

IPO Details	
Opening Date	Aug 04, 2023
Closing Date	Aug 08, 2023
Stock Exchange	NSE, BSE
Lot Size	20 Shares
Issue Price	₹ 705 to ₹741- per share
Issue Size	Aggregating up to 1,551 Cr.
Fresh Issue	-
Offer for Sale	Aggregating up to 1,551 Cr.
Application Amount (@ upper Band)	Min. Inv. - ₹ 14,820 (20 shares) Max. Inv. - ₹ 1,92,660 (260 shares)

IPO Objective	
Achieve the benefits of listing the equity shares.	
Carry out Offer for Sale.	

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	4,61,16,356	44.08%	
Public	5,84,99,848	55.92%	

Promoter of the Company	
1	Sudhir Vaid
2	Ankur Vaid

Competitive Strengths	
1	Established presence across the complex fermentation value chain.
2	Global leadership in immunosuppressant APIs along with a wide spectrum of complex fermentation-based APIs across multiple therapeutic areas.
3	Scaled manufacturing facilities with a consistent regulatory compliance track record.
4	Diversified global customer base with long-standing relationships with key customers.
5	Financial track record of rapid growth and consistent profitability with healthy cash flows and shareholder returns.

Company Background	
○	Company was incorporated in the year 1984 and has its registered office in Gujarat.
○	Company is an India-based biopharma company.
○	The company manufactures (i) bio-pharmaceutical APIs through fermentation and semi-synthetic processes, across the therapeutic areas of immunosuppressants, oncology and anti-infectives; and (ii) formulations,
○	The company supplies to over 70 countries including regulated markets, such as the United States, Europe and Japan, and India.
○	As on March 31, 2023, Company has 1,234 employees as on payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 7,752	₹ 7,752

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	1,18,254.60	1,31,279.50	1,51,398.40
Net Assets	99,937.30	1,10,322.30	1,29,000
Total Borrowings	8,634.90	6,058.60	3,123.60
Total Revenue	63,075.00	73,634.90	88,847.70
Profit After Tax	23,488.70	17,492.90	24,008.40

Tentative Timeline	
Opening Date	Aug 04, 2023
Closing Date	Aug 08, 2023
Basis of Allotment	Aug 11, 2023
Initiation of Refunds	Aug 14, 2023
Credit of Shares to Demat	Aug 17, 2023
Listing Date	Aug 18, 2023

Company Background and Analysis

The Company was originally incorporated as on November 23, 1984, in Ahmedabad, Gujarat. The company is an India-based biopharma company. The company is supplying to over 70 countries including regulated markets, such as the United States, Europe and Japan, and India. The company commanded a market share of over 20% by volume in 2022 across identified fermentation-based API products, including mupirocin, sirolimus, tacrolimus, mycophenolate sodium and cyclosporine. The company is one of the leading global developers and manufacturers of select fermentation-based APIs across immunosuppressants and oncology in terms of market share, based on volume in 2022.

The company manufactures (i) bio-pharmaceutical APIs through fermentation and semi-synthetic processes, across the therapeutic areas of immunosuppressants, oncology and anti-infectives; and (ii) formulations, which are used in the therapeutic areas of immunosuppressants, nephrology drugs and anti-infective drugs for critical care. APIs (Active Pharmaceutical Ingredients) they have effects such as preventing or curing diseases. Formulations refer to drug products that are used by patients, such as tablets, capsules or injections. Immunosuppressants are drugs that are typically used by patients undergoing organ transplants, as these drugs suppress the immunity of the patient such that the body accepts the transplanted organ. Oncology and nephrology drugs are used in the treatment of cancers and kidney conditions, respectively.

The company as on March 31st, 2023, had six fermentation-based immunosuppressant APIs, including tacrolimus, mycophenolate mofetil, mycophenolate sodium, cyclosporine, sirolimus and pimecrolimus. In addition to the immunosuppressant API portfolio, the company aim to increase the sales of the APIs across other therapeutic areas, especially the following:

- Anti-infective APIs. The anti-infective APIs include:
 - i) Anti-bacterial APIs.
 - ii) Anti-fungal APIs.
- Oncology drug APIs

The company has immunosuppressant formulations are manufactured in facilities inspected or accredited by overseas regulators, such as the USFDA, and distributed to the United States and countries in Asia, Africa and Latin America on a B2B basis, primarily through arrangements with distributors.

The company had entered the formulations segment in 2016. In India, the company market a portfolio of 27 brands across immunosuppressants, nephrology drugs and anti-infective drugs for critical care. The company have a presence across 20 states and five union territories in India, through the sales team. The company also have a B2B contract development manufacturing organization (CDMO) business where they supply immunosuppressants to the Indian market. The company immunosuppressant formulations are manufactured in facilities inspected or accredited by overseas regulators, such as the USFDA, and distributed to the United States and countries in Asia, Africa and Latin America on a B2B basis, primarily through arrangements with distributors.

The following table sets forth a breakdown of the revenue from operations by geography for financial year 2021, 2022, and 2023 -

Particulars	For the Financial Year					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
India	25,265.30	40.95	33,741.30	47.33	43,213.40	50.65
America	15,979.20	25.90	13,145.00	18.44	14,725.10	17.26
Rest of the World	20,449.80	33.15	24,407.00	34.23	27,378.30	32.09
Total	61,694.30	100.00	71,293.30	100.00	85,316.80	100.00

The following table sets forth a breakdown of the revenue from new products launched for financial year 2021, 2022, and 2023 -

Particulars	For the Financial Year					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
New Products Launched	231.10	0.37	176.40	0.25	357.60	0.42
Total Revenue	61,694.30	100.00	71,293.30	100.00	85,316.80	100.00

To conclude, the bank was incorporated in the year 1984 thus having an enormous experience in the industry in the which the company operates in. The company is engaged in the manufacturing of Bio-pharmaceutical APIs, and Formulations. The company also supplies to over 70 countries including regulated markets, such as the United States, Europe and Japan, and India. The company is also not raising any fresh issue and are going only for offer for sale. The amount to be raised are to be utilized by the company only for benefits of listing the equity shares, and to carry out the offer for sale.

Business Strategies

1. Continue to increase the API market share and further develop the portfolio of complex and niche APIs with high growth potential.

The company strive to capitalize the leadership position in the field of fermentation-based APIs across these therapeutic areas and continue to grow the API business by i) Increasing the wallet share from the existing API customers, not only intend to increase the sales of API products to existing customers, but also focus on cross-selling other API products to these customers. ii) Marketing the existing APIs to new customers, intend to achieve optimal potential from the APIs that commercialized in recent years. The company also intend to acquire new customers globally and expand the international customer base, through increasing worldwide marketing activities for the APIs, also through additional regulatory filings. iii) Expanding the API portfolio, continue to focus on developing niche and complex fermentation-based products with high growth potential to ensure profitability and strengthen market leadership.

2. Increase the presence of the existing formulations and expand into new formulations.

The company intend to pursue growth opportunities for the formulations in India, emerging markets, and the United States. The company have been focusing on growing the presence in India through the own sales force as well as through the distribution network with own brands. The company plan to expand the portfolio of registrations and approvals across the emerging markets. The company plan to expand the formulation business in the United States by increasing sales of the existing products as well as launching new products.

3. Improve cost management and operational efficiencies.

The company plan to enhance the profitability by continuing to improve the cost management and operational efficiencies, including Process efficiency, Scale efficiency, and Product mix.

4. Grow the CDMO business.

The company leverage the R&D capabilities and experience to offer CDMO services for (i) APIs in the area of fermentation and semi-synthesis; and (ii) formulations. The company have completed two CDMO projects and have one additional CDMO project in progress.

Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive industry with China being their main competitor accounting to nearly 70% of the global supply until 2021. The barrier to entry is relatively very high for new companies resulting in fewer manufactures that offer API based fermentation products. With high barriers to entry resulting in less manufacturers the bargaining power of buyers is low.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	Concord Biotech Limited	Divi's Laboratories Limited	Suven Pharmaceuticals Limited	Laurus Labs Limited	Shilpa Medicare Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	28%	23%	31%	13%	-3%
EBITDA Margin	40%	30%	42%	26%	9%
Return on Capital Employed	22%	15%	29%	24%	0%
Return on Equity	19%	14%	24%	19%	-2%
EPS (INR)	7.62	68.69	16.16	14.12	3.74

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	Concord Biotech Limited	Divi's Laboratories Limited	Suven Pharmaceuticals Limited	Laurus Labs Limited	Shilpa Medicare Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	25%	33%	34%	16%	5%
EBITDA Margin	38%	43%	44%	27%	18%
Return on Capital Employed	19%	29%	34%	25%	5%
Return on Equity	16%	25%	30%	22%	3%
EPS (INR)	3.29	111.52	17.83	13.96	6.99

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	Concord Biotech Limited	Divi's Laboratories Limited	Suven Pharmaceuticals Limited	Laurus Labs Limited	Shilpa Medicare Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	38%	28%	36%	20%	16%
EBITDA Margin	53%	41%	44%	32%	20%
Return on Capital Employed	28%	27%	33%	40%	6%
Return on Equity	24%	21%	31%	35%	10%
EPS (INR)	2.77	74.75	14.23	17.82	18.13

Industry Overview

Exhibit 1: India’s category wise export share (2021-22)

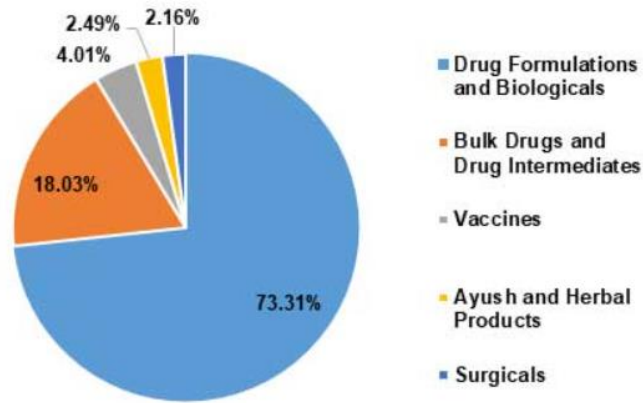
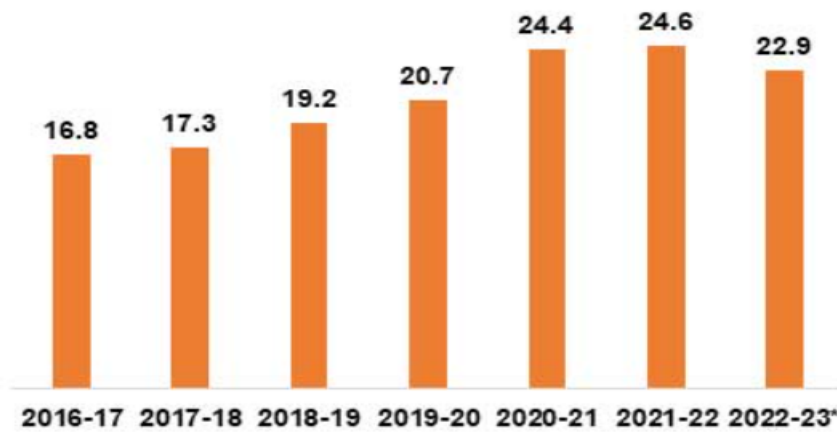
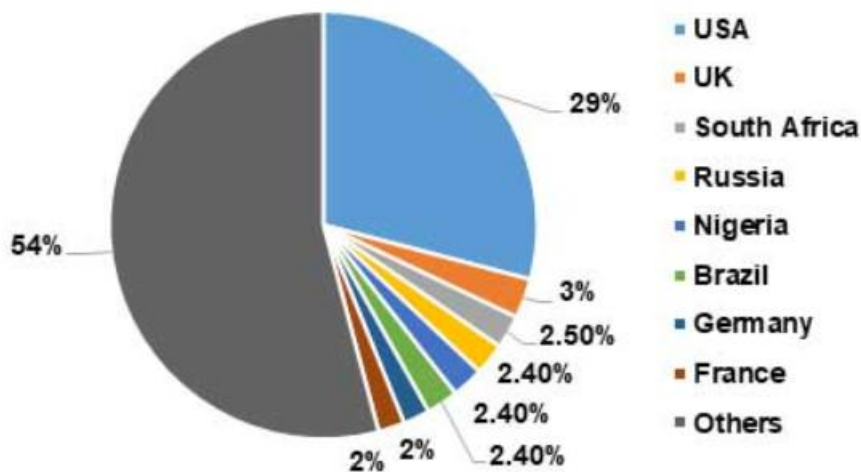


Exhibit 2: India’s drug and pharmaceutical export trend (US\$ billion)



*Until February 2023

Exhibit 3: India’s country-wise share of drugs, pharmaceutical and fine-chemicals exports (2021-22)



(Source: ibef.com)

India API Market

India's growth trajectory of the API market is well-cemented for domestic API consumption as well as exports. The Indian API market, valued at USD 17 billion (INR 1,377 billion) in 2022, comprises APIs manufactured for export and APIs consumed in formulation manufacturing. These formulations are domestically consumed as well as exported to the global market. While API exports accounted for USD 5 billion (INR 356 billion) in 2022, APIs required for formulation manufacturing amounted to USD 12 billion (INR 1,035 billion) in 2022.

The total domestic India API market (APIs consumed for exported and domestically consumed formulations) is expected to grow at a CAGR of 11.1% between 2022 and 2026. The API consumption for domestic formulations is also expected to drive high demand in the next four to five years. This growth is in line with the overall growth of pharmaceutical drug consumption in the country. As disease patterns shift from acute to chronic and translate into high drug (and API) volume consumption, access to healthcare facilities and affordable medicine increases, and economic prosperity grows, the growth of the API industry is projected to follow suit. The export during the same period is also expected to grow at a rate of 7% to 9%, but the rate is forecasted to remain lower (than the domestic API market) as Indian formulation manufacturers expand capacity, reduce import dependence, and consume increasing amounts of domestically produced APIs.

Export of Bulk Drugs from India

As India reduces its import dependency and expands its domestic manufacturing capacity, the exports are also expected to grow.

While India does import some bulk drugs, it is also one of the largest API exporters to regulated markets. High process efficiencies, the experience of working with regulatory bodies across the globe, and cost competitiveness have allowed India to emerge as one of the world's largest API suppliers. In 2017, India exported USD 3 billion (INR 225 billion) worth of APIs, which increased to USD 5 billion (INR 356 billion) in 2022. The bulk drugs have mostly been exported to the United States, where bulk drugs and intermediates worth USD 816 million (INR 61,859) were exported in the calendar year 2022, followed by UAE (8% share), China (5% share), Hong Kong (4% share), Singapore (3% share), and Bangladesh (3% share).

There has been a multi-fold increase in API exports from India since the COVID-19 pandemic, due to reasons including the disruption of supply from China, leading to a shortage of several APIs and intermediates, high price volatility, and quality and pollution concerns (such as impurities) leading to factory shutdowns. It strengthened the adoption of the China Plus One strategy by several MNCs. As global pharmaceutical manufacturers started seeking new cost-effective partners, India owing to its existing strength in the segment and impetus from government policies (such as PLI and Bulk Drug Parks), was able to capture the opportunity.

(Source: Prospectus)

Key Managerial Personnel

Sudhir Vaid, aged 70, is one of the Promoters, Chairman, and Managing director of the Company. He holds a degree in bachelor in science, and Master of Science.

Ankur Vaid, aged 41, is one of the Promoters, Joint Managing Director and the Chief Executive Officer of the company. He holds a degree of Bachelor of Technology, and a degree of master's in business administration. He has more than 15 years of experience in the pharmaceutical industry. He has been involved in the development of the research and development division of the Company and contributed to the market strategy of the Company.

Ravi Kapoor, aged 60, is a Non-Executive Director of the Company. He holds a degree of bachelor's in commerce, and a degree of bachelor's in laws, and a degree of Master of Commerce, and a post graduate diploma. He is a member of the Institute of Company Secretaries of India.

Rajiv Ambrish Agarwal, aged 52, is a Non-Executive of the Company. He holds a degree of Bachelor of Technology. He has experience in B2B and B2C businesses spanning consumer, education, digital entertainment, media, financial services, payments, auto components, and oil drilling.

Utpal Sheth, aged 52, is a Non-Executive Director of the Company. He holds a bachelor's degree in commerce. He has also been awarded a certificate of merit by the Institute of Chartered Financial Analysts of India, Hyderabad and has cleared the examination of the Institute of Cost and Works Accountants.

Amit Varma, aged 54, is a Non-Executive Director of the Company. He holds a bachelor's degree in medicine and surgery. He was also a Resident in Pediatrics at State University of New York.

To conclude, the company has two promoters and they vast knowledge and experience in the industry in which the company operates in. The remaining directors of the company also have good experience and knowledge in the industry which helps in the growth of the business.

Financial Snapshot

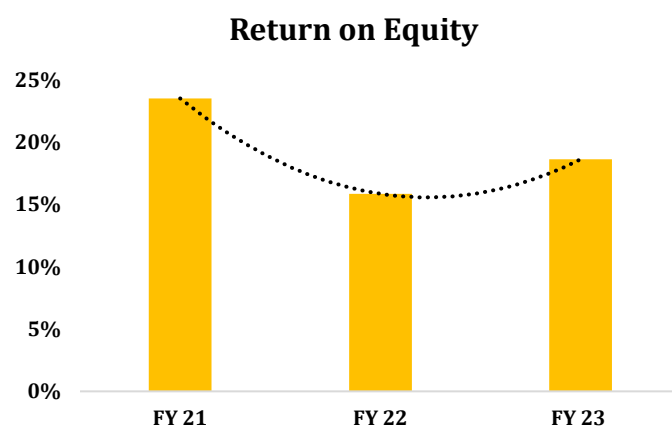
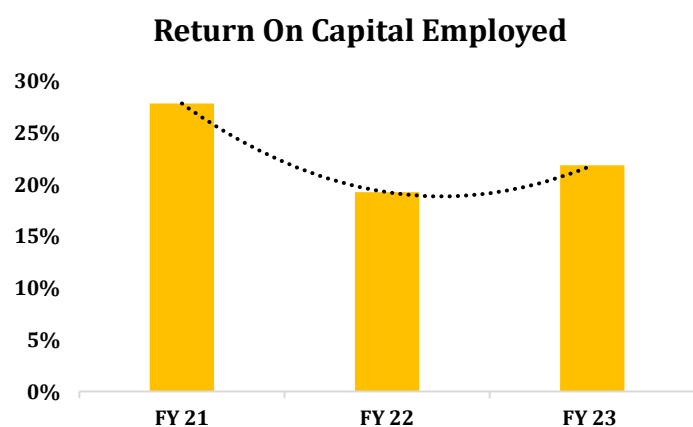
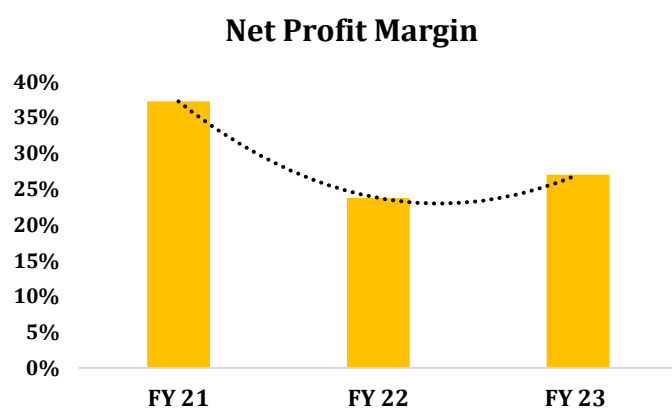
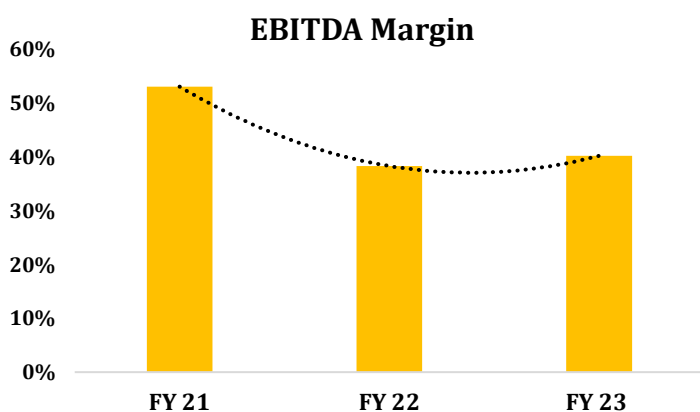
Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	61,694.30	71,293.30	85,316.80	
Other Income	1,380.70	2,341.60	3,530.90	
Total Income	63,075.00	73,634.90	88,847.70	
Expenses				
Cost of Materials consumed	13,116.80	15,725.70	16,707.10	
Purchase of stock-in-trade	1,944.60	3,073.30	2,876.90	
Changes in inventories of Finished goods, work-in- Progress	-3,904.70	-2,397.90	-1,563.20	
Employee benefits expense	6,946.90	9,569.40	11,027.80	
Finance costs	66.60	548.40	451.10	
Depreciation and Amortization expense	2,752.30	5,005.00	5,403.30	
Other expenses	10,835.60	17,995.40	21,939.40	
Total Expenses	31,758.10	49,519.30	56,842.40	
Earnings Before Interest, Taxes, Depreciation & Amortization	32,755.10	27,327.40	34,328.80	
EBITDA Margin	53%	38%	40%	
Profit before tax and share of profit/ (loss) from joint venture	31,316.90	24,115.60	32,005.30	
Share of Profit/(Loss) of Joint Venture accounted using Equity method	-44.90	-363.80	195.90	
Profit/(Loss) before tax	31,272.00	23,751.80	32,201.20	
Tax Expense				
Current Tax	7,572.00	5,849.00	7,953.00	
Deferred tax (net)	233.90	370.50	238.20	
Short/ (excess) provisions for tax of earlier years	-22.60	39.40	1.60	
Total Tax Expense	7,783.30	6,258.90	8,192.80	
Profit/(Loss) for the year	23,488.70	17,492.90	24,008.40	
Net Profit Margin	37%	24%	27%	

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	53,764.70	56,803.10	59,252.20	
Intangible Assets	641.80	357.90	20.00	
Capital work in progress	1,794.60	7,415.60	17,269.70	
Right-of-use of assets	215.30	136.80	26.00	
Investment in joint ventures	36.60	-	-	
Financial Assets				
i) Investments	-	25.60	12.50	
ii) Others	277.20	249.60	1,019.40	
Other Non-current Assets	639.40	2,663.90	761.90	
Non-Current Tax Assets (Net)	170.30	360.40	266.50	
Total Non-Current assets	57,539.90	68,012.90	78,628.20	

Balance Sheet			(In Lacs)
Current Assets			
Inventories	15,360.80	19,511.70	21,231.50
Financial Assets			
i) Inventories	14,098.80	7,347.50	13,693.00
ii) Trade Receivables	17,751.70	23,217.40	27,375.80
iii) Cash and Cash Equivalents	514.40	66.70	349.90
iv) Bank Balance other than	5,567.60	8,826.50	3,994.80
v) Others	2,262.90	2,198.00	3,660.00
Other Current assets	5,158.50	2,098.80	2,465.20
Total Current assets	60,714.70	63,266.60	72,770.20
Total Assets	1,18,254.60	1,31,279.50	1,51,398.40
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	951.10	951.10	1,046.20
Other Equity	98,986.20	1,09,371.20	1,27,953.90
Total Equity	99,937.30	1,10,322.30	1,29,000.10
Liabilities			
Non-current liabilities			
Financial Liabilities			
(i) Long Term Borrowings	5,625.00	3,124.80	623.60
(ii) Lease Liabilities	163.30	31.10	16.40
Provisions	209.80	187.40	229.70
Deferred tax liabilities (Net)	1,745.30	2,097.10	2,344.00
Total Non-current liabilities	7,743.40	5,440.40	3,213.70
Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	3,009.90	2,933.80	2,500.00
(ii) Lease Liabilities	130.10	159.60	14.70
(iii) Trade Payables			
Total outstanding dues of micro and small	832.90	896.80	1,702.30
Total outstanding dues of other creditors	3,806.80	7,413.80	7,677.70
(iv) Others	2,282.00	2,164.00	3,134.40
Provisions	66.00	174.80	2,747.60
Other current liabilities	446.20	1,774.00	508.00
Liabilities for current tax (net)	-	-	899.90
Total Current liabilities	10,573.90	15,516.80	19,184.60
Total Liabilities	18,317.30	20,957.20	22,398.30
Total Equity and Liabilities	1,18,254.60	1,31,279.50	1,51,398.40

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	22.45	16.72	22.95
BV per share	95.53	105.45	123.31
Operating Ratios (%)			
EBITDA Margins	53%	38%	40%
PAT Margins	37%	24%	27%
Inventory days	90.88	99.89	90.83
Debtor days	3.04	0.34	1.50
Creditor days	1,257.65	1,749.04	2,053.91
Return Ratios (%)			
RoCE	28%	19%	22%
RoE	24%	16%	19%
Valuation Ratios (x)			
EV/EBITDA	2.99	3.86	3.66
Market Cap / Sales	12.57	10.87	9.09
P/E	33.01	44.32	32.29
Price to Book Value	7.76	7.03	6.01
Solvency Ratios			
Debt / Equity	0.09	0.05	0.02
Current Ratio	5.74	4.08	3.79
Quick Ratio	4.29	2.82	2.69
Asset Turnover	0.52	0.54	0.56
Interest Coverage Ratio	450.49	40.70	64.12

Financial Charts



Key Risk Factors

1. Any delay, interruption or reduction in the supply of the raw materials or the transportation of the raw materials or products may adversely impact the pricing and supply of the products and have an adverse effect on the business. Purchases of raw materials from the top ten suppliers for the company during the FY2021, 2022, and 2023 was 78.64%, 96.12%, and 81.45% respectively.
2. The company is dependent on a limited number of customers for a substantial portion of the revenues. Any significant reduction in demand for the products from such customers may adversely affect the business and results of operations. The top 10 largest customers for the company during the FY 2021, 202, and 2023 contributed to 44.17%, 43.51%, and 44.28% respectively for the revenue from operations.
3. There are outstanding legal proceedings involving the Company. There are 7 cases of tax proceedings against the company amounting to 1,431 lacs.
4. The company has contingent liabilities and capital commitments. The financial condition could be adversely affected if any of these contingent liabilities or capital commitments materialize. As of March 31, 2023, the company has contingent liabilities and capital commitments amounting to Rs. 2,659.4 lacs.

Track Record of Lead Manager

The lead manager to the issue is Kotak Mahindra Capital Company Limited, Citi Global Markets India Private Limited, and Jefferies India Private Limited. A table has been set below highlighting the details of the IPO of the last 3 companies handled by the Lead Managers in recent times –

Kotak Mahindra Capital Company Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Utkarsh Small Finance Bank Limited	500.00	25.00	July 21, 2023	51.25
2.	Mankind Pharma Limited	4,326.36	1,080.00	May 09, 2023	1,814.15
3.	KFin Technologies Limited	1,500.00	366.00	December 29, 2022	389.15

As per the offer document Kotak Mahindra Capital Company Limited have had 31 mandates in the last three fiscal years. For Kotak Mahindra Capital Company Limited out of the 3 mentioned above, all opened at premiums ranging on the listing day.

Citigroup Global Markets India Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Delhivery Limited	5,235.00	487.00	May 24, 2023	401.8
2.	Life Insurance Corporation of India LIC	21,008.48	949.00	May 17, 2022	626.75
3.	Star Health and Allied Insurance Company Limited	7,249.18	900.00	December 10, 2021,	622.40

As per the offer document Citigroup Global Markets India Private Limited have had 10 mandates in the last three fiscal years. For Citigroup Global Markets India Private Limited out of the 3 mentioned above, 2 opened at discounts and the remaining opened at premium on the listing day.

Jefferies India Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mankind Pharma Limited	4,326.36	1,080.00	May 09, 2023	1,814.15
2.	KFin Technologies Limited	1,500.00	366.00	December 29, 2022	389.15
3.	Global Health Limited	2,205.57	336.00	November 16, 2022	703.90

As per the offer document Jefferies India Private Limited have had 6 mandates in the last three fiscal years. For Jefferies India Private Limited out of the 3 mentioned above, all opened at premium on the listing day.

*CMP for all the above-mentioned company is taken as on 28th July 2023

Recommendation

The company has been into the industry since 1984 thus having an enormous experience in the industry. The topline of the financials for the company have seen a consistent growth along the years thus resulting in decent profitability margins. The management outlook of the company is good.

The PE on an annualised and Post IPO basis is around 32.29 times which seems to be fairly priced looking at the performance peers.

The company has enormous experience in the industry in which it operates in, and the company also commanded a market share of over 20% by volume in FY 2022. The financial profitability looks to be sustained and with the company supplying to 70 countries with high barrier to entry the company can be looking at a good growth, thus one can **APPLY** for this IPO.

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