

दीपावली की  
शुभकामनाएं

**MUHARAT PICK  
2024**

**HAPPY 100x-Wali & Abaj-Orous NEW YEAR**



**VENUS REMEDIES LTD.**

**RE-INSTATING COVERAGE**

# VENUS REMEDIES LTD.

## Re-Instating Coverage



### PHRM

#### BUY

**CMP Rs.326 TARGET Rs.399**

Reuters Code	VENR.BO	
Bloomberg Code	VNR IN	
BSE Code	526953	
NSE Symbol	VENUSREM	
Face Value	Rs. 10	
Market Cap.	Rs. 436 cr	
52 Week H/L	Rs. 430 / 225	
Shares Outstanding	1.33 cr.	
Avg. Daily Vol. (6m)	67,556 Shares	
Price Performance (%)		
1M	3M	6M
(12)	(17)	(8)
200 Days EMA Rs.340		

#### SHARE HOLDING (%)

Promoters	41.8
FII	1.1
FI/MF	-
Body Corporate	3.1
Public & Others	54.1

#### RESEARCH ANALYST

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**Deleveraging product portfolio:** Anti-infectives have been the core portfolio for Venus Remedies, with most of the sales coming from this segment. The company doesn't want a concentrated product portfolio and as a result, it is increasing its exposure in oncology. This could lead to higher margins, as anti-infectives are a highly competitive segment. In FY24, the oncology segment grew by 30%, offsetting the dip in the anti-infectives business and the overall sales went up by 10% yoy to Rs.611 cr. The company has received a tender from WHO backed Pan American Health Organisation (PAHO) for the supply of essential oncology drugs.

The Over-the-counter market in pharma is expected to grow in the high teens over the next 3-4 years. The COVID-19 pandemic has heightened the attention on health and nutrition, especially ensuring adequate immunity and energy levels to address current health concerns. The company launched its first product in the consumer healthcare space, R3SET – a Pain Management solution, a year back, to capture the growth opportunity in the OTC space. Reset is a holistic pain management solution that ensures maximum efficacy and long-term healing by combining essential oils with nanotechnology. Apart from pain management, Venus expanded the portfolio into two additional categories, Vitals and Wellness, with products for detox, sleep health, gut health, hair & skin and overall nutrition. It is aiming to scale up the OTC segment by leveraging the Davai aap and keeping a nimble salesforce, thereby reducing the operating expenses.

**Expansion of geographical footprint:** The international business primarily focuses on therapeutic segments such as Antibiotics, Anti-coagulants and Oncology. Exports contribute more than 70% of the total revenue of the company with a presence in over 80 countries with niche products like injectables for critical segments like antimicrobial resistance, oncology and anticoagulants. The company has consistently raised its dominance in the markets by securing government tenders with competitive bidding and also through marketing tie-ups with leading pharmaceutical companies globally. Entry into developed countries has been challenging esp. for the small pharma players, therefore the company is focusing on the South East Asia region. The company believes that emerging markets will emerge as key growth engines for the future. Going forward, it plans to expand its global presence to 100 countries and file new dossiers in key markets to achieve an overall turnover of Rs.1,000cr by FY26.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	APAT (Rs. Cr)	NPM (%)	AEPS (Rs.)	P/E (x)	P/Bv (x)	ROE (%)
FY24	611.1	66.0	30.6	5.0%	24.8	12.8	0.8	6.5%
FY25E	672.0	73.9	36.2	5.4%	29.4	10.8	0.7	7.2%
FY26E	746.1	85.8	44.4	6.0%	36.0	8.8	0.7	8.1%
FY27E	828.2	96.9	49.2	5.9%	39.9	7.9	0.6	8.3%

**Investment in technology and supply chain to pay dividends:** Artificial intelligence is used to streamline the drug discovery process, faster production and reduce operational costs. This will enable the company to offer products at a lower cost. The company has launched a Business Intelligence tool, Tableau, which will make it easier for people to explore and manage data and take faster decisions. Also, the company identified the bottlenecks in the manufacturing process and has refurbished the facilities to improve the plant productivity.

Venus Remedies will continue to focus on R&D as a key growth enabler. Venus Medical Research Centre, R&D wing of the company, will continue to nurture intellectual property wealth by consistently developing novel products to address unmet medical needs, particularly in the Anti microbial resistance segment. It is developing a platform technology called Renal Guard which aims to significantly reduce the rapid deterioration in kidney function associated with the use of polymyxin antibiotics.

The company has adopted a state of the art technology (Davai aap) to expand the product reach to stockists and retailers directly, creating a unique marketplace, which will result in a supply chain similar to the Amazon model. This will significantly reduce the time taken to reach out to end consumers.

**One-time settlement of dues:** The company signed for a sale of a novel and patented anti-infective drug, Elores to Cipla Ltd in FY21. The deal includes the transfer of intellectual Property rights such as trademarks, design and know-how related to the brand. The funds from the deal were utilized to deleverage the balance sheet. As a result, the total debt outstanding for the company stands at Rs.41 cr in FY24 as compared to Rs.158 cr in FY20. This has improved the balance sheet significantly with interest coverage at 95x and Debt/Equity at comfortable levels of 0.1x in FY24.

## OUTLOOK & VALUATION

The company has paid up its dues and with a clean balance sheet and investments in R&D and new products, it is poised for the next phase of growth. With the strengthening of international presence, change in the product mix and use of technology leading to higher operating efficiency, we forecast Venus Remedies revenue/PAT to grow at 10%/17% CAGR over FY24-27E. At the current market price, the stock is trading at an attractive level of 7.9x P/E on FY27 EPS. Going forward, we expect the company to deliver an EPS of Rs.39.9 in FY27; assigning a target multiple of 10.0x, we arrive at a target price of Rs.399 showcasing an upside potential of 22% from current levels with an investment horizon of 18-24 months.



## COMPANY OVERVIEW

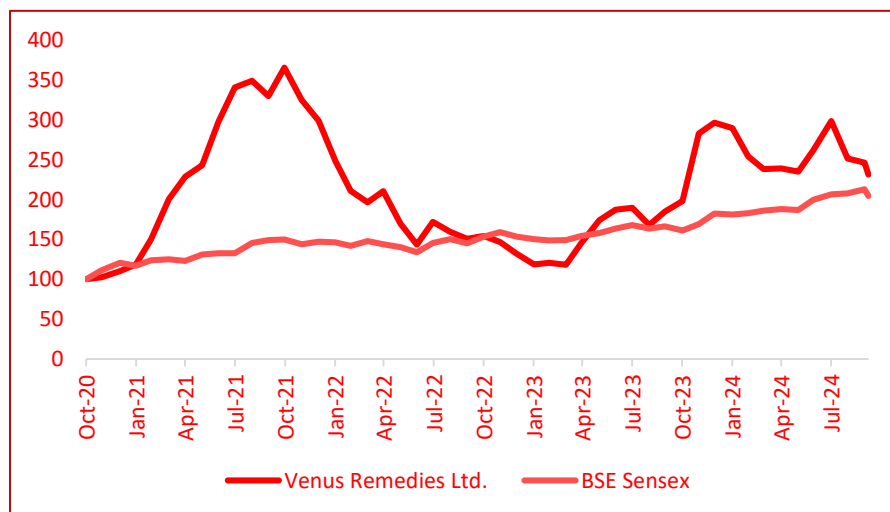
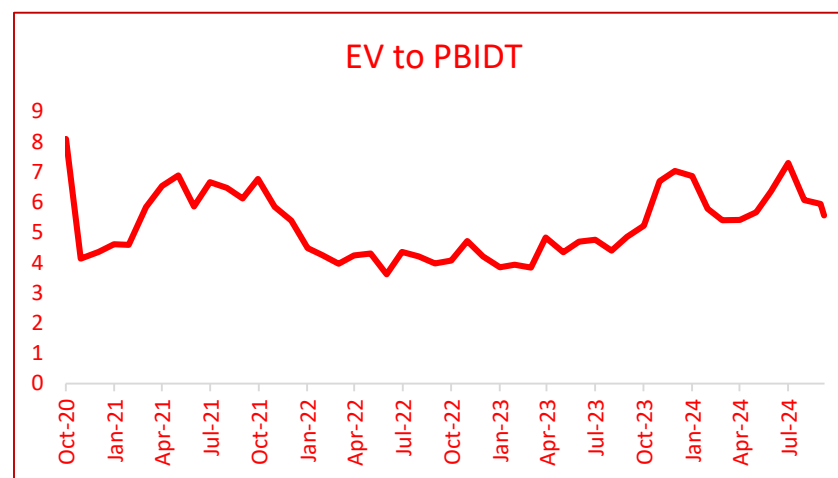
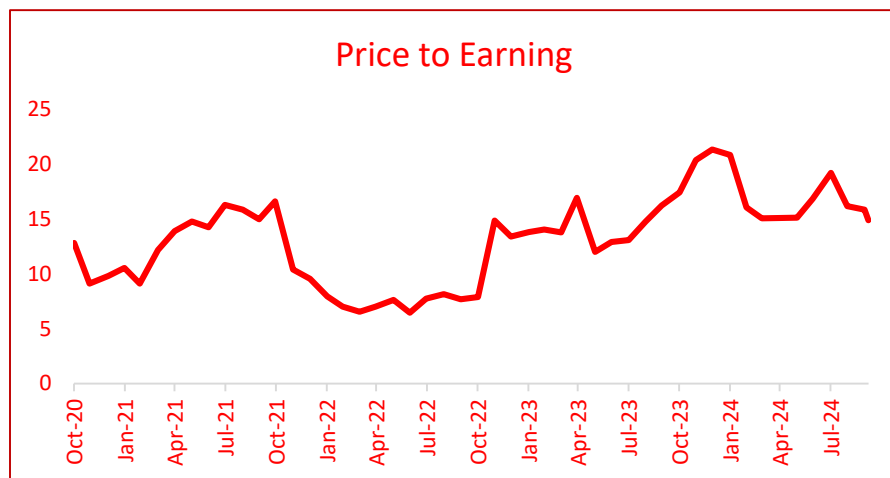


The company is one of the few pharma companies across the world to work on Antimicrobial Resistance (AMR). It also focuses in critical care segments such as Anticancer, Anti-infective, and Pain Management. Venus Remedies has three manufacturing facilities – Panchkula and Baddi in India and Werne in Germany – and these are certified by ISO 9001, ISO 14001 and OHSAS18001, European GMP and 14 other international regulatory authorities. Its subsidiary in Germany deals in Licensing, Packaging, Product Testing, Warehousing and Logistics. The Company has strategised to promote Oncology products in all existing as well as new markets that it wishes to penetrate. Oncology and Wound care products were launched in the Institutional Division. For the company, the oncology segment has the highest number of products in the basket and it expects the turnover to increase from oncology, as it recently received international approval.

The company has a super speciality lab, Venus Medicine Research Center, to advance its effort in drug development. The company is working on kidney in a chip model that verifies the damage that a drug may cause to a kidney. Also, human organ-on-a-chip will allow researchers to see biological behavior by intake of a drug. This technology will boost the development of new medicines. VRP-034, Renal Guard technology is in the clinical stage. Venus has made notable collaborations with Newcells Biotech, UK and CDRI-CSIR, India for Experiments, NortisBio, US for Technology installation and Training, Cliantha, India for Clinical experiments.

For FY24, the company reported revenue of Rs.611 cr, up 10% over the previous year & an adjusted net profit of Rs.31 cr, translating to a net margin of 5%, with an EPS of Rs.24.8.

## MARKET INFORMATION



Source: Company, Sushil Finance Research Estimates

## PROFIT & LOSS STATEMENT

(Rs.cr)

Y/E Mar.	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>611.1</b>	<b>672.2</b>	<b>746.1</b>	<b>828.2</b>
Operating Expenses	366.6	403.3	444.7	491.9
Employee Cost	66.0	71.9	79.8	88.6
Other Expenses	87.4	95.4	105.2	116.8
<b>EBITDA</b>	<b>66.0</b>	<b>73.9</b>	<b>85.8</b>	<b>96.9</b>
Depreciation	36.7	39.0	41.8	46.4
Interest Cost	-	-	-	-
Other Income	12.0	14.0	16.0	16.0
<b>PBT</b>	<b>41.3</b>	<b>49.0</b>	<b>60.0</b>	<b>66.5</b>
Tax	10.7	12.7	15.6	17.3
<b>RPAT</b>	<b>30.6</b>	<b>36.2</b>	<b>44.4</b>	<b>49.2</b>

## BALANCE SHEET STATEMENT

(Rs.cr)

Particulars	FY24	FY25E	FY26E	FY27E
Equity Share Capital	13.4	13.4	13.4	13.4
Reserves	474.2	510.4	554.8	604.0
<b>Net worth</b>	<b>487.6</b>	<b>523.8</b>	<b>568.2</b>	<b>617.4</b>
Total loans	41.3	47.1	51.1	55.6
Other Current Liabilities	100.6	104.4	107.2	111.1
<b>Total Liabilities</b>	<b>626.8</b>	<b>674.3</b>	<b>728.3</b>	<b>787.6</b>
Net block	133.3	127.9	123.5	118.5
Capex	21.1	33.6	37.3	41.4
Sundry debtors	80.5	87.3	96.9	107.6
Inventories	121.7	134.4	148.2	164.0
Cash and bank	68.1	79.6	104.0	131.6
Other Financial Assets	177.8	186.2	192.1	197.2
<b>Total Assets</b>	<b>626.8</b>	<b>674.3</b>	<b>728.3</b>	<b>787.6</b>

Source: Company, Sushil Finance Research Estimates

## CASH FLOW STATEMENT

(Rs.cr)

Particulars	FY24	FY25E	FY26E	FY27E
PAT	30.6	36.2	44.4	49.2
Depreciation & Amortization	36.7	39.0	41.8	46.4
Taxes	10.7	12.7	15.6	17.3
Finance Cost	0.0	0.0	0.0	0.0
(Incr)/Decr in Working Capital	(24.3)	(21.2)	(22.6)	(24.1)
<b>Cash Flow from Operating Activities</b>	<b>53.7</b>	<b>66.7</b>	<b>79.2</b>	<b>88.8</b>
(Incr)/ Decr in Gross PP&E	(33.3)	(33.6)	(37.3)	(41.4)
(Incr)/Decr In Investments and Intangibles	(6.0)	0.0	(0.9)	(0.9)
Others	13.4	(14.8)	(5.0)	(6.1)
<b>Cash Flow from Investing</b>	<b>(25.8)</b>	<b>(48.4)</b>	<b>(43.2)</b>	<b>(48.4)</b>
(Decr)/Incr in Debt	(1.0)	5.8	4.0	4.4
Others	(12.5)	(12.7)	(15.6)	(17.2)
<b>Cash Flow from Financing</b>	<b>(13.5)</b>	<b>(6.9)</b>	<b>(11.6)</b>	<b>(12.8)</b>
<b>Opening Cash</b>	<b>53.7</b>	<b>68.1</b>	<b>79.6</b>	<b>104.0</b>
<b>Total cash flow</b>	<b>14.4</b>	<b>11.5</b>	<b>24.4</b>	<b>27.6</b>
<b>Cash at the End of the Year</b>	<b>68.1</b>	<b>79.6</b>	<b>104.0</b>	<b>131.6</b>

## FINANCIAL RATIO STATEMENT

Particulars	FY24	FY25E	FY26E	FY27E
<b>Growth (%)</b>				
Revenue	10.0%	10.0%	11.0%	11.0%
<b>Profitability (%)</b>				
EBITDA Margin	10.8%	11.0%	11.5%	11.7%
PAT Margin	5.0%	5.4%	6.0%	5.9%
<b>Per Share Data</b>				
EPS	24.8	29.4	36.0	39.9
Reported CEPS	54.5	60.9	69.8	77.5
BVPS	395.0	424.4	460.4	500.3
<b>Valuations (x)</b>				
P/E	12.8	10.8	8.8	7.9
P/BV	0.8	0.7	0.7	0.6
EV / EBITDA	5.5	4.8	3.9	3.2
<b>Turnover Days</b>				
Debtors Days	48	47	47	47
Inventory Days	121	122	122	122
Creditors Days	44	46	46	46
<b>Gearing Ratio</b>				
D/E (x)	0.08	0.09	0.09	0.09

Source: Company, Sushil Finance Research Estimates



**Rating Scale :** This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

## Total Expected Return Matrix (Rating and Return)

**BUY : Over 12%**

**HOLD : -12% to 12%**

**SELL : Below -12%**

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Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No