Arihant Capital
Generating Wealth

Stock Idea
27th November 2024

Sakar Healthcare Ltd

CMP: INR 291

Outlook: Positive

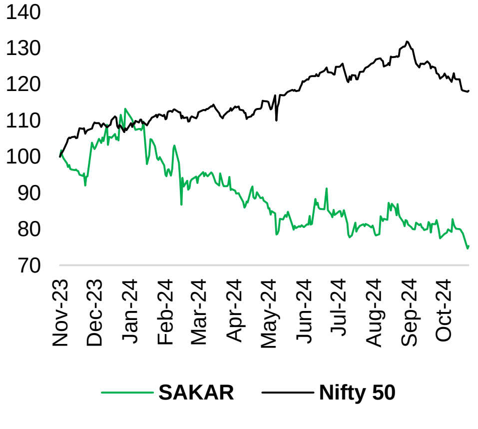
Stock Info	
NSE	SAKAR
Bloomberg	SAKAR:IN
Sector	Pharmaceuticals
Face Value (INR)	10
Equity Capital (INR mn)	217.5
Mkt Cap (INR mn)	6,340
52w H/L (INR)	479 / 280
Avg Daily Volume (in 000')	29

Shareholding Pattern %
(As on September, 2024)

Promoters	53.15
DII	10.62
FII	13.42
Public & Others	22.8

Stock Performance (%)	1m	6m	12m
SAKAR	-4.9	-12.9	-25.4
NIFTY	-0.27	6.06	22.04

SAKAR vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022-422548871

Aman Jain
aman.jain@arihantcapital.com

Sakar Healthcare started with CDMO business, serving Indian companies and MNCs and gradually forayed into export of their own label products, targeted towards the developing markets. They have recently entered the oncology segment in FY23 and we expect this to be one of the major growth drivers for them going forward. The company currently holds ~300 molecules registrations in the emerging markets covering 25 therapeutic segments. The company is shifting their focus from Non-oncology to oncology as they believe the oncology segment has better returns and with their modern technology and equipments, they can target the demand in the segment.

Revenue mix: In the non-oncology segment, 80% of the revenues come from exports while CDMO constitutes 20% of the sales. Currently, all the sales in the Oncology segment are coming from CDMO only. Going forward, they aspire to have similar breakup in the Oncology segment also.

Guidance:

- The company targets to reach INR 5 Bn revenues in the next 3 years on three full years of operations of the Oncology business. INR 3 Bn is expected to come from Oncology segment while the base business will contribute the rest.
- The total capex of INR 2.5 Bn for the oncology segment can achieve peak revenues of INR 10 Bn at 60-70% utilisation, depending on the product mix. The base business of non-oncology is expected to continue at a steady growth rate of 7-8%, in line with the industry. While, the oncology segment can see substantial growth from FY26 onwards once the product supply begins post the successful approvals.
- Current EBITDA margin is 25%. Oncology business will have much higher margins, upwards of 27%. And with the integrated APIs coming in, they expect to achieve 30%+ EBITDA margins on the Oncology side. Given this, they are targeting ~28% EBITDA margins by FY28.
- With the initial sales in the oncology segment to begin from FY26, they anticipate to generate INR 800-900 Mn revenues in that year.

Oncology business:
The company entered the Oncology segment with research driven API integrated facility which is EU GMP approved, with capabilities to produce oral solids as well as injectables.
35 molecules have been developed as of now and they have filed 27 of them, particularly targeting the regulated markets of Europe, Canada. The dossiers generally take 1-2 years for approval and registration. They expect to receive majority of the approvals in H1FY26, post which the sales are expected to begin.
The segment contributed ~INR 200 Mn sales in FY24 and they expect to reach INR 400 Mn in FY25. Currently, there is very minimal contribution coming from this segment as the company has not received approvals yet, due to which supply has not begun. The current revenues have been generated through CDMO for domestic customers.
The company already has good presence in the African markets in the non-oncology segment. They have filed the oncology products also but the market is a bit price sensitive.
The company is also producing APIs in the oncology segment and supplying to their domestic customers like Zydus, Glenmark etc. With the integrated APIs coming in, the oncology segment is expected to see much higher margins, upwards of 30%.
In the segment, the company has filed dossiers in Europe, Latin America, South East Asia, Africa, targeting countries like Canada, Croatia, Bulgaria, Columbia, Mexico, Thailand, Philippines, Vietnam, Malaysia, Kenya, Uganda and South Africa.
There are no plans to expand into the US market currently as they already have presence in the emerging markets and developed markets of Canada, Europe where the opportunities are much better. Also, the company aspires to become an export oriented player and not a CDMO company thus the CDMO share is coming down.

Valuation and outlook: Sakar Healthcare is strategically shifting their focus towards the Oncology segment and is currently in the growth phase. 35 molecules have already been developed with dossiers filed in the emerging and developed markets. We expect the registrations and approvals to come in by H1FY26, leading to sales beginning from the same time. The Oncology segment will be one of the major growth drivers for the company given their superior manufacturing capabilities and growing demand, as they plan to target the untapped markets. At CMP, the stock is trading at 51x P/E and 16.8x EV/EBITDA on TTM basis. We have a positive outlook on the company.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100 Fax: (91-731) 4217101

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880