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# VALUATION MULTIPLE SERIES

## INDUSTRY FOCUS - PHARMACEUTICAL

### 1<sup>ST</sup> EDITION

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# This Report is providing the information of the Representative Companies, namely:



Sun Pharmaceutical Industries Ltd. is the 4th largest generic pharmaceutical company worldwide, it was founded in 1983 by Shri Dilip Shanghvi. It is headquartered in Mumbai, India and has global presence with more than 40 manufacturing facilities in India, the US, Canada, Brazil, and several other countries. It has over 32,000 employees and has a production capacity of over 55 billion tablets and capsules, annually. Sun Pharma specializes in Active Pharmaceutical Ingredients (APIs) and produces over 300 APIs, including atorvastatin calcium, olmesartan, and cilnidipine, among others. It also offers a range of over-the-counter (OTC) medication products, such as Crocin, Kalpol, Revital, and Volini etc. and exports its products to over 150 countries worldwide.



Dr. Reddy's Laboratories Ltd. is an Indian multinational pharmaceutical company founded in 1984 by Dr. Anji Reddy. The company is headquartered in Hyderabad, India and has manufacturing facilities over the globe. Dr. Reddy's Laboratories has over 21,000 employees and a production capacity of over 13 billion tablets and capsules annually. The company specializes in Active Pharmaceutical Ingredients (APIs) and produces over 200 APIs, including ibuprofen, naproxen, and atenolol, among others. It also offers a range of over-the-counter (OTC) medication products, such as Nise, Otrivin etc. The company exports its products to over 100 countries worldwide.



Divi's Laboratories Ltd. is an Indian pharmaceutical company established in 1990 and is headquartered in Hyderabad, India. It has 6 manufacturing facilities located in India and has over 10,000 employees. The company has a total production capacity of 22,000 million tablets per annum and produces over 75 APIs, including ibuprofen, gabapentin, and omeprazole, among others. It does not manufacture any over-the-counter (OTC) medication products, and its primary focus is on the production and supply of high-quality APIs. The company exports its products to more than 95 countries worldwide.

## Cipla

Cipla Limited is a leading Indian multinational pharmaceutical company founded in 1935. The company is headquartered in Mumbai, India, and has manufacturing facilities across the globe. Cipla has a diverse portfolio of over 2,000 products, including APIs, formulations, and over-the-counter (OTC) medication products. The company produces over 200 APIs and offers a range of OTC medication products, such as cofsils, Nicotex etc. Cipla has over 25,000 employees and has a total production capacity of over 50 billion tablets and capsules, annually. The company exports its products to over 80 countries worldwide.



Torrent Pharmaceuticals Ltd. is an Indian pharmaceutical company founded in 1959 and is headquartered in Gujarat, India. The company has a global presence with manufacturing facilities in India, the United States, and Germany. It specializes in the development and manufacturing of generic medications and over-the-counter (OTC) products such as Alprax, Zypine etc. The company produces over 100 APIs, including losartan, tramadol, and rosuvastatin, etc. Torrent Pharmaceuticals has a total production capacity of over 60 billion tablets and capsules annually and has over 15,000 employees worldwide. The company exports its products to over 100 countries worldwide.



Zydus Cadila is an Indian pharmaceutical company that was established in 1952 and is headquartered in Gujarat, India. The company operates under the name Zydus Lifesciences. Zydus has 5 manufacturing facilities in India and 1 each in the United States and Brazil. It has over 25,000 employees and has an annual production capacity of over 20 billion tablets and capsules. The company manufactures a wide range of APIs including Azithromycin, Clindamycin, and Metformin, among others. Zydus also produces several branded generics and over-the-counter products, including Shelcal, Sugar Free etc. The company has a strong focus on research and development and exports its products to over 50 countries worldwide.



Alkem Laboratories is an Indian pharmaceutical company established in 1973 by Late Sh. Samprada Singh. The company is headquartered in Mumbai and has manufacturing facilities across India, the US, and Europe. Alkem Laboratories has a workforce of over 20,000 employees and a product portfolio that includes APIs, generics, OTC products, and branded drugs. Alkem Laboratories exports to over 60 countries and has a production capacity of over 10 billion tablets and capsules, annually. Some of its popular products include Azithral, Taxim, and Clavam.



Aurobindo Pharma is a leading pharmaceutical company based in India. It was established in 1986 in Hyderabad and has grown to become a global player in the industry. It has 19 manufacturing facilities, including 13 in India and the rest in the US, Europe, and Brazil. Aurobindo Pharma has over 20,000 employees and a production capacity of over 32 billion tablets and capsules, annually. Producing a wide range of APIs, with over 300 products in its portfolio. Aurobindo Pharma is also known for its range of OTC medication products, including Czar, Auroteg etc. It exports its products to more than 150 countries, with a significant presence in the US and Europe.

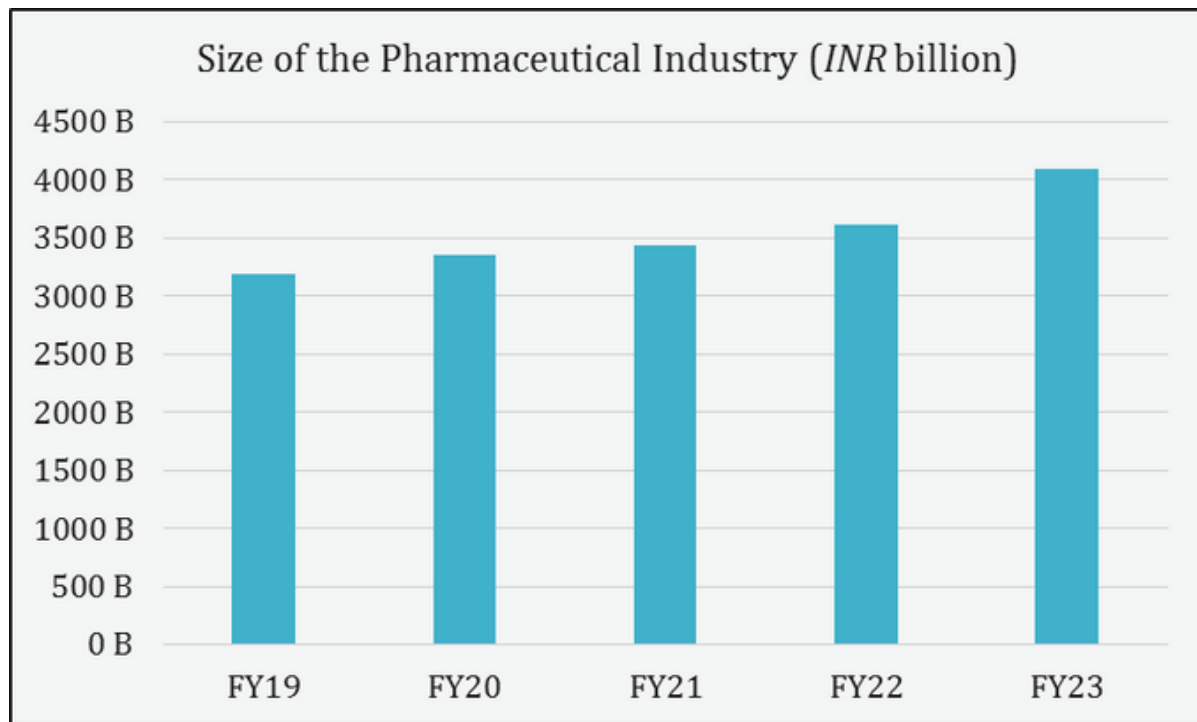


Lupin is a pharmaceutical company founded in India in 1968. It specializes in developing, manufacturing, and marketing generic and branded pharmaceutical products across multiple therapeutic areas, including cardiovascular, diabetes etc. The company has 15 manufacturing sites and has over 22,000 employees, globally. Lupin has a production capacity of over 49 billion tablets and capsules per year. The company has a portfolio of over 2,500 products in various dosage forms, including oral solids, injectables, and inhalation. OTC medication products, including Lupizyme, Aptivate etc. Lupin exports its products to over 100 countries, and around 40% of its revenue comes from the US market.



Abbott India Limited is a subsidiary of Abbott Laboratories, an American pharmaceutical and healthcare company. Abbott India Limited was established in 1944 and is headquartered in Mumbai, India. The company operates in multiple therapeutic areas, including women's health, gastroenterology, cardiology, etc. It has 2 manufacturing facilities in Goa and 1 in Himachal Pradesh. The company has over 4,000 employees and has a production capacity of over 3.5 billion tablets and capsules, annually. Abbott India produces a wide range of APIs, including Chlorpheniramine Maleate, Dicyclomine Hydrochloride, etc. OTC products include Brufen, Cremaffin, and Digene. The company exports its products to over 20 countries worldwide.

# Size of the Pharmaceutical Industry during the past 5 years



India's domestic pharmaceutical market stood at INR 4,090.67 billion in 2023 and is likely to reach INR 5,328.45 billion by 2024 and further rise to mark INR 9,879.6 - 10,656.9 billion by 2030 and will command the 3rd largest status in the world.

- The total annual turnover of the pharmaceutical industry in the fiscal year 2022-23 was INR 4,182.52 billion.
- India is the 12th largest exporter of medical goods in the world. India-made drugs are exported to more than 200 countries worldwide, with US being the key market.
- India's biotechnology industry comprises biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics. The Indian biotechnology industry was valued at INR 5,759.46 billion in 2020 and is expected to reach INR 12,319.5 billion by 2025.
- India's medical devices market stood at INR 849.71 billion in FY20. The market is expected to increase at a CAGR of 37% from 2020 to 2025 to reach US\$ 50 billion.
- The Average Index of Industrial Production of Manufacturing of pharmaceuticals, medicinal chemicals and botanical products in the FY 2022-23 is 267.3 and has grown by 1.4%.
- For the period 2022-23, export of drugs and pharma products stood at INR 2,874.19 billion compared to INR 2,004.92 billion as of 2020-21. The Indian Pharma industry witnessed exponential growth of 106% during 2014-23 from INR 951.37 billion to INR 2911.19 billion.

# Financial Performance of Representative Companies

## Revenue

Revenue is the money generated from normal business operations, calculated as the average sales price times the number of units sold.

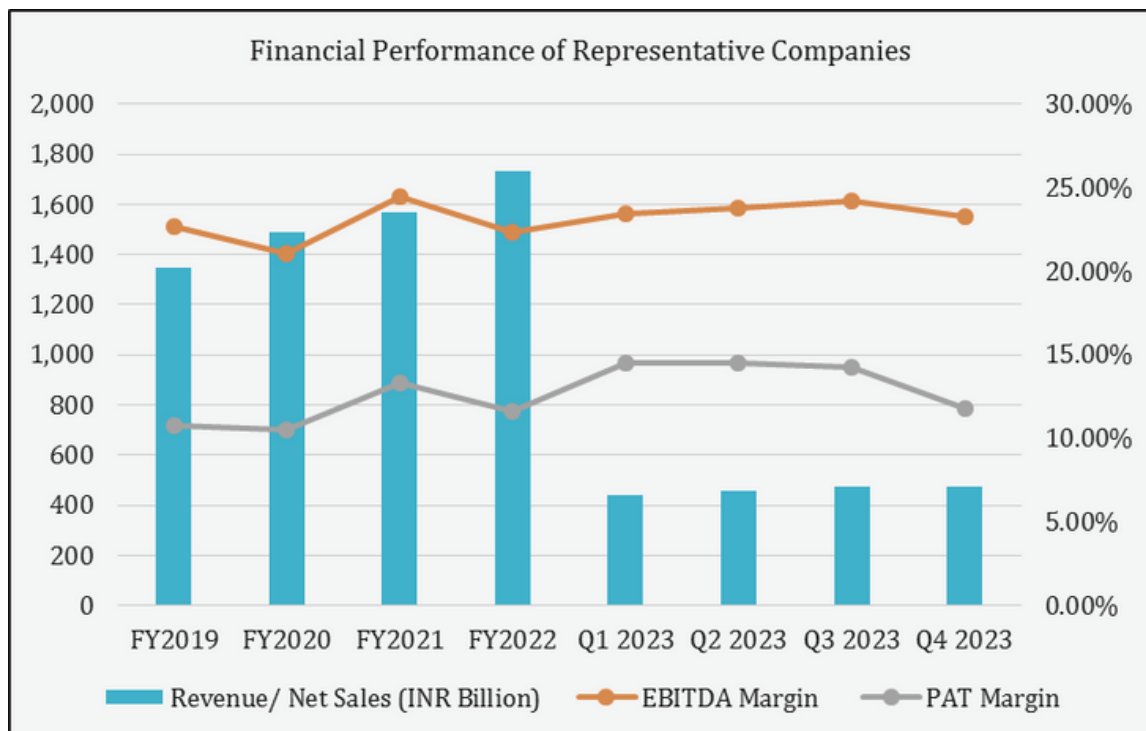
## EBITDA Margin

EBITDA margin is a profitability ratio that measures how much earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue.

EBITDA Margin = EBITDA / Revenue. It is also referred to as 'Cash Operating margin'.

## PAT Margin

Profit After Tax refers to the amount that remains after a company has paid off all of its operating and non-operating expenses, interest and taxes. PAT Margin = PAT/Revenue.



Source: Moneycontrol

- The pharmaceutical industry shows a growing trend for revenue & registers growth at 8.18% over the last 5 years i.e FY19 to FY23.
- Whereas, there has been mild growth in the last 4 quarters of FY23 at approx. 2.72%.
- The EBITDA margin has, consistently, risen from 22.63% to 24.49% in the period FY19 to FY21 and falls to 22.30% in FY22 due to Covid-19 outburst.
- During the past 4 quarters with the increase in sales from Q1 to Q4 of FY23, the EBITDA margin starts to stabilize after Q1 and reaches 24.17% in Q3 highest in FY2023 but decreases marginally to 23.27% in Q4.
- The PAT margin shows an increasing trend from 10.73% to 13.36% in FY19 to FY21 respectively, falling back to 11.59% in FY22. Further, it shows a rising trend and surpasses all levels in last 5 years registering 14.51% in Q2 further which it starts to fall reaching 11.78% in Q4 of FY23.





# Analysis of Pharmaceutical Industry - FY23

The Indian Pharmaceutical Market (IPM) growth has normalized to 9.3 per cent in FY23, bringing it at par to the pre-pandemic years of FY19 and FY20. After the Covid-hit FY21 (when the IPM grew by only 2.2 per cent), the market posted a growth of 14.7 per cent in FY22, on a low base and the growth in FY23 is driven by price rise.

The pharmaceutical industry reported revenue growth of 4.9% along with 37% Y-O-Y growth in Q1 of FY23 on the account of overwhelming demand for Covid treatment and generic drugs. It shows a slower uptick in non-Covid-19 business at a time when competition from online players has increased. On the other hand, hospitals are gradually returning to normalcy.

The operating profit margin (OPM) stood at 19.9 per cent in Q1 FY23, against 23.5 per cent in Q1 FY22 and 18.3 per cent in Q4 FY22.

The revenue growth rate in Q2 FY23 largely in line with the previous quarter sample set at 6.8% to Rs. 2 lakh crore in FY23, marginally lower than the growth of 7.7% in FY22.

The revenue growth rate grew up to 7.1% in Q3 of FY23 over that of the Q3 of FY22 showing a tremendous growth over the period being under recovery phase.

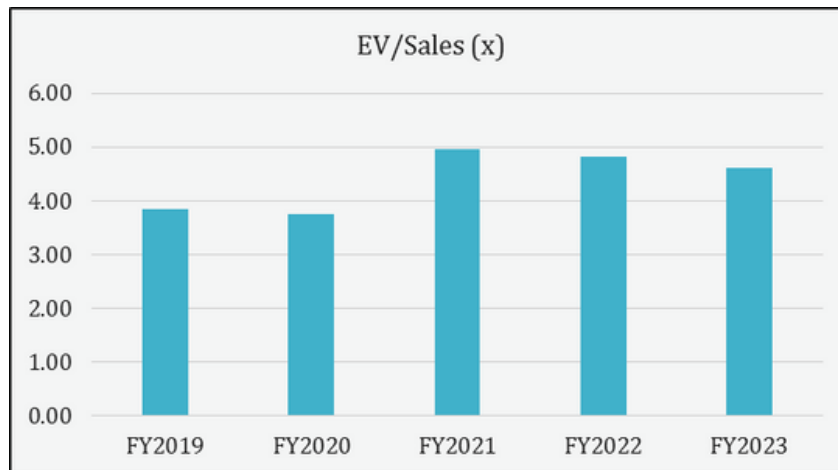
Finally, the Indian Pharmaceutical Industry grew by 11% Y-O-Y in the Q4 ended March, FY23. This is due in part to the thousands of compounds that are, currently, in the final stages of clinical development, as well as hundreds of new products that are expected to be approved in coming years. This concentration of pharmaceutical products is unusual and hasn't been seen in over a decade.



# Multiples - PHARMACEUTICAL

## EV/Sales

Enterprise value-to-sales (EV/sales) is a financial valuation measure that compares the enterprise value (EV) of a company to its annual sales. The EV/sales multiple gives a quantifiable metric of how to value a company based on its sales while taking account of both the company's equity and debt.

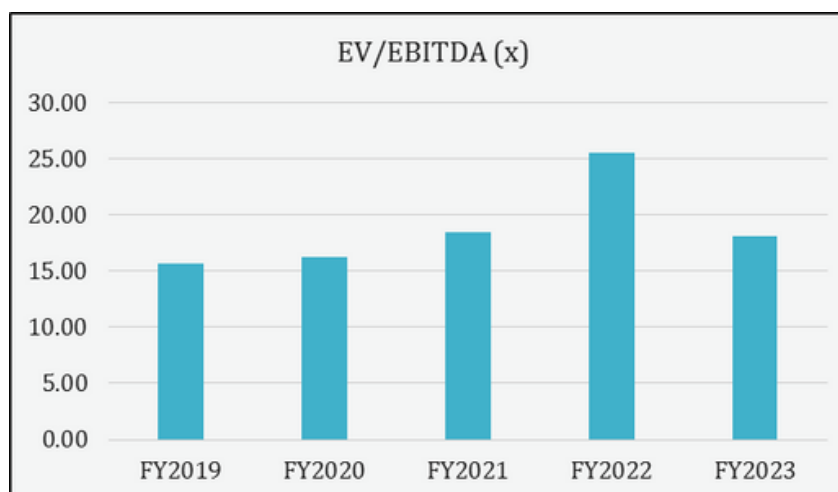


Particulars	FY2019	FY2020	FY2021	FY2022	FY2023
<b>EV/Sales (x)</b>	<b>3.84</b>	<b>3.76</b>	<b>4.96</b>	<b>4.83</b>	<b>4.62</b>

EV/Sales rises, from 3.84x to 4.96x in FY19 to FY21 respectively recording the highest EV/Sales (x) in last 3 years surpassing the levels of FY19, but falls, marginally, to 4.83x in FY22. Further, it shows a downfall in FY23 & reaches to 4.62x.

## EV/EBITDA (x)

The EV/EBITDA multiple is used to project the Enterprise Value (EV) of a company in terms of the EBITDA.

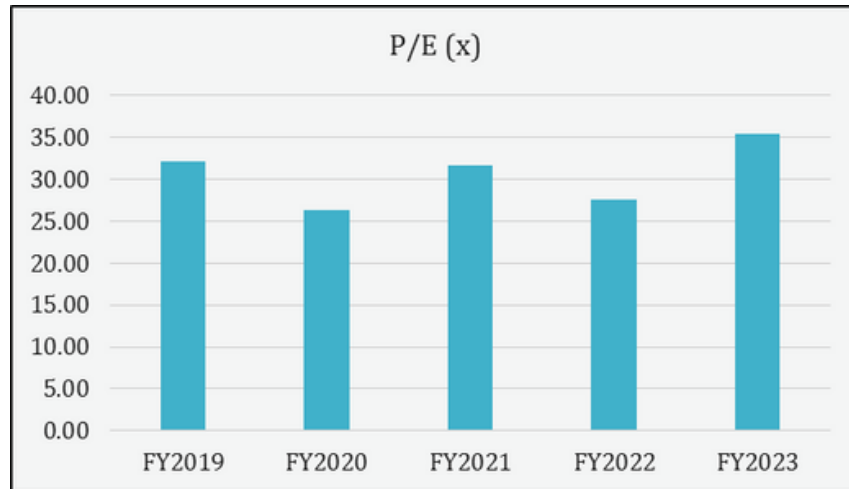


Particulars	FY2019	FY2020	FY2021	FY2022	FY2023
<b>EV/EBITDA (x)</b>	<b>15.62</b>	<b>16.28</b>	<b>18.47</b>	<b>25.49</b>	<b>18.11</b>

EV/EBITDA increases marginally from 15.62x to 16.28x in FY19 to FY20 respectively, going forward it shows a further rise, registering 18.47x in FY21. With further rise, it surpasses FY21 levels registering the highest EV/EBITDA at 25.49x in FY22 but falls drastically in FY23 and reaches 18.11x.

**P/E (x)**

The price-to-earnings ratio measures the company's current share price relative to its earnings per share (EPS). P/E ratios are used to determine the relative value of a company's shares.

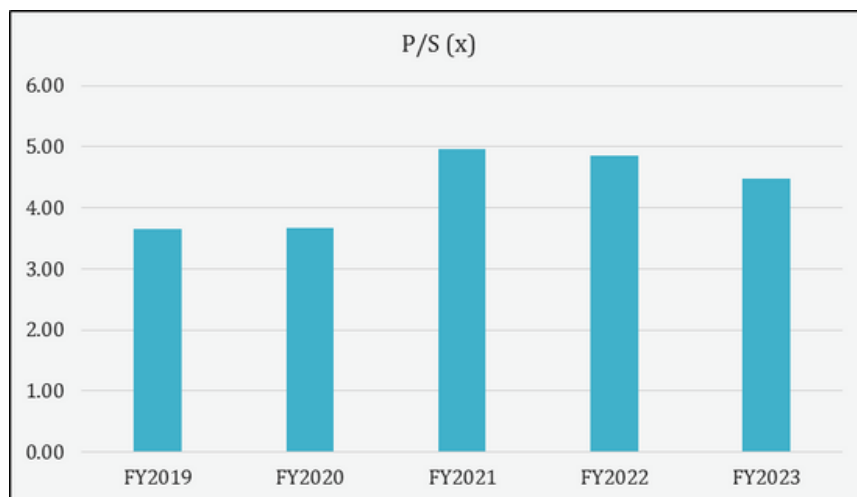


Particulars	FY2019	FY2020	FY2021	FY2022	FY2023
<b>P/E (x)</b>	<b>32.20</b>	<b>26.31</b>	<b>31.69</b>	<b>27.59</b>	<b>35.41</b>

P/E begins falling from 32.20x in FY19 showing a downward trend and reaches 26.31x in FY20. Further, it shows a positive trend and starts to stabilize, registering 31.69x in FY21 but again falls to 27.59x in FY22, after which it records the highest P/E (x) in FY23 which surpasses all levels at 35.41x.

**P/S**

The P/S ratio shows a company's market capitalization divided by the company's sales for the previous 12 months. It is a measure of the value investors are receiving from a company's stock by indicating how much equity is required to generate \$1 of revenue.

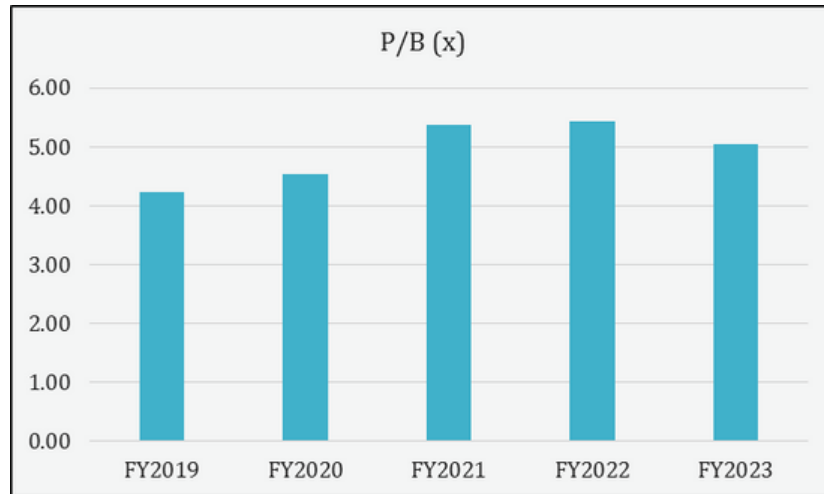


Particulars	FY2019	FY2020	FY2021	FY2022	FY2023
<b>P/S (x)</b>	<b>3.65</b>	<b>3.68</b>	<b>4.97</b>	<b>4.86</b>	<b>4.48</b>

P/S rises, marginally, from 3.65x to 3.68x in FY19 to FY20 respectively, further it shows a positive trend and shows a steep rise, registering 4.97x in FY21 but again falls marginally to 4.86x in FY22 and further to 4.48x in FY23.

**P/B (X)**

Price-to-book ratio compares a firm's market capitalization to its book value and is usually used to locate undervalued companies. This multiple is calculated by dividing the company's current stock price per share by its book value per share (BVPS).



Particulars	FY2019	FY2020	FY2021	FY2022	FY2023
<b>P/B (x)</b>	<b>4.24</b>	<b>4.54</b>	<b>5.38</b>	<b>5.43</b>	<b>5.05</b>

P/B shows a continuous rising trend over the last 4 years from 4.24x to 5.43x in FY19 to FY22 respectively, surpassing all levels and registering highest P/B (x) in FY22 further it falls marginally to 5.05x in FY23.



# About RNM Capital Advisors

RNM Capital Advisors (“RNM”), erstwhile known as RNM & Associates, is an associate firm of RN Marwah & Co. LLP, Chartered Accountants.

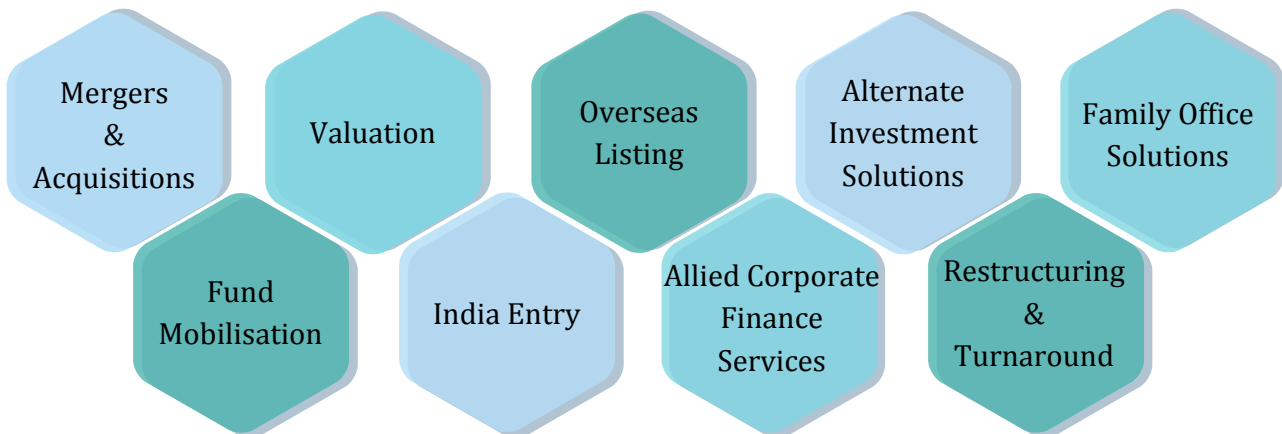
Established in year 2009, RNM is a mid-market focused boutique investment banking firm with head office in Janpath, Connaught Place, New Delhi. RNM Capital also operates from its branch office in Bangalore and Gurugram.

RNM provides advisory services to its leading clients across sectors and geographies in area of mergers & acquisitions, joint ventures/ collaborations, fund mobilization, restructuring & turnaround, valuations, due diligence, India entry, other allied corporate finance matters, family office solutions and alternate investment solutions. RNM boasts strong direct access to Promoters of Indian Corporates across sectors.

RNM Capital is strongly placed for execution of complex cross border deals across sectors as supported by its membership of GENEVA CAPITAL GROUP (GCG) as well as other international M&A networks' access to member firms of GENEVA GROUP INTERNATIONAL (GGI).

RNM's has strong relationship with most of the active PE/VC Funds, Banks, NBFCs and Financial Institutions and experience of closing multiple fund raise assignments under most challenging situations.

## Our Services



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