

# RPG Life Sciences Ltd.

*On the path of upward growth trajectory.....*

We hosted the management call of RPG Lifesciences Ltd (RPGL) to discuss the business outlook.

Key takeaways are as follows:

- Growth momentum will be led by increased revenue from chronic and legacy portfolio.
- Monoclonal antibodies are the future. So, including Mabs in the portfolio is necessary.
- Spreading wings to other therapies as well such as cardiovascular, metabolic, urology etc.
- Expanding presence in emerging markets such as Myanmar, Vietnam, Philippines, Sri Lanka, Egypt, Sudan

**Robust growth from legacy brands:** Legacy brands continues to see strong revenue traction due to 20-line extensions coming in and life cycle management. The company's legacy brand Naprosyn which is expected to have sales of Rs 50 cr in FY23 will have 11 new line extensions leading to robust growth going ahead. The legacy brands currently contribute 70% to the domestic revenues with sales of Rs 2,000 Mn in FY22. The drugs contributing to the legacy portfolio are Azoran, Aldactone, Lomotil, Naprosyn, Serenace, Norpace etc.

**Monoclonal antibodies (Mabs) are the future:** The company has launched 5 Mabs in the domestic market namely trastuzumab, bevacizumab, adalimumab, denosumab and rituximab which contributes 8% to the total revenue. The revenue contribution from these Mabs is quite low currently (3.5% market share and sales of Rs 230 Mn in FY22) but presence in Mabs is necessary as the contribution of Mabs in the global pharma market is increasing. The total domestic biosimilar market is valued at Rs. 7,000 Mn in FY21. According to a market research report, the global monoclonal antibodies (Mabs) market is expected to grow from \$168.70 billion in 2021 to \$188.18 billion in 2022 at a CAGR of 11.5%.

**Chronic and Specialty the major growth driver:** The company is a leader in immunosuppressants which contribute 35% of its turnover (including domestic, international and API sales). Azathioprine (flagship brand) currently forms 70-75% of the immunosuppressant portfolio. Management expects the share of other brands such as Mycophenolate to improve significantly going forward. Chronic and specialty therapies remain focus areas for the company with a basket of product launches in FY23, including IroHigh, Azilta, DPO, DPO-M, Mirasmar-S, Solifirst and Tamflo DFZ.

**International growth to be led by new products and new customers:** In the International Formulations segment, RPG has identified 3 steps 1) It plans to expand its presence in emerging markets like Myanmar, Vietnam, Philippines, Sri Lanka, Egypt and Sudan and has worked out product registrations in these markets accordingly. In regulated markets, it is focused on expanding the partnership with new customers, entering into new markets. 2)The company has focus on products with a competitive advantage, such as Nicorandil (requires special manufacturing conditions) and Sodium Valproate PR (complex generic product). 3) To build the immunosuppressant portfolio by leveraging its leadership in the domestic market. 4) The company is running two big projects where it plans to get it approved by the regulators across the world.

**Products under NLEM:** 35% of company's domestic portfolio is under NLEM and the company has taken price hike of 10.7% across the portfolio in from Apr'22 (as per WPI inflation which is the allowed limit in NLEM).

**Inorganic growth:** The company is open for acquisition and for inorganic growth but is waiting for right company at right multiple. Currently, the M&A multiples are quite high. The company is looking to acquire assets in cardiovascular and specialty portfolio which can create synergy benefits going ahead.

**Sales force productivity:** The company has consistently increased its sales force productivity from Rs. 3.4 Lacs in FY19 to Rs 5.6 Lacs in H1FY23. Management expects topline growth to improve further as productivity rises.

**Balance Sheet:** RPG is a debt free company and has cash of Rs 509 Mn as on 30<sup>th</sup> Sep 22.



Rating: **Not Rated** Upside: **NA**  
 Current Price: **903** Target Price: **NA**

**| Earlier recommendation**  
 Previous Rating: NA  
 Previous Target Price: NA  
 Source: SMIFS Research

**| Market data**

Bloomberg:	RPGL IN
52-week H/L (Rs):	1,012/451
Mcap (Rs Mn/USD Mn):	14,820/180
Shares outstanding (mn):	16.5
Free float:	70.0%
Face Value (Rs):	8
Group:	S&P BSE Small Cap

Source: Bloomberg, SMIFS Research

**| Shareholding pattern (%)**

	Sep-22	Jun-22	Mar-22	Dec-21
Promoter	72.6	72.4	72.1	72.1
Public	27.4	27.6	27.9	27.9

**Promoter pledging (%)**

	Sep-22	Jun-22	Mar-22	Dec-21
Pledging	0.0	0.0	0.0	0.0

Source: BSE

**| Price performance (%)\***

	1M	3M	12M	36M
BSE Small Cap	3.3	3.8	5.5	121.4
RPGL IN	0.4	16.1	47.6	239.7

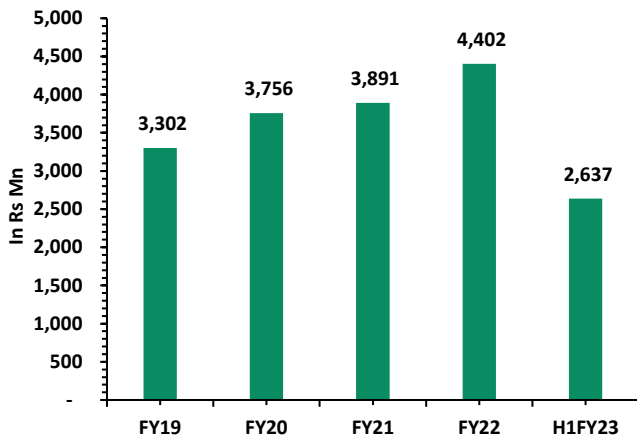
\*as on 2<sup>nd</sup> Dec 2022; Source: AceEquity, SMIFS research

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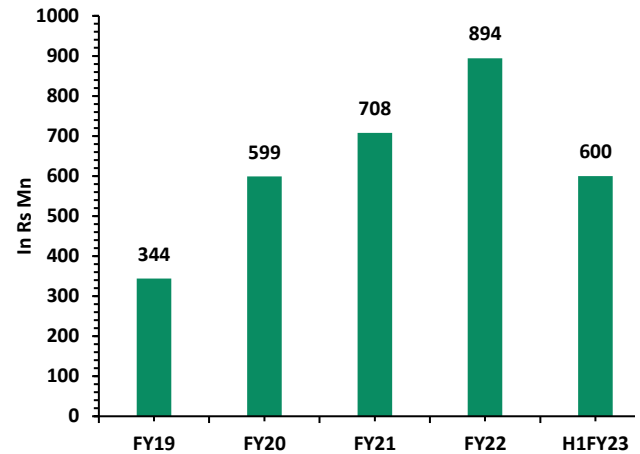
# Story in Charts

**Fig 1: Strong revenue growth over the years**



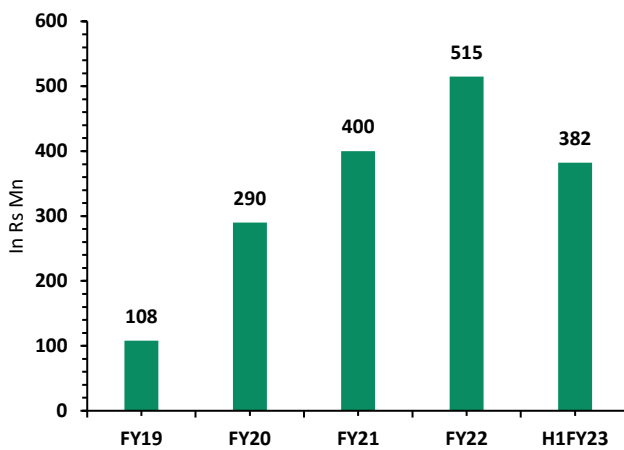
Source: Bloomberg, Company, SMIFS Research

**Fig 2: Operational efficiencies led to improved EBITDA**



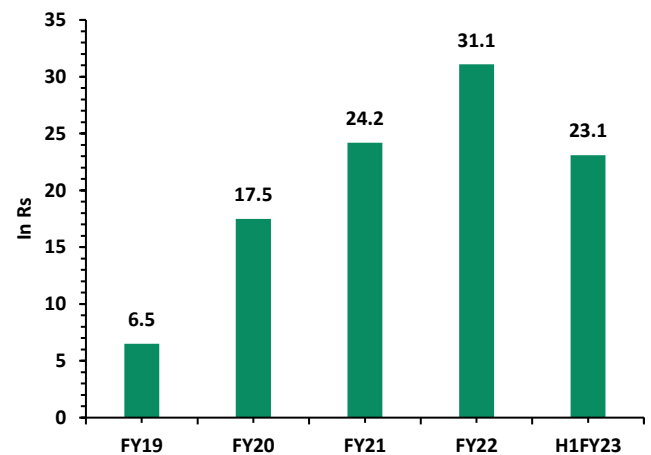
Source: Bloomberg, Company, SMIFS Research

**Fig 3: PAT had robust growth momentum**



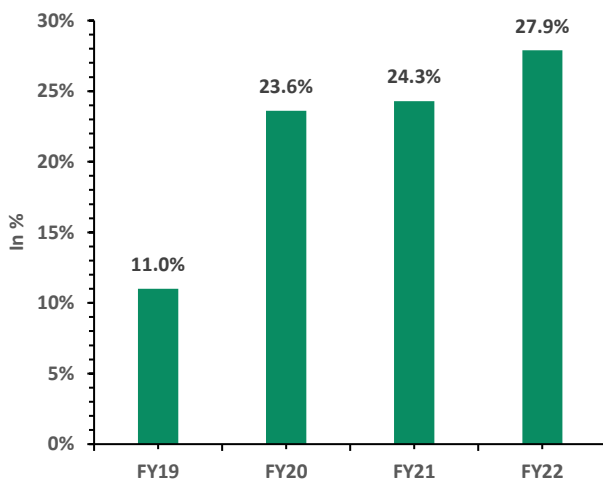
Source: Bloomberg, Company, SMIFS Research

**Fig 4: Healthy PAT led to growth in EPS**



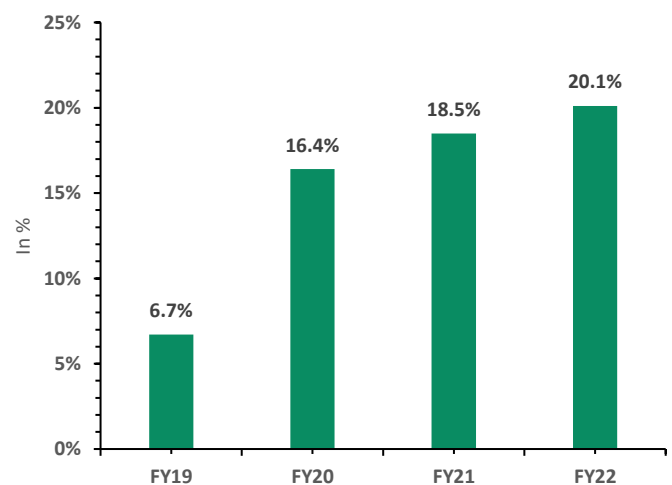
Source: Bloomberg, Company, SMIFS Research

**Fig 5: ROCE has seen continuous improvement**



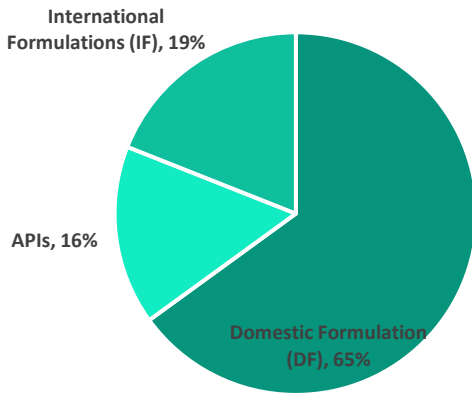
Source: Bloomberg, Company, SMIFS Research

**Fig 6: ROE has reached healthy returns of 20%**



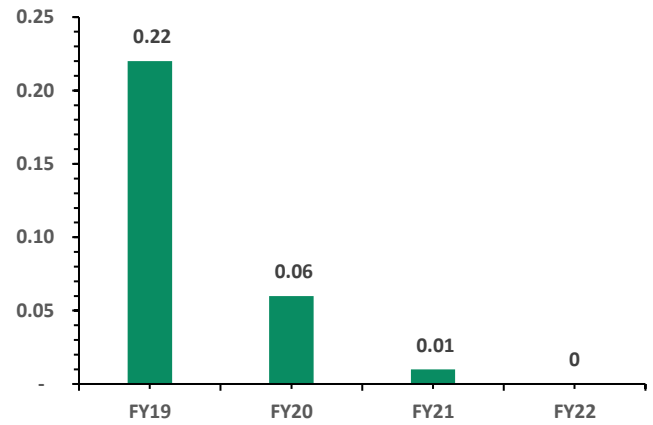
Source: Bloomberg, Company, SMIFS Research

**Fig 7: Revenue Break Up**



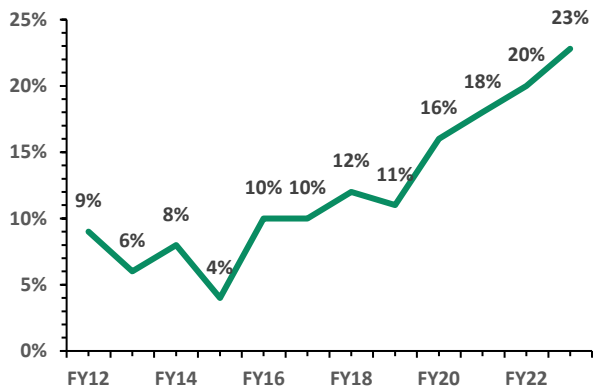
Source: Bloomberg, Company, SMIFS Research

**Fig 8: A debt free company**



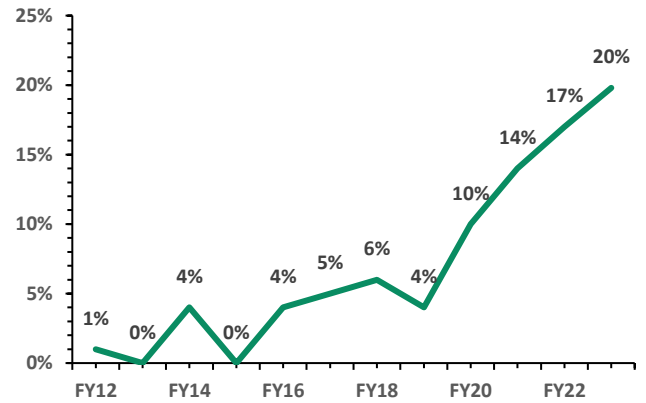
Source: Bloomberg, Company, SMIFS Research

**Fig 9: EBITDA Margins has seen continuous improvement**



Source: Bloomberg, Company, SMIFS Research

**Fig 10: So has the PBT Margins**



Source: Bloomberg, Company, SMIFS Research

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