



Venus Remedies Ltd.

Re-Instating Coverage

VENUS REMEDIES LTD.

Market Cap.

Rs. 386 Cr.

52 Week H/L

Rs.302 / 145

CMP

Rs.289

Target Price

Rs.388

PHARMA

STOCK DATA

BUY

Reuters Code	VENR.BO
Bloomberg Code	VNR IN
BSE Code	526953
NSE Symbol	VENUSREM
Face Value	Rs.10
Shares Outstanding	1.3 Cr
Avg. Daily Vol. (6m)	55,286

Price Performance (%)		
1M	3M	6M
15	7	40

200 Days EMA Rs.226

SHARE HOLDING (%)

Promoters	41.86
FII	1.0
FI/MF	-
Body Corporate	1.9
Public & Others	55.3

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Deleveraging product portfolio: Anti-infectives have been the core portfolio for Venus Remedies, with the majority 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 other segments like oncology, anticoagulants etc. This could lead to higher margins, as anti-infectives is a highly competitive segment.

On the domestic front, the company has made significant inroads into government institutions and corporates with a focus on tender participation. Its products are registered in 10 institutions and it plans to add 10 more in FY24. Also, recent registration in government medical stores is likely to contribute to the revenue.

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 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. It has fulfilled around 4,000 orders and has the aim to reach about 1lakh customers. The company has collaborated with expert physiotherapists and orthopaedicians to address lifestyle-related issues that give rise to pain-related problems. It aims to introduce a range of disruptive products like gastroenterology, hygiene, stress management, vitamins, and supplements over the next 4-5 years.

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 emerging economies like the Middle East and 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 (%)
FY23	555.5	60.2	26.6	4.8%	21.5	13.4	0.8	5.9%
FY24E	611.1	66.0	30.6	5.0%	24.8	11.6	0.7	6.4%
FY25E	708.8	78.0	37.6	5.3%	30.5	9.4	0.7	7.4%
FY26E	829.3	92.1	45.6	5.5%	36.9	7.8	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. For a product, Enoxaparin, it installed a robotic line, thereby increasing the capacity by 4x while sustaining the product quality.

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. Also, it is working on another platform technology to preserve last-line antibiotics called Stealth Targeted Nanoparticles (STN) to convert crucial IV-(for eg saline fluids) into oral form. This significantly reduces the cost of hospitalization by reducing the duration of the stay in the hospital and also reduces exposure to bacteria caused by the environment in the hospital.

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.42 cr in FY23 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 FY23.

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 14%/20% CAGR over FY23-26E. At the current market price, the stock is trading at an attractive level of 7.8x P/E on FY26 EPS. Going forward, we expect the company to deliver an EPS of Rs.36.9 in FY26; assigning a target multiple of 10.5x, we arrive at a target price of Rs.388 showcasing an upside potential of 35% from current levels with an investment horizon of 18-24 months.

COMPANY OVERVIEW



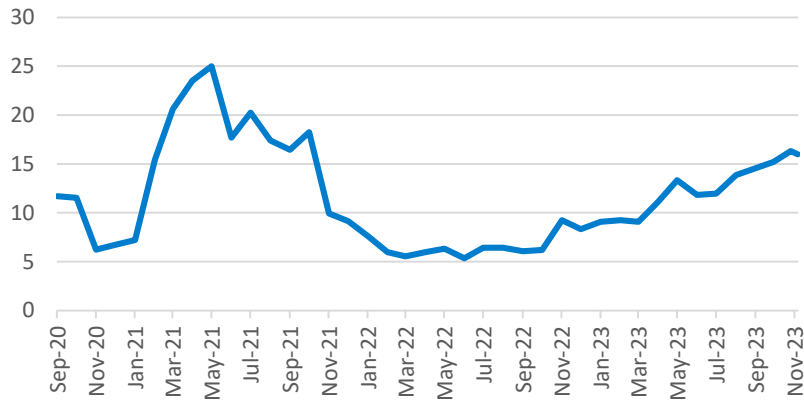
The company is one of the few pharma companies across the world to work on Antimicrobial Resistance (AMR). It also focuses in critical care segments such as Anticancer, Anti-infective, Skin and Wound Care and Pain Management. Venus Remedies has three manufacturing facilities – Panchkula and Baddi in 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 it 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 FY23, the company reported revenue of Rs.556 cr, down 7% over the previous year & an adjusted net profit of Rs.27 cr, translating to a net margin of 5%, with an EPS of Rs.21.5.

MARKET INFORMATION

Price to Earning



EV to PBIDT



Source: Company, Sushil Finance Research Estimates

PROFIT & LOSS STATEMENT

(Rs.cr)

Y/E Mar.	FY23	FY24E	FY25E	FY26E
Net Sales	555.5	611.1	708.8	829.3
Operating Expenses	331.0	366.6	425.3	497.6
Employee Cost	61.3	66.0	75.8	88.7
Other Expenses	80.1	87.4	100.7	116.9
EBITDA	60.2	66.0	78.0	92.1
Depreciation	32.3	36.7	41.1	46.4
Interest Cost	0.3	-	-	-
Other Income	10.3	12.0	14.0	16.0
PBT	37.9	41.3	50.9	61.6
Tax	11.4	10.7	13.2	16.0
RPAT	26.6	30.6	37.6	45.6

BALANCE SHEET STATEMENT

(Rs.cr)

Particulars	FY23	FY24E	FY25E	FY26E
Equity Share Capital	13.4	13.4	13.4	13.4
Reserves	447.0	477.6	515.2	560.8
Net worth	460.3	490.9	528.6	574.2
Total loans	42.3	49.1	52.9	57.4
Other Current Liabilities	102.1	101.7	108.1	116.8
Total Liabilities	601.1	637.7	685.3	743.7
Net block	136.7	121.4	115.8	110.8
Capex	26.1	21.4	35.4	41.5
Sundry debtors	76.7	79.4	92.1	107.7
Inventories	119.9	130.9	151.9	177.7
Cash and bank	53.7	71.0	47.5	46.3
Loans and advances	-	-	-	-
Other Financial Assets	165.0	188.3	216.1	232.1
Total Assets	601.1	637.7	685.3	743.7

Source: Company, Sushil Finance Research Estimates

CASH FLOW STATEMENT

(Rs.cr)

Particulars	FY23	FY24E	FY25E	FY26E
PAT	26.6	30.6	37.6	45.6
Depreciation & Amortization	32.3	36.7	41.1	46.4
Taxes	11.4	10.7	13.2	16.0
Finance Cost	0.3	0.0	0.0	0.0
(Incr)/Decr in Working Capital	(50.1)	(24.9)	(39.2)	(39.2)
Cash Flow from Operating Activities	20.4	53.1	52.8	68.9
(Incr)/ Decr in Gross PP&E	(16.0)	(21.4)	(35.4)	(41.5)
(Incr)/Decr In Investments and Intangibles	8.7	(11.9)	(13.7)	(10.5)
Others	(2.0)	1.4	(17.7)	(6.8)
Cash Flow from Investing	(9.3)	(31.9)	(66.8)	(58.7)
(Decr)/Incr in Debt	(0.6)	6.8	3.8	4.6
Others	(7.2)	(10.7)	(13.2)	(16.0)
Cash Flow from Financing	(7.7)	(3.9)	(9.4)	(11.4)
Opening Cash	50.4	53.7	71.0	47.5
Total cash flow	3.4	17.3	(23.5)	-1.3
Cash at the End of the Year	53.8	71.0	47.5	46.3

FINANCIAL RATIO STATEMENT

Particulars	FY23	FY24E	FY25E	FY26E
Growth (%)				
Revenue	(7.2%)	10.0%	16.0%	17.0%
Profitability (%)				
EBITDA Margin	10.8%	10.8%	11.0%	11.1%
PAT Margin	4.8%	5.0%	5.3%	5.5%
Per Share Data				
EPS	21.5	24.8	30.5	36.9
Reported CEPS	47.7	54.5	63.8	74.6
BVPS	373.0	397.8	428.3	465.2
Valuations (x)				
P/E	13.4	11.6	9.4	7.8
P/BV	0.8	0.7	0.7	0.6
EV / EBITDA	5.7	5.1	4.6	4.0
Turnover Days				
Debtors Days	50	47	47	47
Inventory Days	132	130	130	130
Creditors Days	56	52	52	52
Gearing Ratio				
D/E (x)	0.09	0.10	0.10	0.10

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
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No