

BUY

TP: Rs 1,690 | ▲ 17%

ERIS LIFESCIENCES

| Pharmaceuticals

| 20 May 2025

Aims to capture ~50% of human insulin market

- Sales/EBITDA/PAT reported -5.2%/-1.4%/8.2% above our estimates. PAT was higher due to lower tax rate of 20.6%
- EBITDA margin reported 134 bps above our estimates at 35.8% driven by SG&A cost rationalisation. Organic base business margin at 40%
- Due to 44% EPS CAGR from FY25-27E, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17%, thus maintain BUY

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Mixed 4Q – ERIS reported a mix set of numbers where sales/EBITDA/PAT grew by 28%/70%/32% respectively. Sales was driven by 25% growth in the domestic base business including Biocon1&2 and 22% growth in Swiss Parenterals. Sales growth was offset by 44% increase in RM cost, resulting in 269 bps decline in gross margin to 75.9%. However, lower SG&A cost of 11% (23% contribution in 4QFY25 vs 33% in 4QFY24) resulted in 884 bps rise in EBITDA margin to 35.8%. Higher EBITDA was offset by Other Income reducing by 48% YoY, depreciation and interest cost going up by 43% and 64%, resulting in 32% increase in PAT.

Expect to garner half the market of insulin space – ERIS expects human insulin cartridge worth Rs 4.5bn p.a., to go off the shelf, which would be vacated by the innovator. ERIS has two large human insulin brands (Xsulin and Insugen), which clocks monthly sales of Rs 230 mn. ERIS has a bulk supply agreement for these insulins from Biocon and expects to commission its own cartridge in the Bhopal facility by 4QFY26E, which gives them confidence of garnering market opportunity worth Rs 2-3bn pa from the vacated space. Hence, we expect sales to grow at 18% CAGR from FY25-27e.

Entering newer therapies in base business- ERIS's base business ex-Biocon, is focused on Diabetes therapy where its market share doubled from 3% to 6%. It has distinctive pipeline of 10 products with "first in market" in Oral Solid combinations gathering momentum in the Indian market. Going forward, it intends to launch gSaxenda in H2FY26 and gSemaglutide in FY27. ERIS has also ventured into newer therapies of Vitamins and Bioart (IVF therapy).

Valuations - Healthy product mix and backward integration (80% in-house production), to result in EBITDA Margin increasing to 36-37% in FY26. Factoring in the human insulin market opportunity from H2FY26, our EPS goes up by 7% to 40.8 in FY26 and 1.8% in FY27E to Rs 53.7, resulting in earnings CAGR of 44% from FY25-27E. Due to its high earnings growth trajectory, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17%, thus maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ERIS IN/Rs 1,444
Market cap	US\$ 2.3bn
Free float	29%
3M ADV	US\$ 2.7mn
52wk high/low	Rs 1,594/Rs 816
Promoter/FPI/DII	55%/13%/16%

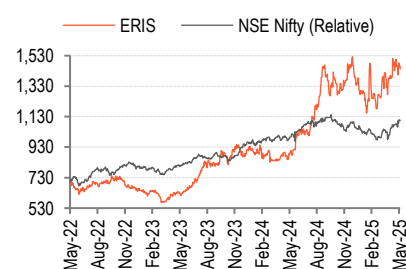
Source: NSE | Price as of 19 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	28,936	35,054	40,331
EBITDA (Rs mn)	10,172	12,619	15,138
Adj. net profit (Rs mn)	3,519	5,548	7,308
Adj. EPS (Rs)	25.9	40.9	53.8
Consensus EPS (Rs)	25.9	40.3	54.3
Adj. ROAE (%)	11.9	17.1	20.0
Adj. P/E (x)	55.7	35.3	26.8
EV/EBITDA (x)	20.4	17.0	14.3
Adj. EPS growth (%)	(10.2)	57.7	31.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financial Highlights

Fig 1 – Financial Summary

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Net Sales	7,053	5,509	28.0	7,275	(3.0)	20,092	28,936	35,054	40,331
Total Expenses	4,529	4,025		4,771		13,343	18,764	22,436	25,192
(%) of net sales	64	73		66		66	65	64	62
Raw material consumed	1,703	1,182	44	1,769	(3.7)	3,800	7,140	5,227	5,216
(%) of net sales	24	21		24		19	25	15	13
Staff cost	1,215	1,025	19	1,254	(3.1)	4,038	5,051	7,666	8,827
(%) of net sales	17	19	(138)	17		20	17	22	22
SG&A	1,612	1,818	(11)	1,749	(7.8)	5,505	6,574	9,543	11,150
(%) of net sales	23	33	(1015)	24		27	23	27	28
EBITDA	2,524	1,484	70.0	2,503	0.8	6,748	10,172	12,619	15,138
Depreciation	773	539	43	812	(5)	1,826	3,155	3,425	3,614
EBIT	1,751	945	85.3	1,691	3.6	4,922	7,017	9,194	11,524
Interest	543	330	64	572	(5)	848	2,313	1,633	1,262
Other Income	80	151	(48)	42	88	238	184	29	18
PBT	1,288	766	68.1	1,162	10.9	4,313	4,888	7,589	10,279
Less: Taxation	265	(30)	(988)	292	(9)	342	1,142	1,746	2,587
Minority Interest/Associate	85	87	(2)	33	158	51	227	295	384
Recurring PAT	938	710	32.2	836	12.1	3,920	3,519	5,548	7,308
Exceptional items	0	0		0		0	0	0	0
Reported PAT	938	710	32.2	836	12.1	3,920	3,519	5,548	7,308
Key Ratios (%)									
Gross Margin	75.9	78.5	(269)	75.7	18	81.1	75.3	85.1	87.1
EBITDA Margin	35.8	26.9	884	34.4	138	33.6	35.2	36.0	37.5
Tax / PBT	20.6	(3.9)	2448	25.2	(458)	7.9	23.4	23.0	25.2
NPM	13.3	12.9	42	11.5	180	19.5	12.2	15.8	18.1
EPS (Rs)	6.9	5.2	32.2	6.2	12.1	28.9	25.9	40.9	53.9

Source: Company, BOBCAPS Research

Earnings Call Highlights

Domestic Branded Formulations

Domestic Base Business - DBF segment delivered a 10% organic growth in Q4 to Rs 5.3bn for the organic base and Rs 730 mn for the Biocon 2 segment, resulting in total DBF sales of Rs 6.02bn.

EBITDA - Base business ex-Biocon clocked an EBITDA margin of nearly 40% — an expansion of over 500 bps YoY.

Biocon –

The Biocon business has delivered 11% organic growth in its first year, post Eris's acquisition, out of which Biocon 1 (Immunology and Nephrology) grew by 30%.

EBITDA - Biocon business, at the time of acquisition, had 19% EBITDA margin and ended FY'25 with 24% EBITDA margin. The EBITDA margin of the Biocon segment in Q4FY25 was 25%+.

Outlook - Look forward to further margin expansion in this segment in the current financial year, on account of insulin and sourcing into our mobile facility.

Insulins –

Reported 21% growth in the insulin power brands, Insulin and Basalog. Rs 3bn reported through organic insulin brands (Xsulin & Xglar).

Basalog and Insugen - Delivered a revenue of Rs 2.42bn, which represents 21% growth after taking a sale loss of Rs38 crores because of RHI shortages.

Outlook - Becoming a dominant player in the insulin space on the back of the best supply agreement with the marquee global insulin players.

Manufacturing - Operations have already commenced at Bhopal for Vials and the cartridges will follow in the later part of the current financial year.

Opportunity in Human Insulin - There is a significant opportunity in the current and subsequent financial year from the disruption in human insulin market. There is a human insulin cartridges market worth more than Rs 4.5bn p.a., in revenue, which is being vacated by the innovator. And Eris is positioned with two large insulin brands with monthly revenue run rate of Rs 230 mn.

Expect to take Rs 2-3 bn per annum of the opportunity starting the H2FY25.

GLP-1

Eris to launch gSaxenda, the first Generic launch in India for Obesity in H1FY26 and all workstreams on schedule to launch Semaglutide in FY27.

Newer Therapies - Have created three new divisions this year, two of

them in the VMN therapy called Rise and Strides with 260 MRs and Bioart with 30-40 MRs, a play in the rapidly growing IVF therapy market.

Swiss Parental

Manufacturing - Swiss has already started manufacturing the portfolio for critical care range in the early start of the financial year and is currently having the validation ongoing for GLP's.

Bhopal Unit

Look forward to commercialise injectable expansion and initiate GLP validation from Bhopal starting Q4FY25.

Priority areas

First priority being anti-diabetes, make sure they are well positioned to leverage the market opportunity in RHI cartridges, secure all building blocks for diabetes therapy, make sure we achieve our regulatory milestones in our Insulin Analogs, GLP pipeline.

On the base business, look forward to scale up the new divisions (VMN and BioArt) and deliver market-leading growth with sustained margin expansion.

On the international side, target securing Anvisa approval for Eris Ahmedabad and Swiss facilities, strengthening CDMO pipeline and commercialise starting Q4FY25.

Guidance

Organic Revenue growth – 15-21% depending on the gains in human insulins to Rs 3.3 – 3.5 bn.

DBF EBITDA Margin at 37% and company level EBITDA Margin of 36% and absolute EBITDA of Rs 1.2 to Rs 1.3 bn.

Consolidated EPS growth of 50% and ROCE of 22% adjusted

Capex of Rs 2bn for FY26

Target net debt to EBITDA ratio of 1.5X by FY26.

Valuation Methodology

ERIS reported a mixed set of numbers where sales were 5% below our estimates. However, EBITDA and PAT were 1%/8% above estimates. SG&A cost rationalisation resulted in EBITDA margin reporting 30 bps above our estimates. This growth was driven by higher traction in domestic branded formulation growth of 25% in 4QFY25, where organic growth was 10%. ERIS has reported higher EBITDA margin, where Domestic Branded Formulation segment margin was 37%, Organic business EBITDA margin was 40% and Biocon's EBITDA margin was 25% (19% margin during acquisition).

Going forward, this growth momentum is expected to continue, primarily driven by human insulin market opportunity of Rs 2-3bn led by Insugen and Xsulinfur and launch of GLP products like gSaxenda in H2FY26 and gSemaglutide in FY27. Healthy product mix and backward integration, where over 80% of the products are to be manufactured in-house, to result in an increase in EBITDA margin to 36-37% in FY26. We also expect healthy business operations to result in Net Debt/EBITDA lowering to 1.3x in FY26.

We factor in human insulin market opportunity from H2FY26; hence our EPS increases by 7% to 40.8 in FY26 and 1.8% in FY27E to Rs 53.7; resulting in earnings CAGR of 44% from FY25-27E. Due to its high earnings growth trajectory, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17% upside, thus retaining BUY.

Fig 2 – Change in Estimates

(Rs mn)	Actual	New		Old		Change (%)	
	FY25	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	28,936	35,054	40,331	34,372	39,580	2.0	1.9
EBITDA	10,172	12,619	15,138	11,924	14,143	5.8	7.0
EBITDA margin (%)	35.2	36.0	37.5	34.7	35.7	(1.3)	(1.8)
EPS (Rs)	25.9	40.8	53.7	38.1	52.8	7.1	1.8

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- a delay in paring debt would impact earnings
- delays in launching/ramping up new products
- weaker supply security of products not manufactured in-house

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	16,851	20,092	28,936	35,054	40,331
EBITDA	5,367	6,748	10,172	12,619	15,138
Depreciation	1,171	1,826	3,155	3,425	3,614
EBIT	4,197	4,922	7,017	9,194	11,524
Net interest inc./(exp.)	(262)	(848)	(2,313)	(1,633)	(1,262)
Other inc./(exp.)	112	238	184	29	18
Exceptional items	0	0	0	0	0
EBT	4,046	4,313	4,888	7,589	10,279
Income taxes	305	342	1,142	1,746	2,587
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(80)	51	227	295	384
Reported net profit	3,822	3,920	3,519	5,548	7,308
Adjustments	0	0	0	0	0
Adjusted net profit	3,822	3,920	3,519	5,548	7,308

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	1,248	2,683	3,324	3,819	4,397
Other current liabilities	966	1,196	2,920	3,484	4,012
Provisions	1,136	1,148	1,471	1,780	2,049
Debt funds	8,767	27,813	24,779	18,779	12,779
Other liabilities	0	0	0	0	0
Equity capital	136	136	136	136	136
Reserves & surplus	21,908	34,443	34,876	38,203	42,974
Shareholders' fund	22,044	34,579	35,012	38,339	43,110
Total liab. and equities	34,160	67,419	67,505	66,201	66,347
Cash and cash eq.	585	14,006	2,870	1,774	1,614
Accounts receivables	2,927	4,220	4,586	4,773	5,496
Inventories	1,314	1,890	3,348	3,341	3,847
Other current assets	3,068	3,675	3,528	4,565	5,256
Investments	367	155	105	105	105
Net fixed assets	3,560	5,046	6,621	5,196	3,582
CWIP	217	197	0	0	0
Intangible assets	22,121	38,229	46,447	46,447	46,447
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	34,160	67,419	67,505	66,201	66,347

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	4,102	5,797	9,996	10,758	11,640
Capital expenditures	(9,723)	(8,643)	(1,508)	(2,000)	(2,000)
Change in investments	4,837	212	50	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(4,886)	(8,431)	(1,457)	(2,000)	(2,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,923	19,046	(3,033)	(6,000)	(6,000)
Interest expenses	(262)	(848)	(2,313)	(1,633)	(1,262)
Dividends paid	(1,269)	(1,586)	(1,903)	(2,221)	(2,538)
Other financing cash flows	(5,547)	(556)	(12,426)	0	0
Cash flow from financing	846	16,056	(19,675)	(9,854)	(9,800)
Chg in cash & cash eq.	62	13,421	(11,136)	(1,096)	(160)
Closing cash & cash eq.	585	14,006	2,870	1,774	1,614

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	28.1	28.9	25.9	40.9	53.8
Adjusted EPS	28.1	28.9	25.9	40.9	53.8
Dividend per share	8.0	10.0	12.0	14.0	16.0
Book value per share	160.5	207.8	227.1	251.6	286.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	11.6	10.0	7.2	6.1	5.4
EV/EBITDA	36.4	29.6	20.4	17.0	14.3
Adjusted P/E	51.3	50.0	55.7	35.3	26.8
P/BV	9.0	6.9	6.4	5.7	5.0

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	94.4	90.9	72.0	73.1	71.1
Interest burden (PBT/EBIT)	96.4	87.6	69.7	82.5	89.2
EBIT margin (EBIT/Revenue)	24.9	24.5	24.3	26.2	28.6
Asset turnover (Rev./Avg TA)	17.3	10.8	11.8	15.0	17.8
Leverage (Avg TA/Avg Equity)	1.3	1.9	2.1	1.8	1.5
Adjusted ROAE	19.6	15.7	11.9	17.1	20.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	25.1	19.2	44.0	21.1	15.1
EBITDA	10.7	25.7	50.7	24.1	20.0
Adjusted EPS	(5.9)	2.6	(10.2)	57.7	31.7

Profitability & Return ratios (%)

EBITDA margin	31.9	33.6	35.2	36.0	37.5
EBIT margin	24.9	24.5	24.3	26.2	28.6
Adjusted profit margin	22.7	19.5	12.2	15.8	18.1
Adjusted ROAE	19.6	15.7	11.9	17.1	20.0
ROCE	17.7	11.1	11.8	15.8	20.4

Working capital days (days)

Receivables	64	77	58	50	50
Inventory	29	35	42	35	35
Payables	27	49	42	40	40

Ratios (x)

Gross asset turnover	1.0	1.0	1.4	1.5	1.6
Current ratio	2.4	4.7	1.9	1.6	1.6
Net interest coverage ratio	16.0	5.8	3.0	5.6	9.1
Adjusted debt/equity	0.4	0.5	0.7	0.5	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

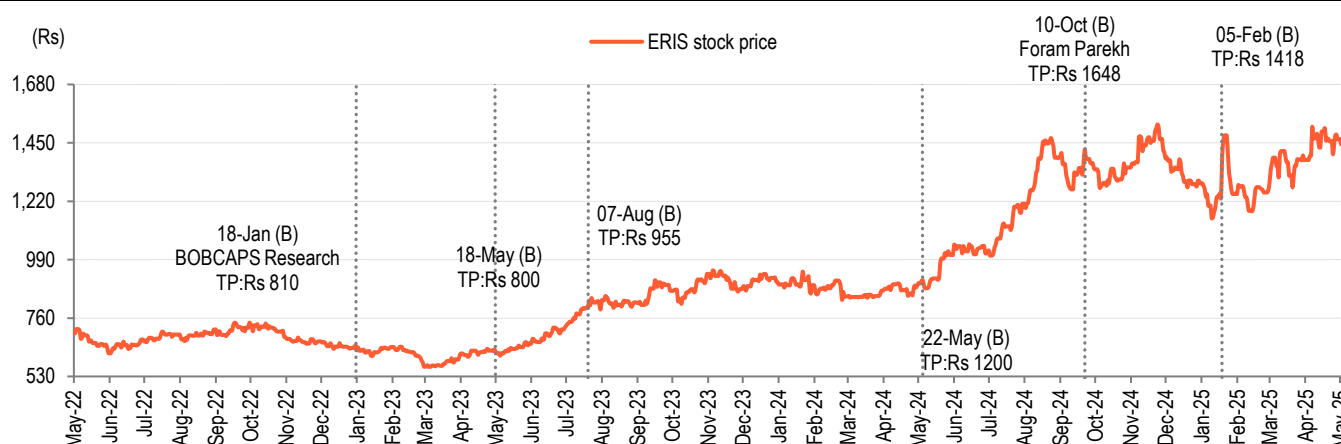
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ERIS LIFESCIENCES (ERIS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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