

## Retail Equity Research

# Nectar Lifescience Ltd

**CMP Rs. 42.2**

**Rating: Overweight**

### Pharmaceuticals

**BSE CODE: 532649 NSE CODE: NECLIFE**

The company generated revenue from operations of ₹35,884.70 lakhs, a decrease from ₹43,984.75 lakhs in the previous quarter and ₹39,411.63 lakhs in Q1 FY2023. Total income for the quarter was ₹35,985.05 lakhs, down from ₹44,284.27 lakhs in the previous quarter and ₹39,459.57 lakhs year-over-year. Total expenses decreased slightly to ₹35,493.34 lakhs from ₹43,172.31 lakhs in the previous quarter. The profit before tax (PBT) stood at ₹491.71 lakhs compared to ₹1,111.96 lakhs in the last quarter and ₹305.84 lakhs in Q1 FY2023. The net profit for the period was reported at ₹296.91 lakhs, reflecting a significant increase from ₹59.91 lakhs in the previous quarter. The basic EPS for this quarter was ₹0.13, up from ₹0.03 in Q4 FY2023 and consistent with Q1 FY2023 figures

#### Company Data

Market Cap (cr)	Rs.	949.22	
Enterprise Value (cr)	Rs.	1,291.99	
Outstanding Shares (cr)		22.47	
52 week high	Rs.	56.50	
52 week low	Rs.	21.20	
1m average volume (lacs)		58.60	
Face value	Rs.	1.00	
Consolidated (cr)	FY22	FY23	FY24
Sales	1665.07	1520.12	1681.55
Growth(%)	8%	-9%	11%
EBITDA	215.51	112.13	212.27
EBITDA Margin(%)	12.9%	7.4%	12.6%
PAT	25.05	-24.18	5.00
Growth(%)	134%	-197%	121%
EPS	1.1	-1.1	0.2
P/E	21.5	-14.8	135.3
P/B	0.5	0.3	0.6
EV/EBITDA	8.1	11.4	7.8
ROE(%)	2%	-2.3%	0%
ROCE(%)	6%	2.0%	6.2%
ROIC(%)	4%	1.2%	1.7%
D/E	0.79	0.71	0.59

Sales grew from ₹1520.12 crore in FY23 to ₹1681.55 crore in FY24, a growth of 11%, following a decline of 9% in FY23. EBITDA significantly improved in FY24, reaching ₹212.27 crore, after a dip to ₹112.13 crore in FY23. EBITDA margins recovered to 12.6% in FY24, following a decline to 7.4% in FY23.

The Profit After Tax (PAT) saw a recovery from a loss of ₹24.18 crore in FY23 to a profit of ₹5 crore in FY24, with a growth rate of 121%. However, the earnings per share (EPS) remained low at 0.2, and the Price-to-Earnings (P/E) ratio increased sharply to 135.3x in FY24, reflecting a high valuation despite modest earnings recovery.

Return on Equity (ROE) remained under pressure, at 0% in FY24, after a negative 2.3% in FY23. The Return on Capital Employed (ROCE) showed improvement, reaching 6.2% in FY24. The company's debt-to-equity (D/E) ratio also improved, dropping from 0.79 in FY22 to 0.59 in FY24, indicating a positive trend in reducing financial leverage.

## Key Highlights

- **Established Track Record:** Nectar Lifesciences Ltd. (NLL) has over three decades of experience in the pharmaceutical market, particularly as a leading player in the cephalosporin range of products, which includes both oral and sterile formulations used as anti-infectives.
- **Diverse Product Range:** The company offers a variety of oral cephalosporins, including cefixime for bacterial infections and cefuroxime axetil for pneumonia, alongside sterile products such as cefotaxime sodium and ceftriaxone sodium. The cephalosporins are segmented into first to fourth generations, with increasing popularity in the latter generations.
- **Sale of Non-Core Assets:** As part of a restructuring plan, NLL has successfully sold non-core assets, realizing approximately ₹135 crore and reducing its bank limits by the same amount. The company anticipates generating an additional ₹18 crore from further asset sales.
- **Regulatory Approvals:** NLL operates 13 manufacturing plants, many of which are accredited by various regulatory authorities, including the US FDA and EUGMP. The company has filed 44 drug master files and 15 abbreviated new drug applications, along with 27 patents.
- **Global Customer Base:** The company boasts a diverse customer base across over 80 countries, with about 41% of its revenue derived from exports during the first nine months of FY24. Key markets include the UK, Bangladesh, and Germany.
- **Financial Performance:** NLL reported cash flow from operations of ₹133.37 crore in FY23 and generated cash from asset sales amounting to ₹52 crore. For FY24 and FY25, the company expects cash accruals between ₹80 crore to ₹90 crore.
- **Liquidity Position:** The company's liquidity is deemed adequate, with cash and liquid investments totaling ₹20.04 crore as of September 30, 2023. NLL is positioned to meet its debt obligations comfortably.
- **Leadership Continuity:** Mr. Sanjiv Goyal is proposed for reappointment as Chairman & Managing Director for another three years, reflecting confidence in his leadership amidst ongoing strategic initiatives aimed at enhancing operational efficiency and market presence.

**Quarterly Financial Consolidated**

**Profit and loss account**

**(Rs Cr)**

	<b>Jun-23</b>	<b>Sep-23</b>	<b>Dec-23</b>	<b>Mar-24</b>	<b>Jun-24</b>
<b>Sales</b>	394.13	397.97	452.17	441.38	359.30
Growth(%)	1%	1%	14%	-2%	-19%
<b>Expenses</b>	358.59	371.11	409.98	392.88	319.49
Operating Profit	35.54	26.86	42.19	48.50	39.81
Growth(%)	96%	-24%	57%	15%	-18%
Other Income	0.47	10.61	0.48	1.47	0.55
Depreciation	15.33	15.31	15.37	14.70	15.46
Interest	17.62	20.52	24.84	24.16	19.98
Profit before tax	3.06	1.64	2.46	11.11	4.92
Tax	1.24	0.63	0.89	10.52	1.95
Net profit	1.82	1.02	1.57	0.59	2.97
Growth(%)	-102%	-78%	35%	-166%	80%

**Financial Consolidated**

**Profit & Loss**

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**Balance Sheet**

**(Rs Cr)**

Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	22.43	22.43	22.43	22.43	22.43
Reserves	1,113.70	1,039.60	1,065.48	1,042.17	1,046.82
Borrowings	778.76	903.41	859.93	753.83	635.54
Other Liabilities	718.41	422.67	442.99	370.78	486.27
<b>Total</b>	<b>2,633.30</b>	<b>2,388.11</b>	<b>2,390.83</b>	<b>2,189.21</b>	<b>2,191.06</b>
Net Block	784.85	771.89	723.10	661.97	642.71
Capital Work in Progress	115.00	98.63	85.10	77.78	65.75
Investments	0.40	0.69	0.70	0.55	0.73
Other Assets	1,733.05	1,516.90	1,581.93	1,448.91	1,481.87
<b>Total</b>	<b>2,633.30</b>	<b>2,388.11</b>	<b>2,390.83</b>	<b>2,189.21</b>	<b>2,191.06</b>

**Cash Flow**

**(Rs Cr)**

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	284.96	21.38	95.01	133.65	224.69
Cash from Investing Activity	-33.13	-28.62	16.64	51.7	-17.03
Cash from Financing Activity	-251.87	11.49	-119.38	-185.58	-205.44
Net Cash Flow	-0.03	4.25	-7.73	-0.23	2.23

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