

PHARMACEUTICALS Sun Pharma ₹845.40

Continue with prescription

Offers a decent hedge with growth drivers amidst uncertain times

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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 partnerships. 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 HIFY22, 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 years earlier.

Speciality 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 treatment convenience and longer-term efficacy. Ilumya reported sales of \$143 million in FY21 (52 per cent YoY growth). Even after being impacted by pandemic in ramp-up 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, Abbvie's Humira, Novartis's Cosentyx and so on) maybe an uphill battle. But even garnering a mid-single digit market share in a post-biologics, 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 Ilumya 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 in clinical site on-boarding.

Cequa also competes with key products of established players - Restasis (Allergan) and Xidra (Novartis) in a multi-billion market.

Cequa's prospects may face impending generic competition as Restasis loses 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 Q3FY21, 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 and 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 180-day 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 portfolio.

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.

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)

and in-licensing opportunities.

Sun Pharma reported sales growth of 2.5 per cent in FY21 of ₹33,139 crore. In the build-up 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 speciality 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.

Tempered by Covid, but ascending



EMERALD JEWEL INDUSTRY INDIA LIMITED

CIN : U03691TZ2004PLC011255

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INVITES FIXED DEPOSITS

FIXED DEPOSIT SCHEMES

SCHEME 'A' (Non-Cumulative)			SCHEME 'B' (Cumulative)			
Period	Rate of interest per Annum (%) Payable Quarterly	Period	Rate of interest per Annum (%) Compounded Quarterly	Minimum amount of Deposit (Rs.)	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	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
CIN : U03691TZ2004PLC011255
Address : 230, Thiruvengatasamy 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. **India Jewellery Company Private Limited**
The Company engaged in the business of trading in Gold Bullions.
- b. **Emerald Jewellers DMCC, Dubai (Foreign Company (Wholly owned Subsidiary)).**
The Company engaged in the business of Wholesale trading of Gold/Silver/ Diamond Jewellery.

2. Units

- 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, Kathiramaickenpalayam 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.

E. 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. NISHITA 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 M-2, Altura 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 industry.
- 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, in repayment of-

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

Sl. No	Particulars	Amount (₹ in Lakhs)
1	Amount which the company can raise by way of deposits as per the Act and the rules made thereunder; 10% of the aggregate of the paid-up capital, free reserve and securities premium account from its members; 25% of the aggregate of the paid-up capital, free reserve and securities premium account from Public;	6375.21
2	The aggregate of deposits actually held on the last day of the immediately preceding financial year;	569.39
3	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
5	Amount of deposits repayable within next twelve months; (FY 2021-22)	150.85

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.
- 2. Rate of Interest:

Scheme 'A'		
One Year	Two Years	Three Years
7.00%	7.25%	8.00%

Simple interest rate as applicable and paid quarterly.

Scheme 'B'		
One Year	Two Years	Three Years
7.00%	7.25%	8.00%

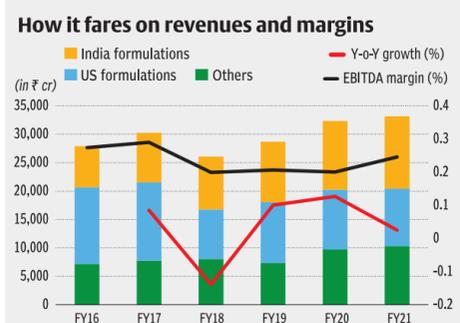
Interest will be compounded quarterly and paid at the time of maturity.

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, Thiruvengatasamy 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 Date : 21-10-2021 M/s. B. Thiagarajan & Co., Statutory Auditors - Firms Registration No: 004371S D. Aruchamy Partner - Membership Number : 219156



A glimpse 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