

FIRST LIGHT

07 December 2021

RESEARCH

Eris Lifesciences | Target: Rs 975 | +38% | BUY

Foray into India's insulin market

SUMMARY

Eris Lifesciences

- ERIS enters ten-year, 70:30 JV with MJ Biopharm for marketing rh-insulin, insulin analogues, GLP1 agonists and biosimilars
- India, currently the diabetes capital of the world, could see its diabetic population more than double in two decades
- We reiterate BUY on ERIS with TP unchanged at Rs 975 as our EBITDA estimates remain intact

[Click here](#) for the full report.

Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.34	(10bps)	(21bps)	38bps
India 10Y yield (%)	6.37	2bps	1bps	55bps
USD/INR	75.17	(0.2)	(0.6)	(1.9)
Brent Crude (US\$/bbl)	69.88	0.3	(17.5)	41.9
Dow	34,580	(0.2)	(4.1)	14.4
Shanghai	3,607	0.9	2.9	4.7
Sensex	57,696	(1.3)	(3.9)	28.0
India FI (US\$ mn)	02-Dec	MTD	CYTD	FYTD
FII-D	89.2	16.6	99.9	2,127.2
FII-E	(40.2)	(408.3)	5,094.2	(2,232.1)

Source: Bloomberg

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BUY

TP: Rs 975 | ▲ 38%

ERIS LIFESCIENCES

| Pharmaceuticals

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JV for insulin enhances diabetes portfolio: ERIS has announced a 70:30 joint venture with MJ Biopharm to complement its diabetes portfolio. The venture is for a ten-year period and includes the rollout of other complex products at a later stage. Deal highlights:

- ERIS is one of India's leading companies in the oral diabetes segment. The JV will extend its product offerings in insulin and GLP-1 agonists, besides leveraging its network reach among endocrinologists and diabetic patients.
- As per management, the Indian market for insulin and GLP-1 agonists is worth Rs 35bn-40bn and expected to double to Rs 80bn by CY26.
- ERIS will have rights to market and distribute human insulin (rh-insulin) for a period of ten years and similarly market future products of the JV, including insulin analogues (Lispro, Aspart and Glargine), one GLP-1 agonist (e.g. Liraglutide) and potentially other biopharmaceutical products.
- Management has guided for the launch of human insulin in Q4FY22 as part of ten products to be rolled out in FY22, alongside plans to increase manpower by 200 representatives over FY22-FY23.
- ERIS has also paid a one-time license fee of Rs 150mn to MJ Biopharm, apart from 30% share of the JV's net profit. As per the JV contract, MJ Biopharm is likely to keep certain manufacturing mark-up over the cost of production while ERIS will retain a part of marketing and distribution cost for the JV products.

Maintain BUY: We maintain FY22-FY24 earnings estimates as we await clarity on the timing of JV product launches and progress on prescription market share. Our TP thus remains at Rs 975, based on 20x Sep'23E EV/EBITDA – this implies 24x P/E, a steep 25% discount to MNC pharma peers who trade at an average of 32.5x. Retain BUY as we like ERIS for its focused presence in the chronic space and superior physician reach.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ERIS IN/Rs 705
Market cap	US\$ 1.3bn
Free float	27%
3M ADV	US\$ 1.0mn
52wk high/low	Rs 863/Rs 474
Promoter/FPI/DII	53%/13%/10%

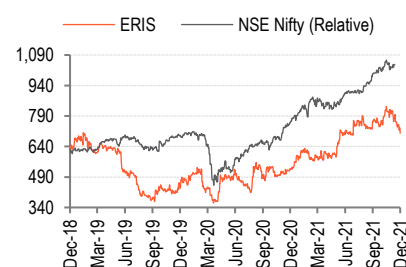
Source: NSE | Price as of 3 Dec 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	12,119	13,884	15,927
EBITDA (Rs mn)	4,306	5,113	6,161
Adj. net profit (Rs mn)	3,551	4,148	5,115
Adj. EPS (Rs)	26.2	30.6	37.7
Consensus EPS (Rs)	26.2	30.3	35.1
Adj. ROAE (%)	27.3	26.2	26.4
Adj. P/E (x)	27.0	23.1	18.7
EV/EBITDA (x)	21.9	18.5	15.2
Adj. EPS growth (%)	19.8	16.8	23.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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