PHARMACEUTICALS Sun Pharma ₹845.40

Continue with prescription

Offers a decent hedge with growth drivers amidst uncertain times

SAI PRABHAKAR YADAVALLI BL Research Bureau

As investors brace for the third wave of the pandemic, defensive stocks can be in focus again led by pharmaceuticals which provide earnings visibility and Covid-19 therapies. Even as valuations are not cheap across the board, Sun Pharma is poised to offer a structural growth story differentiating itself from other pharma stocks. Sun Pharma's various initiatives over the last five years are beginning to bear fruit and the valuations have captured the shift. But with different growth levers, the stock is still a good one to hold for the long-term.

Branching into speciality products, Sun Pharma now has achieved a critical mass of 5-6 products in this segment, which may support the division's growth from hereon. Also, by operating on the lucrative side of the patent regime, speciality products may not face the same pricing challenges as other Indian pharma companies. Sun

Pharma's flagship speciality product, Ilumya is now marketed across US, and also Australia, Europe, Japan, and Canada, leveraging its investment over its geographical base or with partner-

ships. This, combined with a strengthened India sales team, can sustain the revenue momentum. The company's EBITDA margin can scale back to 26-28 per cent range achieved earlier, based on revenue growth and good operating leverage.

Key segments

Sun Pharma's US formulations breached US\$ 2 billion in revenues in FY16 and has since been on a gradual decline clocking \$1.3 billion in FY21, as price erosion took its toll. But driven by speciality sales, Sun Pharma can be expected to breach that mark again by FY24. Approval for additional indication for Ilumya can be a positive surprise.

Going by H1FY22, Sun Pharma's US revenue of \$740 million is from US generics (29 per cent), Taro (38 per cent) and speciality sales (33 per cent - assuming US accounts for largest portion of global speciality). Contribution from speciality sales improved from 21 per cent two vears earlier.

Specility products are those with patent protection, in Sun Pharma's context. The speciality portfolio consists of Odomzo, Levulan, Absorica, Ilumya, Cequa and Winlevi with the latter three being latest entrants, of which Winlevi was in-licensed in 2021.

The most prominent Ilumya (tildrakizumab), is a biologic in-licensed from Merck in 2014 and approved for moderate to severe plaque psoriasis.

Plaque psoriasis is close to US\$ 10 billion crowded market currently accommodating 11 products across old generation biologics and new pathways including Ilumya. Ilumya has beaten Enbrel (old generation) in head-to-head trials.

In its own class, Ilumya may be without a significant edge in efficacy but scores on treatconvenience longer-term efficacy. Ilumya reported sales of \$143 million in FY21 (52 per cent YoY growth). Even after being impacted by pandemic in rampup stage, Sun Pharma reported 70 per cent annualized

growth in Sep-21. Sun Pharma's first experience in competing against Big pharma and their flagship products (JNJ's Tremfya, Ab-Humira, vartis'Cosentyx and so on) maybe an uphill battle. But even garnering a mid-single digit market share in a postbiologics, moderate to severe psoriasis market may imply a \$750 million market (in US) by 2024, with pricing rebates at 50 per cent.

Sun Pharma's ramp up in Iiumva post-Covid interruptions, will be a key monitorable in its march towards speciality dominated portfolio. Psoriatic arthritis is another indication Sun Pharma is exploring with Ilumya, the trial of which has been slowed owing to Covid related delays clinical

on-boarding. Cequa also comwith petes products of established players Restasis (Allergan) and Xiidra (Novartis) in a multi-billion mar-

ket. Cequa's prospects may face impending generic competition as Restasis looses patent protection, but additional studies in Cequa's benefit profile may support a stronger launch trajectory. Cequa faced pandemic disruption in even earlier stage of ramp and yet reported 100 per cent annualised growth in Sep-21.

Sun Pharma's sales portfolio in general dermatology segment carries Levulan, Ilumya, Absorica. It has now added Winlevi for acne.

Launched in US in O3FY21. the product has high expectations of peak sales ranging north of US\$ 150 - 200 million by FY25 as per analysts.

This would be before double-digit royalties on sales milestone related payouts..

US generics and Taro (acquired in 2010) have faced strong price competition in US, especially Taro. The pandemic imposed further impact on Taro which has a large dermatology product base. The generics portfolio on

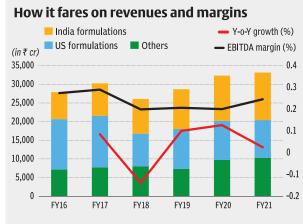
the other hand, is expected to be bolstered by a strong suite of pipeline including 13 advanced filings, a recently launched product with a 180day exclusivity and generic Revlimid with unknown terms of launch but high expectations.

Sun Pharma expects a product wise but consistently high competition in US generics, stressing the importance of its speciality portfolio.

Financials and valuation

India business accounting for 31 per cent of revenues reported Q2FY22 sales growth of 26 per cent with only a 2 per cent contribution from Covid port-

Sun Pharma has refocused on this segment and is reflected in the improving market share of the leader and a 10 per cent increase in field staff.



A glimpse of speciality products

A gillipse of speciality products					
Brand name	Indication	Patent status			
Odomzo	Recurring basal cell carcinoma	2029			
Levulan	Treatment for scaly skin	2038			
Absorica	Severe acne	Expired recently; tough competition			
Ilumya	Moderate-to-severe plaque psoriasis	Approved in 2018			
Cequa	Dry eye	2033			

The higher strength in a market that normally grows at 10 per cent, is expected to translate into even higher growth for Sun Pharma which focusses on product launches (28 launched in Q2FY22 alone)

in-licensing opportunities.

Sun Pharma reported sales growth of 2.5 per cent in FY21 of ₹33,139 crore. In the buildup phase of FY18-20, the margins were impacted by higher

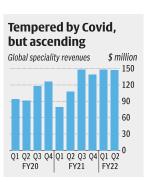
R&D expenses, under-leveraged sales force (new additions in India and US), a high direct to consumer (DTC) campaign cost in US (Ilumya and Cequa) apart from higher price erosion in US. The asset base can now generate optimal returns even as R&D and DTC campaigns remain, but lower than earlier peaks. Sun Pharma is reporting an average EBITDA margin of around

25 per cent in the last one year, which is more than the 20 per cent reported in FY18-20.

The stock is trading at 25 times FY23 expected earnings (Bloomberg consensus), which is closer to its historical higher range.. But from owning the stock at such levels, the potential long term re-

wards can outweigh the risks, in the form of a strong ramp up in the US and India. The pricing power from spe-

ciality laden portfolio (within sector) and a possible uptick in Covid portfolio (approved for generic molnupiravir) are factors which may weigh positively in the short-term, as well..



EMERALD JEWEL INDUSTRY INDIA LIMITED

CIN: U03691TZ2004PLC011255

Regd. Office: 230, Thiruvenkatasamy Road (East), R.S. Puram, Coimbatore - 641 002, India. Phone: 0422- 4222200/88707 21133, Fax: 0422- 2555560. E-Mail: investorrelations@ejindia.com

Web site: www.ejindia.com

INVITES FIXED DEPOSITS									
FIXED DEPOSIT SCHEMES									
SCHEME 'A' (Non-Cumulative)		SCHEME 'B' (Cumulative)							
Period	Rate of interest per Annum (%) Payable Quarterly	Amount payable on Maturity (Rs.)	Effective Annual Yield (%)						
1 Year 7.00%		1 Year	7.00%	10,000	10719	7.19%			
2 Years	7.25%	2 Years	7.25%	10,000	11545	7.73%			
3 Years	3 Years 8.00% 3 Years 8.00% 10,000 12682 8.94%								
Deposits will be Accepted / Renewed in multiples of ₹.1,000/- subject to a minimum of ₹.10,000/- for Scheme 'A' and Scheme 'B'.									

FORM DPT - 1

CIRCULAR OR CIRCULAR IN THE FORM OF ADVERTISEMENT INVITING DEPOSITS

[Pursuant to section 73 (2) (a) and section 76 and rule 4(1) and 4(2) of the Companies (Acceptance of Deposits) Rules, 2014]

The circular or circular in the form of advertisement shall contain the following: 1. GENERAL INFORMATION:

A. Name, Address, Website and other contact details of the Company: Name : Emerald Jewel Industry India Limited

: U03691TZ2004PLC011255 Address: 230, Thiruvenkatasamy Road (East), R.S.Puram, Coimbatore-641 002

Website : www.ejindia.com Phone : +91 422 4222200 Fax : +91 422 2555560 E-Mail: investorrelations@ejindia.com

B. Date of Incorporation of the Company: 27th July, 2004

C. (i) Business carried on by the Company.

The Company is engaged in manufacturing, trading, import, export of gold, silver, platinum and Diamond Jewellery and other precious metals and the Company is engaged in the business of selling of Gold, Silver, Diamond and Platinum Jewellery through its retail outlets across Tamilnadu, Pondicherry.

(ii) Subsidiaries and Units of the Company

1. Subsidiaries:

a. Indiania Jewellery Company Private Limited

The Company engaged in the business of trading in Gold Bullions.

b. Emerald Jewellers DMCC, Dubai (Foreign Company (Wholly owned

The Company engaged in the business of Wholesale trading of Gold/Silver/ Diamond Jewellery.

Unit-I : 300, 301/1A,1B, Mettupalayam Road, N.S.N.Palayam, Coimbatore, Tamil Nadu-641031 Unit-II : 817, Sullivan Street, Coimbatore, Tamil Nadu, 641 001

Unit-IV: 460,461/1,462/1C,462/2A, Kathirnaickenpalayam Road, Thoppampatti Post,

Coimbatore, Tamil Nadu -641 017 D. Brief particulars of the management of the Company:

The Company is managed by the Chairman and Managing Director, Joint Managing Director, and a team of professional Managers, subject to the Superintendence, control and Directions of the Board of Directors.

F Names addresses DIN and occupations of the Directors

SL. NO	NAME AND ADDRESS	DIN	OCCUPATION
1	Mr. K. SRINIVASAN 12 & 13, Father Randy Street, R.S. Puram, Coimbatore 641 002.	00022753	Business
2	Mrs. SHAKTHI SRINIVASAN 12 & 13, Father Randy Street, R.S. Puram, Coimbatore 641 002.	00022792	Business
3	Mr. G.K. VENKATAGOPAL B-56, Sreevatsa Gardens, Mettupalayam Road, Thudiyalur, Coimbatore 641 034.	00022835	Service
4	Mr.DHIAAN SHAKTHI SRINIVASAN 12 & 13, Father Randy Street, R. S. Puram, Coimbatore 641 002.	03363397	Business
5	Ms. S. NISHTA SHRI 12 & 13, Father Randy Street, R. S. Puram, Coimbatore 641 002.	07412463	Business
6	Mr. R. VENKATESAN 50, Arogyaswamy Road West, R. S. Puram, Coimbatore 641 002.	01980254	Advocate
7	Mrs. R. RENUKADEVI 453, Indira Colony, W. No:3, Palladam, Semmipalayam Post, Coimbatore – 641 662	06497153	Company Secretary in Practice
8	Mr. RAMAKRISHNA SUNDER Flat No: 404, Building N-2, Allura Hills and Dales Phase-3. Near Bishops School, Undri, Pune-411060	08687870	Management Consultant

F. Management's perception of risk factors:

•The Company is one of the leading Jewellery manufacturers in India. The net worth, revenues from operations and cash flows of the Company are strong enough to meet any repayment liability. •The Company is operating in a Competitive environment both in organised/unorganised sectors of the

•Gold price volatility and its adverse impact on margins.

•Inherent limitation in the industry due to change in taste and fashion preferences.

G. Details of default, including the amount involved, duration of default and present status,

i) Statutory dues	Nil
,,	
ii) Debentures and interest thereon	Nil
iii) Loan from any bank or financial institution and interest	
thereon.	Nil

2. PARTICULARS OF THE DEPOSIT SCHEME:

a. Date of Passing of board resolution: 21.10.2021

b. Date of passing of resolution in the General Meeting authorizing the invitation of such deposits: 29.12.2018 c. Type of deposits i.e.whether secured or unsecured: Unsecured

Amount (₹ In Lakhs) **Particulars** Amount which the company can raise by way of deposits as per the Act and the rules made 10% of the aggregate of the paid-up capital, free reserve and securities premium account 6375.21 from its members: 25% of the aggregate of the paid-up capital free reserve and securities premium account from Public: The aggregate of deposits actually held on the last day of the immediately preceding financial The Aggregate of deposits actually held on the date of issue of the Circular or advertisement; (as on 21.10.2021) 431.99 4 Amount of deposits proposed to be raised; 10.000 Amount of deposits repayable within next twelve months; (FY 2021-22)

e. Terms of raising of deposits:

1. Duration: Deposits are proposed to be accepted for a term of 1 year, 2 years and 3 years.

erest:		Scheme 'A'	
	One Year	Two Years	Three Years
	7.00%	7.25%	8.00%
	Simple intere	st rate as applicable Scheme 'B'	and paid quarterly.
	Simple intere		and paid quarterly. Three Years
	<u> </u>	Scheme 'B'	

3. Mode of Payment and Repayment:

Cheque/Demand Draft/NEFT/RTGS 1 Mode of Payment 2 Mode of Repayment Cheque/Demand Draft/NEFT/RTGS

f. Proposed time schedule mentioning the date of The Scheme shall be opened after 30 days from its date of opening of the Scheme and the time period for filing with Registrar of Companies. This circular is being issued which the circular or advertisement is valid;

to continue to accept subscriptions during the the balance period of FY2021-22 & till the date of publication of the New circular in FY 2022-23. This circular shall be valid till 30.09.2022 or the date of the Company's AGM in 2022, Whichever is earlier. To facilitate working capital requirements of the Company.

g. Reasons or objects of raising the deposits; h. Credit Rating Obtained;

I. Name of the Credit Rating Agencies

II. Rating obtained III. Meaning of the rating obtained Stable

IV. Date on which rating was obtained Short Particulars of the charge created or to be created for securing such deposits, if any;

Any financial or other material interest of the directors, promoters or key managerial personnel in such deposits and the effect of such interest in so far as it is different from the interests of other persons:

: CRISIL LIMITED

: 03.06.2021

Not Applicable

Company does not propose to pay differential interest to any person placing deposit with the Company if the directors, Promoters Key Managerial Personnel have placed any deposit or if any deposit is placed by any such person, the applicable rate of interest would be as per the prevalent Scheme.

3. DETAILS OF ANY OUTSTANDING DEPOSITS: (₹. in Lakhs)

	a.	Amount Outstanding as on 31.03.2021	569.39
ſ	b.	Date of Acceptance	On various dates
	C.	Total amount accepted	290.96 (during the FY 2020-21)
	d.	Rate of Interest	9%, 9.5%, 10.00%
	e.	Total Number of Depositors as on 31.03.2021	178
	f.	Default, if any, in repayment of deposits and payment of interest thereon, if any, including number of depositors, amount and duration of default involved	Nil
	g.	Any waiver by the depositors, of interest accrued on deposits	Nil

4. FINANCIAL POSITION OF THE COMPANY:

Dividend declared (%

Liabilities

Current

Total:

Interest Coverage Ratio

a. Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of issue of circular or advertisement:

Year	Profit Before Tax (₹. in Lakhs)	Profit After Tax (₹. in Lakhs)
2018-19	5,533.04	5,223.63
2019-20	9,511.26	6,271.55
2020-21	10,889.82	9,153.35

coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid); Year 2018-19 2019-20 2020-21 72%

80%

75%

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C.	A summary of the financial position of the company as in the three audited Balance Sheets immediately preceding the date of issue of Circular or advertisement: (₹. in Lakhs)							
	Liabilities	As on 31st March 2021	As on 31st March 2020	As on 31st March 2019	Assets	As on 31st March 2021	As on 31st March 2020	As on 31st March 2019
	Equity Share Capital	838.95	838.95	827.30	Non- Current Assets	44120.83	43770.39	44567.17
	Reserves &Surplus	64332.10	55545.89	50582.00	Current Assets	118324.20	88948.36	88441.97
	Non- Current	13228.83	8001.12	7129.50				

d. Audited Cash Flow Statement for the three years immediately preceding the date of issue

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162445.03 132718.75 133009.13

of circular or advertisement: (₹. in Lakhs) **Particulars** 31.03.2021 31.03.2020 31.03.2019 Cash flow from operating activities (671.75)(137.52)2,093.42 84.98 (2,855.33) Cash flow from investing activities (3792.71)Cash flow from financing activities 5262.31 2.46 601.31 Net increase/(decrease) in cash 797.85 (49.07)(160.60)and cash equivalents

e. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company:

The financial statements of the Company are prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 read with section 133 of the Companies Act, 2013 with effect from 01.04.2018

5. DECLARATION BY THE DIRECTORS THAT-

a. the company has not defaulted in the repayment of deposits accepted either before or after the commencement of the Act or Payment of interest on such deposits and where a default had occurred, the company made good

the default and a period of five years had lapsed since the date of making good the default: b. the board of directors have satisfied themselves fully with respect to the affairs and prospects of the company and that they are of the opinion that having regard to the estimated future financial position of the company, the company will be able to meet its liabilities as and when they become due and that the company will not

become insolvent within a period of one year from the date of issue of the circular or advertisement; c. the company has complied with the provisions of the Act and the rules made thereunder;

d. the compliance with the Act and the rules does not imply that repayment of deposits is guaranteed by the Central Government; e. the deposits accepted by the company before the commencement of the Act have been repaid or will be

repaid along with interest within due date in accordance with rule 19 of Acceptance of Deposits Rules, 2014;

In case of any adverse change in credit rating, depositors will be given a chance to withdraw deposits without any penalty; g. the deposits shall be used only for the purposes indicated in the Circular or Circular in the form of Advertisement; h. the deposits accepted by the company (other than the secured deposits, if any, aggregate amount of which to be indicated) are Unsecured and rank pari passu with other unsecured liabilities of the Company.

Note: The text of this advertisement has been approved by the Board of Directors of the Company in their meeting held on 21.10.2021. A copy of this advertisement signed by a majority of the Directors of the Company, will be filed with the Registrar of Companies, Coimbatore as required by the Companies (Acceptance of Deposits) Rules, 2014 as amended. The advertisement is issued on the authority and in the name of Board of Directors of the company.

Place: Coimbatore Date: 21-10-2021

By Order of Board **Emerald Jewel Industry India Limited** Mr.G.Karthik - Company Secretary

Auditor's Certificate on DPT-1

We, M/s. B. Thiagarajan & Co., Statutory Auditors of M/s Emerald Jewel Industry India Limited (" the company") having its registered office at 230, Thiruvenkatasamy Road (East), R. S. Puram, Coimbatore, Tamilnadu - 641 002, do hereby certify that the Company has not committed default in the repayment of deposits or in the payment of interest on such deposits accepted either before or after payment of interest on such deposits accepted either before or after the commencement of the Companies Act, 2013.

The aforesaid certification has been made on the basis of our examination of books of accounts, other secretarial records and other information and explanations given to us in this regard. Place : Chennai M/s. B. Thiagarajan & Co., D. Aruchamy Statutory Auditors - Firms Registration No: 004371S Date: 21-10-2021 Partner - Membership Number: 219156