

Retail Equity Research (South India Focus)

Strides Pharma Science Ltd

Pharmaceuticals

BSE CODE : 532531 NSE CODE: STAR
 BLOOMBERG CODE: STR:IN SENSEX : 51,849

Buy

12Month Investment Period

Rating as per Small Cap

CMP Rs. 758 TARGET Rs.936 RETURN 24% ↑
 (Closing: 02-06-21)

KEY CHANGES:
TARGET ↓

RATING ↑

EARNINGS ↓

Strong growth across geographies..

Strides Pharma Science (STAR) is an R&D focussed, vertically integrated pharmaceutical company with an experienced management team having presence across multiple therapeutic segments.

- Strides revenues in Q4FY21 grew by 47% YoY to Rs.908 cr during the quarter with sales growth in the regulated markets and emerging markets.
- The emerging markets grew by 107% YoY with growth in institutional biz. driven by TDL.
- The company announced its partnership with TLC to launch Amphotericin B Liposome for Injection 50mg.
- We expect a revenue CAGR of 15% over FY21E-FY23E on the back of strong existing product portfolio, new product basket to aid COVID treatment and strengthening of front-end presence.
- Hence, we upgrade our rating from "Accumulate" to "Buy" based on 16x FY22E EPS and target price of Rs.936.

Healthy performance amidst tough environment

Strides Q4FY21 revenue grew by 47% YoY to Rs.908 Cr. during the quarter with robust sales growth, strong bounce-back of the emerging markets (+107% YoY to Rs. 212 Cr.) and a well-diversified regulated business cutting across multiple geographies. The US market witnessed a growth of 46% YoY in the quarter driven by leveraging existing regulated markets portfolio, new product launches and by building front-end presence. However, in FY21, the company witnessed increased operating expense associated with logistics and increased price erosion in certain products. The growth in the institutional business was driven by TDL, which was commercialized in H2FY21 along with Africa delivering healthy performance with a sharper focus on supply chain execution. Since FY20, the company has received 16 ANDAs approval in the US and has filed 11 ANDAs. In the other regulated markets, the company has filed 18 products and received 16 new product approvals in the current fiscal.

Stelis concludes US\$195m Series B and Series C fund raise

Post completion on Series C fund raise, Strides will de-merge and is to hold 33% (Pre-ESOP) in Stelis with its investment valued at US\$116m. Stelis Biopharma signed its first vaccine supply contract partnering with Russian Direct Investment Fund (RDIF) to supply 200 million doses of the Sputnik V vaccine. The validation batches of Sputnik commenced in late May from the company's newly commissioned facility with expectations of a large-scale facility to be in track by July despite COVID headwinds. The product is expected to be in the market by October while there are on-going discussions to partner with other global vaccine developers for manufacturing services.

TLC and Strides partner to launch Liposomal Amphotericin B in India

Taiwan Liposome Company received approval from Central Drug Standard Control Organization of India to launch Amphotericin B Liposome for Injection 50mg. The product is to be manufactured in Taiwan, imported by Stelis Biopharma and distributed in India by Strides Pharma Science Ltd. With the soaring number of COVID-19 infections, the number of COVID-19 associated Mucormycosis (CAM) cases has also been on the rise. The launch is expected to alleviate the shortage of Liposomal Amphotericin B due to this sudden surge.

Outlook and valuation

Despite lower footfalls at pharmacies and lower elective surgeries across geographies, Strides pharma posted strong numbers in Q4FY21 owing to a gain in market share due to its unique product portfolio. The launch of Amphotericin B Liposome and the Sputnik vaccination rollout along with new product launches showcase healthy growth prospects for the company. Although the increase in operating expenses is likely to remain in the short-term, strong order book and volume traction will improve margins in the long-term. Hence we upgrade our rating from "Accumulate" to 'Buy' with a rolled forward target price of Rs.936 based on 16x FY23E EPS.

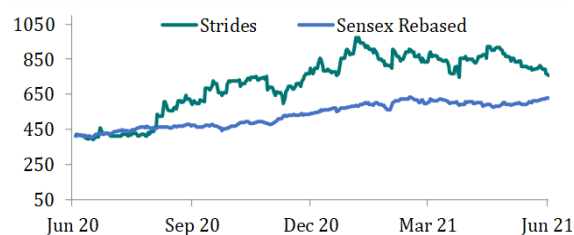
Company Data

Market Cap (Rs cr)	Rs.6,843
Enterprise Value (Rs cr)	Rs.8,817
Outstanding Shares (cr)	9.1
Free Float	70.3
Dividend Yield	1.6%
52 week high (Rs)	Rs.1,000
52 week low (Rs)	Rs.388
6m average volume (cr)	0.03
Beta	0.9
Face value (Rs)	Rs.10

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	29.7	29.7	29.7
FPI's	26.9	25.2	24.8
MFs/Institutions	15.4	16.6	16.1
Public	28.0	28.5	29.4
Total	100.0	100.0	100.0

Price Performance	3 month	6 month	1 year
Absolute Return	-12.5%	-4.7%	85.1%
Absolute Sensex	2.0%	15.0%	53.3%
Relative Return*	-14.5%	-19.7%	31.8%

*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	3,316	3,797	4,361
Growth (%)	20.5	14.5	14.9
EBITDA	627	695	894
EBITDA Margin(%)	18.9	18.3	20.5
PAT Adj.	184	341	524
Growth (%)	64	85	53
Adj.EPS	21	38	59
Growth (%)	64	85	53
P/E	37.2	20.1	13.1
P/B	2.5	2.2	1.9
EV/EBITDA	13.7	12.0	9.1
ROE (%)	7.0	11.6	15.7
D/E	0.6	0.5	0.4

Quarterly Financials (Consolidated)

(Rs cr)	Q4FY21	Q4FY20	YoY Growth (%)	Q3FY21	QoQ Growth (%)	FY21	FY20	YoY Growth (%)
Sales	908	619	46.9	832	9.2	3,315	2,752	20.5
EBITDA	159	84	90.5	160	(0.1)	627	535	17
EBITDA margins %	17.5	13.5	(400)bps	19	(170)bps	19.4	18.9	50bps
Depreciation	52	45	14.5	53	(1.23)	206	174	18.8
EBIT	108	38	182	107	1.3	420	361	16.35
Interest	42	40	3.2	35	20.2	150	156	(3.6)
Other Income	13	18	(26.3)	13	-	51	53	(3.2)
Exceptional Items	-0.9	-170	(99.4)	-14	(93.21)	43	-77	(1.5)
PBT	76.7	-173.1	-	73	5.37	357	162	120.16
Tax	11.5	-10.5	-	11	(7.38)	32	11	180.5
Share of profit from Associate	(19.8)	(44.78)	-	(27)	-	(97.8)	(107.2)	-
Reported PAT	46	-207	-	35	30	228	44	423.2
Adjustments	0.92	170.1	-	14	-	(43.4)	77.7	-
Adj PAT	47	-37	-	49	(4.5)	184	121	52
No. of Shares	9	9	-	9	-	9	9	-
Adj EPS (Rs)	5.2	-4.1	-	4.2	24.6	20.6	13.5	52.5

Change in Estimates

Year / Rs Cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	3,621	4,163	3,797	4,361	4.8%	4.7%
EBITDA	724	853	695	894	-4.0%	4.8%
Margins (%)	20.0	20.5	18.3	20.5	-170 bps	-
Adj. PAT	409	542	341	524	-16.6%	-3.3%
EPS	46	61	38.1	58.5	-17.1%	-4.0%

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Sales	3,012	2,752	3,316	3,797	4,361
% change	6.1	(8.6)	20.5	14.5	14.9
EBITDA	457	535	627	695	894
% change	14.9	17.1	17.2	10.8	28.7
Depreciation	220	174	206	223	231
EBIT	237	361	421	471	663
Interest	205	156	150	145	129
Other Income	45	53	51	52	68
PBT	74	162	357	379	602
% change	(24.0)	118.5	130.5	6.0	58.9
Tax	13	11	32	38	78
Tax Rate (%)	18%	7%	9%	10%	13%
Reported PAT	283	43	228	341	524
Adj.*	-271	78	-43	0	0
Adj. PAT	12	121	184	341	524
% change	(12)	269	64	85	53
No. of shares (cr)	9	9	9	9	9
Adj EPS (Rs)	1	14	21	38	59
% change	(12)	269	64	85	53
DPS (Rs)	2	3	3	3	3

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	517	237	180	202	230
Account Receivable	987	932	1107	1248	1434
Inventories	871	783	1201	1239	1369
Other Cur. Assets	205	478	604	728	836
Investments	779	622	766	866	966
Gross Fixed Assets	1,285	1490	1696	1846	1996
Net Fixed Assets	1037	1069	1069	995	914
CWIP	102	148	228	100	100
Intangible Assets	2934	975	1099	1049	999
Def. Tax (Net)	12	178	152	152	152
Other Assets	570	710	565	598	634
Total Assets	8,013	6,131	6,968	7,178	7,634
Current Liabilities	1195	1171	1556	1652	1712
Provisions	184	189	192	125	143
Debt Funds	1806	604	883	783	683
Other Liabilities	467	343	501	570	654
Equity Capital	90	90	90	90	90
Reserves & Surplus	2732	2438	2687	2998	3491
Shareholder's Fund	2822	2527	2776	3087	3581
Total Liabilities	8,013	6,131	6,968	7,178	7,634
BVPS	315	282	310	345	400

CASH FLOW

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	294	343	496	602	833
Non-cash adj.	-105	-46	95	-141	-185
Changes in W.C	-119	-326	-328	-208	-364
C.F. Operation	223	205	481	290	409
Capital exp.	-26	-150	-297	-150	-150
Change in inv.	-68	1430	-200	-50	-50
Other invest.CF	-7	55	16	-34	-36
C.F - Investment	-101	1306	-521	-106	-236
Issue of equity	255	69	3	0	0
Issue/repay debt	235	-1459	339	-230	-230
Dividends paid	-20	-35	-18	-30	-30
Other finance.CF	767	-79	-249	0	0
C.F - Finance	112	-1709	-16	-161	-145
Chg. in cash	328	-198	-55	22	28
Closing cash	517	237	180	202	230

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	15.2	19.4	18.9	18.3	20.5
EBIT margin (%)	7.9	13.1	12.7	12.4	15.2
Net profit mgn.(%)	0.4	4.4	5.6	9.0	12.0
ROE (%)	0.5	4.5	7.0	11.6	15.7
ROCE (%)	8.4	14.3	15.1	15.3	18.5
W.C & Liquidity					
Receivables (days)	113	127	112	113	112
Inventory (days)	86	110	109	117	109
Payables (days)	103	91	78	85	83
Current ratio (x)	2	2	2	2	2
Quick ratio (x)	1.3	1.0	0.8	0.9	1.0
Turnover & Leverage					
Gross asset T.O (x)	2.9	2.0	2.1	2.1	2.3
Total asset T.O (x)	0.4	0.4	0.5	0.5	0.6
Int. covge. ratio (x)	1.2	2.3	2.8	3.3	5.2
Adj. debt/equity (x)	1.1	0.7	0.6	0.5	0.4
Valuation					
EV/Sales (x)	3.1	3.1	2.6	2.2	1.9
EV/EBITDA (x)	20.8	15.8	13.7	12.0	9.1
P/E (x)	643.9	64.0	37.2	20.1	13.1
P/BV (x)	2.7	2.7	2.5	2.2	1.9

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
9 th August 2018	Buy	480
15 th Nov 2018	Accumulate	507
31 st January 2019	Buy	530
15 th May 2019	Reduce	401
16 th August 2019	Reduce	391
17 th March 2020	Hold	357
26 th May 2020	Accumulate	485
7 th August 2020	Accumulate	621
2 nd November 2020	Accumulate	813
6 th February 2021	Accumulate	1,029
3 rd June 2021	Buy	936

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.



JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL - Software Solutions provider), Geojit Credits Private Limited (GCPL - NBFC Services provider), Geojit Investment Services Limited (GISL - Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company. (b) Have not managed or co-managed public offering of securities for the subject company. (c) Have not received any compensation for investment banking or merchant banking from the subject company. However, the subject company is a client of ours, who is provided with broking services for which we charge brokerage/commission. We also has a B2B arrangement with the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report. (f) The subject company is / was a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that, Sheen G, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange board of India.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

