CHANAKYA

NI POTHI

Ahmedabad 04-11-2021

Sun Pharma Q2 net up 13% at Rs 2,047 cr, firm launches 28 products in qtr

Strong sales growth in domestic branded formulations and US markets has led to India's largest drugmaker Sun Pharmaceutical Industries Limited reporting a net profit of Rs 2,047 crore in the second quarter of FY22.

The net profit for Q2FY22 was up 29 per cent over the adjusted net profit of Q2 last year and up 13 per cent versus reported net profit year-on-year (YoY), the company informed exchanges in its filings on Tuesday. The company's earnings before interest, tax, depreciation and amortisation (EBITDA) at Rs 2,560.8 crore, up by 21 per cent over Q2 last year, with resulting EBITDA margin of 26.8 per cent compared to 25 per cent for Q2 last year.

Consolidated sales from operations rose by 13 per cent YoY but fell marginally by one per cent on a sequential basis to Rs 9,556.7 crore.

Domestic business, which accounted for 33 per cent of total sales, rose by 26 per cent YoY to Rs 3187.8 crore. US sales, which form 28 per cent of total sales, grew by 8 per cent YoY to $361 million, dragged by Taro's performance. Taro saw its Q2 sales in FY 2021-22 fall by eight per cent YoY to US$ 132 million, while its adjusted net profit fell by 45 per cent over Q2 last year to about $25 million.

The company launched 28 new products in the domestic market in Q2, the management said in its post earnings call on Tuesday. On the other hand, Covid product sales fell from 8-10 per cent in Q1 to two per cent in Q2 of the current fiscal year.

Continuing on the downward trend of the first quarter, Sun Pharma's active pharmaceutical ingredients (API) external sales fell by 15 per cent to Rs 435.8 crore in the second quarter. The sales growth mainly fell on account of lower opiates sales. The company, however, stated that it continues to focus on increasing API supplies for captive consumption relating to its key products, since the API business imparts benefits of vertical integration and continuity of supply chain for its own formulations business.

Commenting on the performance, Sun Pharma's Managing Director Dilip Shanghvi said that the company's global specialty business has grown by 43 per cent over Q2 last year even as its plaque psoriasis drug Ilumya grew both YoY and sequentially. "We remain steadfast in our focus on growing our overall business and simultaneously strengthening our global specialty portfolio. The recent launch of Winlevi in the US and Ilumya in Canada is a step forward in this direction," said Shanghvi.

The management said that the company was in touch with the USFDA, requesting the regulator to audit its Halol facility at the earliest, although it hasn't received any intimation from the regulator.

Among other markets, Sun Pharma's emerging markets' sales grew by 16 per cent YoY to $243 million for Q2, accounting for about 19 per cent of total sales. Formulation sales in Rest of World (ROW) markets, excluding US and emerging markets, was up by about five per cent to $188 million over last year's Q2, accounting for 15 per cent of sales.

In the first half of the current financial year 2021-22, the company has repaid debt of about US$ 209 million compared to the debt as of March 31, 2021. With this debt repayment, Sun Pharma had a net cash of about US$ 200 million as of September 30, 2021, on an ex-Taro basis.

Sun Pharma, however, reduced its consolidated research and development (R&D) investment to Rs 536.4 crore in Q2 of FY'22, compared to Rs 612.7 crore in Q2 last year, on account of spill-over of certain clinical studies into subsequent quarters.

The company's R&D efforts span across both specialty and generic businesses even as it continues to invest in building the pipeline for various markets including the US, emerging markets, RoW markets and for India.

Currently, the company's product offering in the US market comprises approved abbreviated new drug applications (ANDAs) for 508 products while filings for 88 ANDAs await US FDA approval, including 20 tentative approvals. During the second quarter, three approvals were received. Additionally, the portfolio includes 53 approved new drug applications (NDAs) while 13 NDAs await US FDA approval.

Stock market sees its best-ever Samvat in 12 years

The liquidity-driven rally in Samvat 2077 has been the best in 12 years, with the frontline indices — the Nifty 50 and the S&P BSE Sensex — surging 41 per cent and 38 per cent, respectively.

The rally in the broader markets has been sharper during the traditional accounting year that will end with Diwali this week. While the S&P BSE Smallcap index surged 83 per cent during this period, the S&P BSE Midcap index moved up 63 per cent.

Back in Samvat 2065, the frontline indices had risen 104 per cent, while the midcap and smallcap indices had appreciated by 123 per cent and 120 per cent, respectively, shows data.

“The equity market had a historical journey in Samvat 2077 as it touched new lifetime highs, with Nifty/Sensex surpassing the 18,500/62,000 mark for the first time. The sprint amid lockdowns and other challenges has been led by a benign global liquidity, containment of Covid-19 cases, a significant pick-up in the pace of vaccination and a sharp recovery in corporate earnings,” said Gautam Duggad, head of research for institutional equities at Motilal Oswal Financial Services.

In the S&P BSE 500 index, more than half — or 298 — scrips outperformed the index, which gained 48 per cent during Samvat 2077. Six Tata Group companies — Tata Steel, Tata Motors, Tata Power Company, Tata Elxsi, Tata Coffee and Tata Chemicals — and four Adani Group companies — Adani Enterprises, Adani Transmission, Adani Total Gas and Adani Power — jumped between 109 per cent and 481 per cent during the year.

In all, 138 stocks in the BSE 500 index doubled.

Among sectors, realty gained the most at 122 per cent, followed by metals (110 per cent) and public sector banks (108 per cent). On the other hand, pharma (19 per cent), FMCG (24 per cent) and private banks (31 per cent) were underperformers as defensives took a breather.

Foreign portfolio investors (FPIs) put in a net Rs 1.36 trillion ($189 billion) in Indian equities during Samvat 2077, the data shows. Domestic institutional investors (DIIs), including domestic mutual funds, insurance companies, banks, financial institutions, pension funds etc., on the other hand, withdrew Rs 36,682 crore after five consecutive years of inflows.

The sharp rally has made analysts cautious, who believe the Indian stock markets have run up too fast, too soon. Against this backdrop, they expect a correction in the near term, given the rich valuation (Nifty trades at 20.5x FY23 estimates) and the multiple headwinds they face in the short run.

“A correction is long overdue. A 10-15 per cent correction is par for the course and in this decade, only two years did not see at least a 10 per cent correction. The correction will be led by global factors as the market consolidates its sharp gains and central banks start to tighten monetary policy. India will be part of global correction, given its sharp outperformance and expensive valuations,” said Jyotivardhan Jaipuria, founder & managing director, Valentis Advisors.

As a strategy, analysts say stock selection will be key in Samvat 2078 as India Inc battles high input cost pressures that threaten to impact their financial performance. From a long-term perspective, though, equities, they still feel, remain a preferred asset class.

“Equities still remain a preferred asset class in a medium-to-long term perspective. In the near term, too, as inflation pressure rises, the shift to equities from bonds may support buying interest in equities, albeit in select sectors that thrive in an inflationary environment or are less susceptible to input cost pressures and supply chain disruptions.

Investors should rotate portfolios toward stocks that can provide better inflation protection,” wrote Jitendra Gohil, head of India equity research at Credit Suisse Wealth Management, in a recent note co-authored with Premal Kamdar.

Litigations delay asset sale process of debt-ridden Reliance Capital

The sale of assets of Reliance Cap-ital, initiated by the len-d-ers of the Anil Ambani company, has entered the slow lane, with litigation across various courts delaying the process.

The lenders of Reliance Capital had put several assets of the firm, including its insurance ventures, asset reconstruction firm, and securities arm on sale.

In total, the advisors to the lenders — SBI Caps and JM Financial — had received over 90 EoIs (expressions of interest) for nine key assets of the company but no transaction could be completed because of the ongoing litigation in debt recovery tribunals and other courts.

The sale of Reliance Capital’s assets was initiated by the Committee of Debenture Holders and the Debenture Trustee Vistra ITCL India Ltd, which represented 93 per cent of total debt of Reliance Capital. Reliance Capital had a debt of Rs 26,887 crore on a consolidated level as on fiscal year ended March this year.

After the company defaulted on its loans, the lenders started the process of asset monetising but were unable to complete the deals. As of March 31, 2021, the consolidated total assets stood at Rs 64,878 crore, according to the company’s annual report of 2021.

The company is deriving maximum valuation for its insurance ventures that includes RCap’s 100 per cent stake in Reliance General Insurance Company, which is the fourth-largest private general insurance company with market share of 4.5 per cent and 51 per cent stake in Reliance Nippon Life Insurance Company (RNLI). RNLI is a joint venture with Japan’s largest life insurer, Nippon Life that holds the rest of the stake.

The process to unlock the value of Reliance Capital started on October 31st last year by the advisors and had received good response from both global and local investors.

The lenders of two the separate listed subsidiaries of Reliance Capital, how-ever, managed to find a buyer for its home finance firm and NBFC arm.

Lenders of Reliance Home Finance and Reliance Commercial Financial have selected Authum Investment and Infrastructure as successful bidders for both the companies.

6 brownfield Adani airports could help AAI make Rs 650 crore annually

The Airports Authority of In-dia (AAI) can make over Rs 650 crore annually as concession fee from the six brownfield airports that have been won by the Adanis, say analysts.

This is more than four tim-es the income that AAI made in 2019-20 from the same airports, at Rs 142.72 crore, by running them on their own.

These airports include Ma-n-ga-luru, Lucknow, Ah-meda-bad, Jaipur, Trivandrum, and Guwahati with total passen-gers of 32.9 million in 2019-20. The Adanis have already signed up concession agreements from late December 2020 to run the airports.

AAI’s bonanza in earnings was pegged to passenger num-bers in 2019-20. They have been multiplied by the per passenger winning bid fee. With passenger growth, the earnings for AAI will only go up year-on-year (YoY). An email sent to Adanis didn’t elicit any response.

AAI has also earned Rs 29,300 crore in 13 years from the concessions of the greenfield Delhi and Mumbai airports under the private-public partnership (PPP) model. How-ever, in both these airports, the concession model was not based on bid per passenger as has been the case for new PPP airports but on a revenue-share model. So, while Delhi pays 45.99 per cent of its annual revenues, Mum-bai forks out 38.7 per cent.

In contrast, the earnings (profit from operations) that AAI made from these airports when it was running them between 2001 and 2007 was collectively only Rs 3,000 crore. However, in just one year (2019-20), under the PPP model, AAI’s earnings from Delhi and Mumbai together was at Rs 3,052 crore. And, this of course does not include the increase in valuation of the 26 per cent equity that it holds in these two airports.

It is this huge bonanza, which has prodded the government to further privatise airports in a three-pronged strategy. One, it is now planning to complete privatisation of 13 additional airports (six large airports and seven small ones that will be clubbed) run by the AAI under the PPP model by the end of this financial year.

The six bigger airports include Bhubaneswar, Varanasi, Amritsar, Indore, Raipur and Trichy, which flew over 1.6 million passengers in 2019-20. The smaller ones that will be clubbed with them in-clude Jharsuguda (with Bhu--b-aneswar), Gaya and Kushi-nagar (with Varanasi), Kangra (with Amritsar), Tirupati (with Trichy), Jabalpur (with Indore) and Jalgaon (with Raipur).

Glasgow COP26: There's little risk for coal investors on road to 2070

Catching the world by surprise, Prime Minister Narendra Modi on Monday declared 2070 as the target year for India to have zero carbon emissions. While the target announced at the COP26 Summit in Glasgow is 49 years away, the fossil fuel dependent Indian economy will have to brace for a paradigm shift. In all this, investors in coal may still find hope, officials believe.

India has achieved 25 per cent of emission intensity reduction of GDP between 2005 and 2016, and is on a path to achieve more than 40 per cent by 2030, according to observations made by the Centre for Science and Environment (CSE). In effect, India will have to step up measures to reduce emissions from the transport sector as well as the energy-intensive industrial sector, especially cement, iron and steel, non-metallic minerals, and chemicals. It would also require India to reinvent its mobility systems.

Rather than putting pressure on coal, this target actually provides certainty to investors in coal – both state owned Coal India Limited (CIL) and private captive and commercial coal miners, according to government officials. “The 1 billion tonne coal production target of CIL will get logged into the economy in this decade. For another 20-30 years, the future of coal is secure in India. The mines awarded now have a clear business case to run for their lifetime,” said an official.

The target strengthens the business case of captive mines awarded over the last five years and commercial mines awarded recently to private companies, the official said. “The lifetime (30 years) of these mines ends long before 2070. India will see a peak in coal production in this decade followed by a decline which is imminent given the rapid pace of renewable energy addition,” he pointed out.

In the electricity sector alone, the current coal-based capacity of 200 Gw and the near-term plan to add another 25 Gw is enough to meet the demand of the sector, coupled with the high growth in renewable energy, according to estimates.

“This announcement gives impetus to coal in India. Now there is no uncertainty with the 2070 deadline. The economics of the greenfield coal mines and thermal plant has been established and so is the validity of the operational ones,” said the official quoted above.

Power ministry officials said coal-based power plants are running at 60 per cent plant load factor (PLF) or operating ratio and can go up to 85 per cent. This 25 per cent increase in power generation can happen without any incremental power generation capacity.

“Then there is an additional 25 Gw under construction and similar gas-based capacity which is under-utilised. So, effectively, no new thermal plants are needed in the short term and current capacity utilisation can be increased to meet our demand, coupled with growing renewable energy sources,” said another official in the ministry of power.

The PM said India would have 500 Gw of renewable energy capacity by 2030 and that 50 per cent of the country's energy demand would be met from non-fossil fuel sources by that year.

The ministry of power officials said there is a need to go back to the drawing board for redesigning the demand supply scenario, it is the natural growth trajectory for an economy such as India to invest more towards green sources.

For the 50 per cent non-fossil fuels meeting the energy demand of the country, officials said several sectors would need to “green” themselves – this includes mobility, domestic fuels usage, manufacturing etc. “This puts focus on programs such as the National Hydrogen Mission to give impetus to green fuels,” said the official. According to the Intergovernmental Panel on Climate Change (IPCC), global emissions must become half by 2030 and reach net zero by 2050. "Given the enormous inequity in emissions in the world, the OECD countries must then reach net zero by 2030, China by 2040 and India and the rest of the world by 2050. However, the targets for net zero are both inequitable and unambitious. As per this, OECD countries have declared net zero target for 2050 and China for 2060," said a CSE report.

IL&FS group expects to resolve extra Rs 4,800 crore debt by March 22

Troubled IL&FS group expects to resolve additional debt of about Rs 4,800 crore in five months, taking total amount resolved amounts close to Rs 57,000 by March 2022.

Giving the break up of the Rs 52,200 crore resolved till date, Uday Kotak, the group's chairman, said lenders have recieved Rs 14,100 crore. Amounts which are in cash with various group entities are about Rs 16,700 crore.The group has completed sale and purchase agreements worth Rs 21,000 crore, awaiting approvals from regulatory and legal forums.

It also stuck to its earlier estimate of resolving debt of Rs 61,000 crore, representing 62 per cent of overall debt of over Rs 99,000 crore as of October 2018. This covers funded and non-funded exposures.Kotak said overall resolution estimate (61 per cent) is significantly higher than the average recovery observed under IBC 2016, since its inception. The debt resolved in IBC cases is about 38 per cent.

Of the 347 entities under IL&FS Group as of October 2018, a total of 235 entities stand resolved till date, including resolution applications filed with courts. The applications for additional 15 entities are expected to be filed with courts by March 2022, he said.Since the last update in July 2021, the Group has addressed additional debt of Rs 8,500 crore from monetisation initiatives. These cases include InvIT Phase 1; Terracis Technology (erstwhile IL&FS Technologies); ONGC Tripura Gas based power project; Warora Chandrapur Road project and IL&FS Prime Terminals Fujairah.

REDEX PROTECH LIMITED

CIN - L31100GJ1991PLC016557

Corporate Office : Parshwanath Business Park,Near Prahladnagar Garden,Satellite, Ahmedabad PH: 079-26584080,26587009

EXTRACT FROM THE STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED ON 30.09.2021

(Rs. in Lacs)

Sr. no	PARTICULARS	Quarter ended on 30th September, 2021	For the half year ended on 30.09.2021	Corresponding 3 Months Ended on 30th September, 2020
1	Total income from operations	9.49	654.14	7.82
2	Net Profit / (Loss) for the period (before Tax, Exceptional and/ or Extraordinary items)	19.70	644.80	2.31
3	Net Profit / (Loss) for the period before Tax (after Exceptional and/or Extraordinary items)	19.70	644.80	2.31
4	Net Profit / (Loss) for the period after Tax (after Exceptional and/or Extraordinary items)	13.82	555.43	2.36
5	Total Comprehensive Income for the period [Comprising Profit/ (loss) for the period (after tax) and other Comprehensive Income (after tax)]	13.82	555.43	2.36
6	Equity Share Capital	672.12	672.12	672.12
7	Reserves (excluding Revaluation Reserve) as shown in the Audited Balance Sheet of Previous Year		427.19	
8	Earnings Per Share (of Rs. 10 / - each) (for continuing and discontinued operations)			
	Basic :	0.21	8.26	0.04
	Diluted :	0.21	8.26	0.04

Notes:

1. The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchange under Regulation 33 of SEBI (Listing and Other Disclosure Requirements) Regulation, 2015. The full Format of the financial Results are available on the Stock Exchange website (www.bseindia.com) and on the Company website (www.redexprotech.com)

2.The result of the Quarter ended on 30th September, 2021 were reviewed by the Audit Committee and approved by the Board of Director at its meeting held on 2nd November, 2021.

By Order of the Board of Directors
For, Redex Protech Limited
SD/-
Mr. Gnanesh Bhagat
Managing Director
DIN - 00115076

Place : Ahmedabad
Date : 02/11/2021