

Price: 700

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 03-Apr-2025

Strides Pharma Science Limited has demonstrated impressive growth, achieving a 17.3% year-on-year revenue increase, surpassing its target. This success is driven by new product launches and the strategic demerger of its soft gelatin business, enhancing focus on core operations. The company is expanding its market presence, particularly in the U.S., and investing in R&D; to explore new niches. Strides aims to reduce debt and improve operational efficiency, positioning itself for future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2274 Cr	Operating Profit(Year)	286 Cr	Operating Profit Margin	12.6 %
Previous Year	1854 Cr	Operating Profit(Quarter)	74.1 Cr	EBITDA Margin	14.42 %
Current Quarter	551 Cr	PAT (Year)	70.9 Cr	Net Profit Margin	3.29 %
Previous Quarter	520 Cr	PAT (Quarter)	15.0 Cr	EPS	9.60
Revenue (QYoY)	380 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	73.0	Sales Growth	15.4 %	Sales Growth	5.96 %
PEG Ratio	-9.32	PAT Growth	237.62 %	Sales Growth QYoY	45.0 %
EV/EBITDA	22.7	EPS Growth	34.64 %	PAT Growth	-13.29 %
P/B	1.84	Dividend Yield	0.35	PAT Growth QYoY	-127.47 %
Capital Allocation		Holdings		Leverage	
RoE	2.02 %	Promoter	26.8 %	Debt/Equity	0.45
RoA	1.24 %	FII	28.5 %	Debt	1577 Cr
RoCE	4.83 %	DII	16.9 %	Market Cap	6447 Cr
RoIC	9.57 %	Public	27.8 %	Enterprise value	7939 Cr
		No of Shares	9.22 Cr	Cash Equivalents	85.1 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

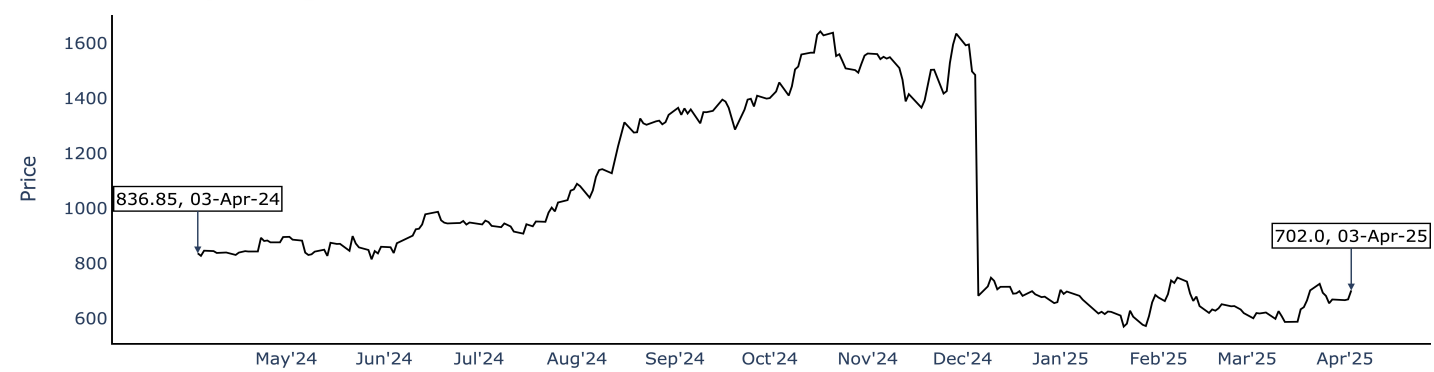
In the recent meeting, Strides Pharma Science Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and operational efficiency. The company has achieved a remarkable 17.3% year-on-year revenue growth, surpassing its initial target of 12% to 15%. This growth is attributed to the successful launch of new products and the strategic demerger of its high-margin soft gelatin business, which has allowed Strides to focus on its core operations and create a unique specialty CDMO platform. The demerger has also resulted in significant value creation for shareholders, with the listing of OneSource delivering substantial returns. The company has maintained a strong focus on operational execution, with a reported EBITDA of INR 585 crores for the first three quarters of FY '25, reflecting a robust EBITDA margin of 18.2%.

Strides has been proactive in diversifying its product portfolio and expanding its market presence. The company has launched several new products, including controlled substances from the acquired Endo portfolio, which have contributed significantly to its revenue growth. The U.S. business remains a key focus area, with Strides on track to achieve its revenue guidance of \$275 million to \$290 million. The company has also made strategic investments in other regulated markets, achieving a 7.8% year-on-year growth, and in Growth and Access Markets, which have seen a healthy 32.4% growth. These investments are expected to drive future revenue and gross margin growth, with the company well-positioned to capitalize on emerging opportunities in these markets.

Looking ahead, Strides is optimistic about its growth prospects and scaling potential. The company has set ambitious targets for the coming years, including achieving a net debt-to-EBITDA ratio of less than 2 and continuing to reduce debt through strong operating cash generation. Strides is also focused on enhancing its R&D; capabilities, with plans to significantly increase its R&D; investments to support the development of new products and technologies. The company is exploring new niches, such as nasal sprays and unit dose businesses, which are expected to become significant growth drivers in the future. Strides' commitment to sustainability is reflected in its impressive ESG rating, which positions the company favorably compared to industry peers.

While the company's performance has been commendable, there are areas for improvement. Strides could benefit from further optimizing its cost structure and enhancing its operational efficiency to sustain its growth momentum. Additionally, the company should continue to focus on strengthening its product pipeline and expanding its market reach to mitigate potential risks associated with regulatory changes and market dynamics. By addressing these areas, Strides can enhance its competitive position and achieve its long-term growth objectives. Overall, the company's strategic initiatives and strong financial performance provide a solid foundation for future success, with significant opportunities for growth and value creation in the years ahead.

STAR Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mankind Pharma	99777.98	51.63	19.71%	-5.26%	8.48%	-30.88%	-10.01%
Dr Reddy's Labs	96066.66	17.84	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	95650.37	33.31	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	90666.75	20.02	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	68909.32	19.46	11.53%	2.34%	8.53%	3.50%	-9.69%

Aspect	Commentary
Revenue	The company achieved a notable revenue increase, with a year-on-year growth of 17.3%, driven by new product launches and strategic business decisions. This growth reflects the company's ability to capitalize on market opportunities and enhance its core operations, positioning it well for future expansion.
Profit & Loss	Operating profit margins are healthy, with a significant year-on-year increase in PAT, indicating strong operational performance. However, quarterly PAT shows a decline, suggesting potential short-term challenges that need addressing to maintain profitability momentum.
Profitability Matrix	The company maintains a solid operating profit margin and EBITDA margin, reflecting efficient cost management and operational execution. The net profit margin, while positive, indicates room for improvement to enhance overall profitability.
Valuation Matrix	The valuation metrics suggest a high P/E ratio, indicating market optimism or potential overvaluation. The negative PEG ratio and moderate EV/EBITDA highlight the need for careful assessment of growth prospects and valuation alignment.
Growth (YoY)	Year-on-year growth metrics are robust, with significant increases in sales and PAT, underscoring the company's successful strategic initiatives. The impressive EPS growth further highlights the company's ability to enhance shareholder value.
Growth (QoQ)	Quarterly growth shows mixed results, with sales growth remaining positive but PAT declining, indicating potential volatility in earnings. This suggests a need for strategies to stabilize quarterly performance and sustain growth.
Capital Allocation	The company's return metrics, such as RoE and RoCE, indicate efficient capital utilization, though there is room for improvement. The focus on reducing debt and enhancing operational efficiency is crucial for long-term financial health.
Holdings	The shareholding pattern is well-distributed, with significant promoter and institutional holdings, reflecting confidence in the company's prospects. This balanced ownership structure supports stability and potential for strategic partnerships.
Leverage	The company's leverage is moderate, with a debt-to-equity ratio indicating manageable debt levels. The focus on reducing debt and maintaining strong cash reserves is essential for financial flexibility and risk management.

Analyst viewpoint: Strides Pharma Science Limited showcases a promising growth trajectory, fueled by a strategic focus on innovative product launches and strategic business maneuvers, such as the demerger of its soft gelatin business. This decision has effectively allowed Strides to direct its energies towards core operational functions, creating a specialized CDMO platform, and ultimately, increasing shareholder value through the new listing of OneSource. The company achieved a substantial 17.3% year-on-year revenue growth, surpassing initial targets, thanks to its expanding market presence, especially in the U.S., where it introduced several new products from its Endo portfolio. Moreover, ambitious goals like reducing the net debt-to-EBITDA ratio and bolstering R&D capabilities by exploring new business niches such as nasal sprays and unit dose are testaments to its robust business strategy and long-term vision.

Despite its commendable performance, the quarterly decline in PAT suggests a short-term volatility in earnings which the company could address. Strides can further optimize operational efficiencies and cost structures to maintain its growth momentum. Remaining vigilant towards potential regulatory changes will enable the expansion of its product pipeline and mitigate any associated risks. With these caveats managed, Strides appears well-positioned for sustainable success, backed by a healthy operating profit margin and strategic investments that promise to drive revenue and market growth.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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