (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	12120	13470	16850	20,292	23,340
Growth %	12.8%	11.1%	25.1%	20.4%	15.0%
EBIDTA	4310	4890	5370	7160	8500
Growth%	15.9%	13.5%	9.8%	33.3%	18.7%
Net Profit	3550	4060	3740	4380	4990
Growth %	19.5%	14.4%	-7.9%	17.1%	13.9%
Diluted EPS	26.2	29.9	28.1	33.0	36.3

## Profitability &amp; Valuation

EBIDTA (%)	35.6%	36.3%	31.9%	35.3%	36.4%
NPM (%)	29.3%	30.1%	22.2%	21.6%	21.4%
ROE (%)	22.5%	21.3%	16.0%	18.8%	18.3%
ROCE (%)	27.0%	25.0%	18.3%	20.6%	21.3%
P/E (x)	34.6	30.3	32.2	27.4	24.9
EV/EBITDA (x)	19.6	17.3	18.3	17.6	16.5
Net Debt/EBITDA (x)	0.0	0.0	0.1	0.6	-0.1

Source: Company, Bloomberg Estimates



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**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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