

Pick of the Day (Short Term Delivery Call)

Company Name: ERIS Lifesciences

NSE code	ERIS
BSE code	540596
Market Cap (Rs Cr)	12,193
Promotor holding (%)	54.9
PE (x)	32.3
Industry PE (x)	31.4
EV/EBITDA (x)	20.9
P/PB (x)	5.06

CMP (Rs): 907 | Buy Range: 890-915 | Target Price: 990 | Upside: 10%

Duration of recommendation: 1 to 3 months

ERIS Lifesciences Ltd is engaged in the bu The company offers 350+ pharmaceutical products/ formulations in the Indian pharmaceutical market. It is a pure-play domestic branded formulations company with no export presencesines

Investment Rationale

Good performance in FY24Q2: Eris's 2QFY24 Sales/EBITDA/PAT grew 9.5%/19.8%/2.5% YoY to Rs. 505 cr/ Rs 181 cr/ Rs 122 cr respectively led by strong performance of company's derma business. Gross margin improved by 430 bps YoY to 81.3%. EBITDA margin increased 300 bps YoY to 36%.

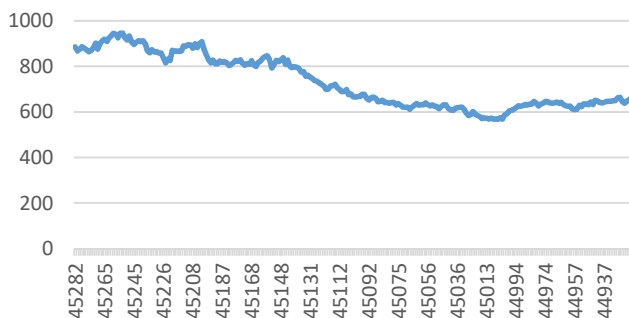
New drugs in Pipeline: Eris has established strong market positions with its brands Zomelis, Gluxit, Glura, and Zayo, taking advantage of opportunities arising from patent expiries. The company aims to capitalize on similar opportunities in the next 2-3 years. In the fourth quarter of fiscal year 2024, Eris plans to introduce Glargine and Liraglutide. Additionally, there are plans to launch new products in the Paediatric, Dermatology, and Cosmetology segments.

Portfolio expansion via acquisitions: In May 2022, Eris acquired Oaknet, and in FY23, it obtained specific brands from Glenmark and Dr. Reddy's Laboratories. The Derma business experienced a 28% year-on-year revenue growth in its first year of operation in FY23, accompanied by an expansion of EBITDA margin from 10% in FY22 to 24% in FY23. In November 2023, Eris further expanded its portfolio by acquiring the Nephrology and Dermatology businesses of Biocon Biologics for Rs. 366 crore. Eris plans to continue seeking valuable and complementary businesses to support its organic growth initiatives in

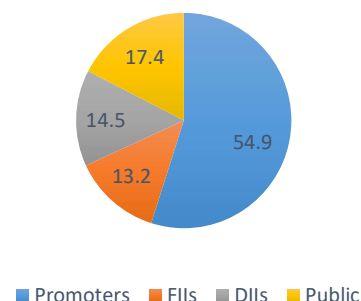
Reasonable Valuation: Eris trades at an EV/EBITDA multiple of 20.9x, which is lower than industry peers such as Torrent Pharma, Gland Pharma, & Ajanta Pharma. Stock's P/E is 32.3 while the industry P/E is 31.4, but it is justified with new drug launches, margin improvement, & acquisition of Biocon's Nephrology and Derm.

Key risks: Delay in launch of new drugs; adverse policy decision on fixed dose combination drugs; inclusion of company's drugs into the NLEM that carry a price cap.

Price Performance



Shareholding Pattern



Disclosure:

We, research team at Share India Securities Ltd. (SISL), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SISL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

We state that Research Analyst or his/her relative or SISL may have any financial interest in the subject company. Also Research Analyst or his relative or SISL or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.

Further, Research Analyst or his relative or SISL or its associate a) does not have any material conflict of interest at the time of publication of the research report; b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; c) has not received any compensation for investment banking or merchant banking or brokerage services or for any other product/s or service/s or for any other reason whatsoever from the subject company in the past twelve months; d) has not received any compensation or other benefits from the subject company or third party in connection with the research report; e) has not served as an officer, director or employee of the subject company; and f) has not been engaged in market making activity for the subject company.

SISL is a SEBI Registered Research Analyst having registration no. INH100005011.

Disclaimer:

This report has been prepared by SISL and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable.

Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject SISL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of SISL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. SISL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mainland/or its attachments.

SISL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SISL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SISL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange Limited (ICEX) and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.:INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN - L67120GJ1994PLC115132].