

IPO Details		Company Background				
Opening Date	Aug 31, 2023	<ul style="list-style-type: none"> ○ Saroj Pharma Industries Limited was incorporated in the year 2019 and has its registered office in Mumbai, Maharashtra. ○ The Company is engaged in trading, exporting and supplying speciality chemicals and API. ○ The company is into Active Pharmaceuticals Ingredients, Specialty Chemicals, and Intermediates for Pharma trading. ○ The company's Specialty chemicals & its intermediates have wide application in sectors like pharma, agro & chemicals for human and veterinary. ○ As of March 23, the Company has 13 employees on its payroll. 				
Closing Date	Sept 05, 2023					
Stock Exchange	NSE SME					
Lot Size	1600 Shares					
Issue Price	₹ 84 per share					
Issue Size	Aggregating up to 9.11 Cr.					
Fresh Issue	Aggregating up to 9.11 Cr.					
Offer for Sale	-					
Application Amount	₹ 1,34,400					
IPO Objective		Market Capitalization				
Set up a Manufacturing Unit		(In Cr.)				
Repay the Unsecured Loans		Pre-Issue		Post-Issue		
Public Issue Expenses		₹ 25		₹ 34		
Pre-Issue Shareholding			Financial Summary			
Category	No. of Shares	% of Total Shares	(In Lacs)			
Promoter & Promoter Group	29,35,686	100.00 %	For the Period Ended	Mar-21	Mar-22	Mar-23
Public	-	-	Total Assets	822.39	1,551.19	2,133.98
Promoter of the Company			Net Assets	93.59	402.60	508.66
1	Biju Gopinathan Nair		Total Borrowings	301.77	613.87	1,018.86
2	Manish Dasharath Kamble		Total Revenue	3,674.66	5,595.67	5,035.09
Competitive Strengths			Profit After Tax	74.02	114.33	106.07
1	Experienced promoters and Management team.		Tentative Timeline			
2	Scalable Business Model.		Opening Date	Aug 31, 2023		
3	A wide and diverse range of product offerings.		Closing Date	Sept 05, 2023		
4	Diversified business operations and revenue base.		Basis of Allotment	Sept 08, 2023		
			Initiation of Refunds	Sept 11, 2023		
			Credit of Shares to Demat	Sept 12, 2023		
			Listing Date	Sept 13, 2023		

Company Background and Analysis

The Company was originally incorporated on January 14th, 2019. The company trades in Pharma API, Pharma Intermediates, Chemicals, and Solvents used for pharmaceutical products human and veterinary medicine. The company was formed with a mission of providing clientele with specification-based approved products. As per the client's needs and requirements, the company provides customised speciality chemicals in India and abroad regularly. The product demand by the clientele is manufactured as per their specifications by the suppliers initially in sample size thereafter on client testing and approval the order is finalized. The approved specified product is manufactured for the order quantity to be dispatched by the appropriate mode of transport within India or abroad.

The company is into Active Pharmaceuticals Ingredients, Specialty Chemicals, and Intermediates for Pharma trading. We are also into speciality chemicals imports & exports as well as supply of the same to the actual users.

The company deals in three types of product categories as below –

1. Chemical – i) Liquid Bromine ii) Ethyl Acetate iii) Thionyl Chloride iv) Para Nitro Phenol v) Toluene N.G vi) Benzyl Chloride
2. Pharma Intermediary - N-[(4S,6S)-6-Methyl-7,7-dioxido-2- sulfamoyl-5, 6-dihydro-4Hthieno[2,3-b]thiopyran-4yl) acetamide (End Use 0 Intermediate of Dorzolamide)
3. API – i) Oxyclozanide BP Vet ii) Bromhexine HCL BP Grade iii) Triclabendazole iv) Fenbendazole BP Vet v) Nitroxynil BP Vet vi) Oxfendazole BP Vet vii) Albendazole USP viii) Rafoxanide BP Vet ix) Febantel EP.

API's Active Pharmaceutical Ingredient, known as bulk drugs or bulk actives, are the principal ingredients used in making finished dosages in the form of capsules, tablets, liquid or other forms of dosage, with the addition of other APIs or inactive ingredients.

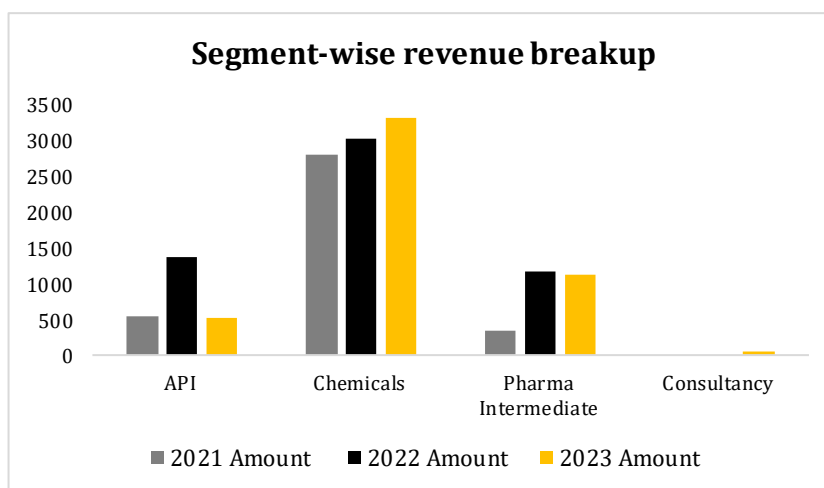
The company's business process looks as follows –

1. Client Acquisition
2. Marketing Strategy
3. Purchase Requisition
4. Request for Quotations and Certificate of Analysis
5. Evaluation and Vendor Selection
6. Contract Negotiation
7. Purchase Order Issuance
8. Transportation Sourcing
9. Confirming the PO and payments
10. Record Keeping
11. Goods Receipt and Invoice Checking
12. Warehouse Management
13. PO Closure.

Country-wise revenue break up for the fiscal year ended 2021, 2022, and 2023 are given below -

(Amount in Lakhs)

Name of the Country	2020-2021		2021-2022		2022-2023	
	Amount	%	Amount	%	Amount	%
India	3,124.63	85.23	4,345.82	78.12	4,548.44	90.62
Pakistan	451.75	12.32	915.51	16.46	346.42	6.90
Jordan	37.61	1.03	99.74	1.79	85.77	1.71
Hong Kong	44.88	1.22	35.16	0.63	23.50	0.47
Singapore	-	-	13.40	0.24	12.74	0.25
Russia	-	-	40.82	0.73	-	-
Egypt	-	-	77.58	1.39	2.45	0.05
Ukraine	-	-	-	-	-	-
Ghana	4.14	0.11	4.59	0.08	-	-
Uruguay	2.24	0.06	8.18	0.15	-	-
United Kingdom	0.90	0.02	10.59	0.19	-	-
Netherland	-	-	11.86	0.21	-	-
Total	3,666.15	100.00	5,563.25	100.00	5,019.32	100.00



The company in future intends to diversify into manufacturing API Pharma products within a span of a year to be able to achieve the company's mission goals. The manufacturing unit location was finalized to support the same location based on its connectivity and accessibility.

To conclude, the company was originally incorporated in the year 2019. The company's majority of the revenue is from the domestic market and 3 states have majorly contributed to the same such as Maharashtra, Gujarat, and Andhra Pradesh. The company is planning to raise Rs. 9.11 Cr. as its total gross proceeds.

Business Strategies

1. The relationship with the suppliers, customers, and employees.

The company believes in maintaining good relationships with the Suppliers and Customers. The company's dedicated and focused approach and efficient and timely delivery of products have helped them build strong relationships over several years. For the company, establishing strong, mutually beneficial long-term relationships and strategic supplier relationship management are critical steps in improving performance across the supply chain, generating greater cost efficiency, and enabling the business to grow and develop.

2. Professional corporate structure with Corporate Governance.

The company believes in transparency, commitment, and coordination in the work, with the suppliers, customers, government authorities, banks, financial institutions etc. The company has a blend of experienced and sufficient staff to take care of the day-to-day operations. The company also consults with external agencies on a case-to-case basis on technical and financial aspects of the business. The company wishes to make it sounder and stronger in times to come.

3. Marketing Strategies.

The company plans to increase its customer base by supplying orders in hand on time and maintaining and renewing the relationships with existing clients. To develop the export operations, the company's aim will be to expand the business by continuing to file product registrations in international markets for business growth. The company's growth strategy will vary from country to country depending on applicable regulatory norms.

4. Followings are the company's initiatives and strategy for increase in the Market Share –

- Identifying gaps in the product portfolio to introduce new products.
- Enhancing the productivity and efficiency of the sales and marketing personnel through training & development.
- Launching new innovation-driven products to add value to the product / Sales mix.
- Strengthening the position with the focus on marketing value-based products through a target to penetrate those states/countries the company has not yet represented.

Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive industry as the industry has several players. The industry in which the company operates generally has high barriers to entry. The company requires constant regulatory approvals for the products. The market for the pharma industry is highly competitive with few organized players and localised smaller unorganised players. Suppliers have high bargaining power in the type of service the company operates in.

Peer Analysis

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

Particulars	Saroja Pharma Industries Limited	NGL Fine Chem Limited	Sequent Scientific Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2.11%	7.27%	-8.59%
EBITDA Margin	5.42%	10.55%	0.84%
Return on Capital Employed	33.53%	9.13%	-4.44%
Return on Equity	20.85%	8.89%	-17.45%
EPS (INR)	3.61	32.57	-4.86

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

Particulars	Saroja Pharma Industries Limited	NGL Fine Chem Limited	Sequent Scientific Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2.06%	16.30%	3.18%
EBITDA Margin	3.78%	20.69%	7.71%
Return on Capital Employed	35.91%	27.23%	6.18%
Return on Equity	28.40%	25.24%	6.50%
EPS (INR)	3.96	84.57	1.65

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

Particulars	Saroja Pharma Industries Limited	NGL Fine Chem Limited	Sequent Scientific Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.02%	21.32%	7.64%
EBITDA Margin	3.55%	29.84%	15.57%
Return on Capital Employed	54.36%	42.68%	17.39%
Return on Equity	79.09%	35.48%	14.29%
EPS (INR)	2.69	89.79	3.84

Industry Overview

Exhibit 1: Indian Pharmaceutical Market (US\$ billion)

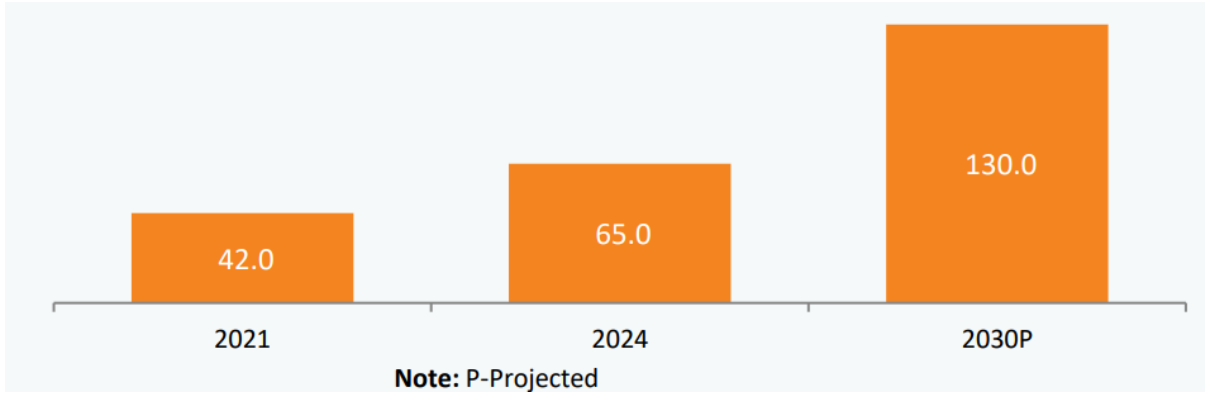


Exhibit 2: Pharmaceutical Export from India (US\$ billion)

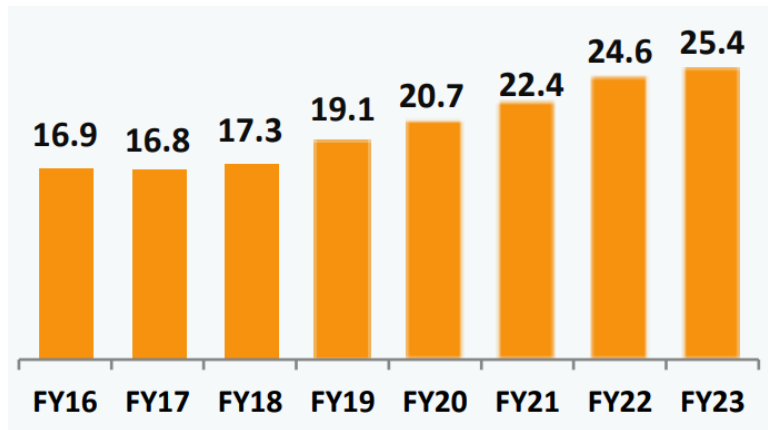
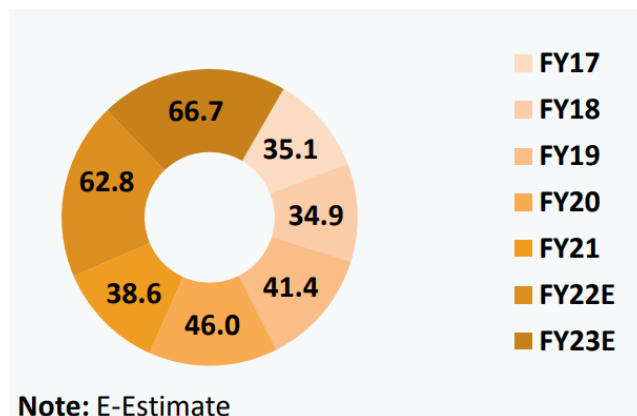


Exhibit 3: Government Expenditure on Health in India (US\$ billion)



(Source: ibef.com)

Indian Pharmaceutical Market -

Indian pharmaceutical industry is known for its generic medicines and low-cost vaccines globally. Transformed over the years as a vibrant sector, presently Indian Pharma ranks third in pharmaceutical production by volume. In the last nine years, the Indian Pharma sector has grown steadily by a CAGR of 9.43%. The Pharma sector has been consistently earning a trade surplus. During 2020-21, total pharma export was ₹180555 crore (USD 24.35 Bn) against the total pharma import of ₹49436 crore (USD 6.66 Bn), thereby generating trade surplus of USD 17.68 Bn. Till the end of September 2021, total pharma export has been ₹ 87864 crore (USD 11.88 Bn) as against total import of ₹ 33636 crore (USD 4.66 Bn), thereby generating a trade surplus of ₹ 54228 crore (USD 7.22 Bn). Major segments of the Indian Pharmaceutical Industry include generic drugs, OTC medicines, bulk drugs, vaccines, contract research & manufacturing, biosimilars and biologics. The Indian pharmaceutical industry also plays a significant role globally. India has the highest number of United States Food and Drug Administration (USFDA) compliant Pharma plants outside of the USA. There are 500 API manufacturers contributing about 8% of the global API Industry.

India is the largest supplier of generic medicines with a 20% share in the global supply by manufacturing 60000 different generic brands across 60 therapeutic categories. Access to affordable HIV treatment from India is one of the greatest success stories in medicine. India is one of the biggest suppliers of low-cost vaccines in the world. Because of the low price and high quality, Indian medicines are preferred worldwide, thereby rightly making the country the “pharmacy of the world”. The Indian pharma industry has also played an important role in meeting the challenges for mitigation of the infection in the COVID-19 pandemic. The industry worked in close collaboration with the government and academic institutes etc., to quickly develop and refine manufacturing processes which helped to ensure a consistent supply of medicines needed for the management of COVID-19 (e.g., Remdesivir, Ivermectin, Hydroxychloroquine, Dexamethasone, Tocilizumab, Favipiravir etc.). Indian drug supplies throughout the COVID-19 pandemic period have provided relief to over 120 countries for Hydroxychloroquine (HCQ), 20 countries for paracetamol and about 96 countries for vaccines across the world.

Global Pharmaceutical Market -

The global pharmaceutical manufacturing market size was valued at USD 405.52 billion in 2020 and is expected to grow at a compound annual growth rate (CAGR) of 11.34% from 2021 to 2028. The pharmaceutical landscape has undergone a massive transformation with the emergence of new technologies, and cost-effective, and more efficient manufacturing approaches. In addition, increasing investment flow in this space has impacted the market growth 85 positively.

Manufacturing floor downtime and the production of product waste are reduced by the implementation of robotic technology and Artificial Intelligence (AI). In addition, single-use disposable solutions have gained momentum in this industry and have replaced conventional open-transfer manufacturing techniques. Furthermore, the paradigm shift towards integrated, smart, and data-rich paperless operations has resulted in error-free and precise production. Such ongoing developments have propelled drug manufacturing.

(Source: prospectus)

Key Managerial Personnel

Biju Gopinathan Nair, aged 52, is one of the Promoters, Chairman, and the Managing Director of the company. He has completed a diploma in engineering. He has almost 28 years of experience in the chemical industry. He is primarily involved in the sales & marketing activities of the Company in global and domestic markets.

Manish Dasharath Kamble, aged 32, is one of the Promoters, and Whole-Time Director of the company. He holds a degree in Master of Business Administration. He has almost 11 years of experience in the field of Finance and Accounting. He is involved in the Finance and accounting affairs of the Company.

Pulinatu Damodaran Nandakumar, aged 64, is the Non-Executive Director of the Company. He holds a degree in Bachelor of Science. He has almost 35 years of Experience in the chemical industry.

Pinky Kataruks, aged 43, is the Independent Director of the Company. She is a Qualified Chartered Accountant. She has a total of 15 years of experience.

Abhishek Agarwal, aged 29, is the Independent Director of the company. He is a graduate and fellow member of the Institute of Chartered Accountants of India with 7 years of experience in the profession. He has experience in the fields of Direct Tax, Indirect Taxation, International Taxation, Assurance and Accounting, Internal Audits, Management consultancy, etc.

Sonali Jain, aged 39, is the Independent Director of the company. She is a Qualified Company Secretary. She has over a decade of experience in diversified matters related to corporate laws, Secretarial matters, Trademark Registration, Incorporation of various entities, ISO Registrations, Bank Due Diligence, etc.

To conclude, the company has 2 promoters, and have good experience in the industry in which the company operates. The remaining directors have decent experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	3,666.15	5,563.25	5,019.32
Other Income	8.51	32.42	15.77
Total Income	3,674.66	5,595.67	5,035.09
Expenses			
Cost of Material Consumed	3,373.05	5,013.11	4,869.52
Increase/Decrease in Inventories	-38.92	18.96	-339.93
Employee benefits expense	85.83	114.29	136.76
Finance costs	32.95	80.13	131.89
Depreciation and Amortization expense	2.24	4.56	6.66
Other expenses	115.98	206.69	81.03
Total Expenses	3,571.13	5,437.74	4,885.93
Earnings Before Interest, Taxes, Depreciation & Amortization	130.21	210.20	271.94
EBITDA Margin	4%	4%	5%
Profit before exceptional and extraordinary items and tax	103.53	157.93	149.16
Exceptional items	0	0	0
Profit/(Loss) before tax	103.53	157.93	149.16
Tax Expense			
Current Tax	29.96	43.76	42.17
Mat Credit Entitlement	-	-	-
Deferred tax (net)	-0.45	-0.16	0.92
Total Tax Expense	29.51	43.60	43.09
Profit/(Loss) for the year	74.02	114.33	106.07
Net Profit Margin	2.01%	2.04%	2.11%

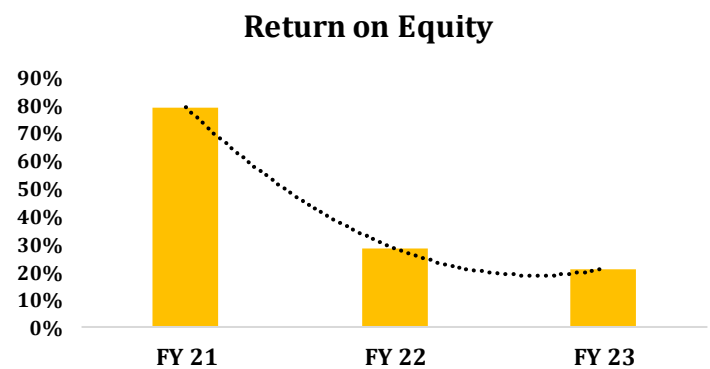
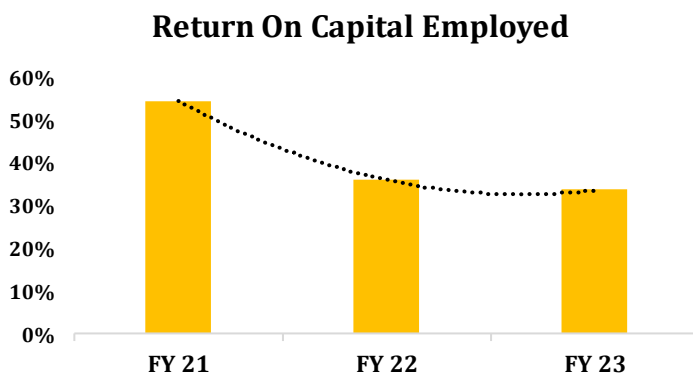
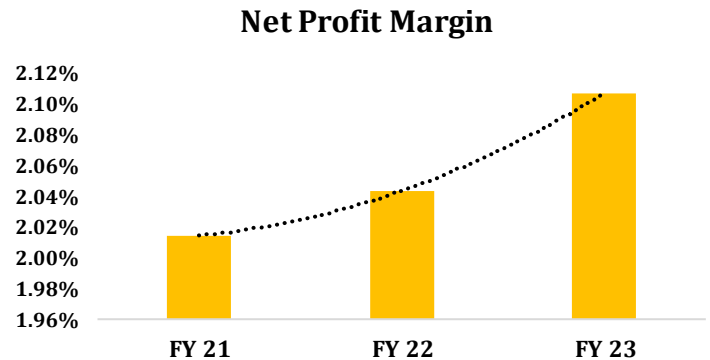
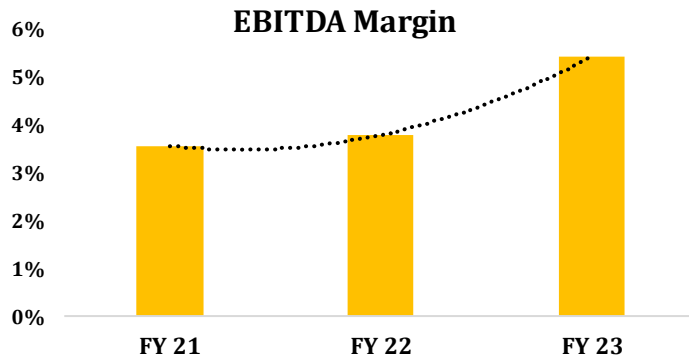
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	8.31	34.16	221.38
Capital Work-in-progress	-	-	178.88
Intangible Assets	0.44	0.26	0.14
Non-Current Investments	0.25	3.92	14.19
Long-term loans and advances	3.06	3.67	104.49
Deferred Tax Assets (Net)	-	-	-
Total Non-Current assets	12.06	42.01	519.08
Current Assets			
Inventories	65.61	46.65	386.58
Trade Receivables	722.35	1,397.99	1,110.78
Cash and Cash Equivalents	0.41	26.46	36.41
Short-Term Loans and Advances	5.02	24.66	4.42
Other current assets	16.94	13.42	76.71
Total Current assets	810.33	1,509.18	1,614.90
Total Assets	822.39	1,551.19	2,133.98
EQUITY AND LIABILITIES			
Equity			
Share Capital	1.00	22.58	293.57
Reserves and Surplus	92.59	380.02	215.09
Total Equity	93.59	402.60	508.66

Balance Sheet			(In Lacs)
Liabilities			
Non-current liabilities			
Borrowings	141.62	169.71	281.15
Deferred Tax Liabilities (Net)	0.18	0.34	1.26
Long term provisions	-	-	-
Total Non-current liabilities	141.80	170.05	282.41
Current liabilities			
(i) Short Term Borrowings	160.15	444.16	737.71
(ii) Trade Payables	415.02	530.52	586.30
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	-	-	-
Other Current Liabilities	2.72	2.42	1.73
Short-Term Provisions	9.10	1.44	17.18
Total Current liabilities	586.99	978.54	1,342.92
Total Liabilities	728.79	1,148.59	1,625.33
Total Equity and Liabilities	822.38	1,551.19	2,133.99

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	-104.63	-367.39	219.29
Net Cash Flow from Investing Activities	-5.04	-33.53	-482.45
Net Cash Flow from Financing Activities	102.55	426.97	273.10

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.69	3.96	3.61
BV per share	2.33	10.01	12.65
Operating Ratios (%)			
EBITDA Margins	4%	4%	5%
PAT Margins	2%	2%	2%
Inventory days	6.53	3.06	28.11
Debtor days	71.92	91.72	80.77
Creditor days	46.74	40.08	44.85
Return Ratios (%)			
RoCE	54%	36%	34%
RoE	79%	28%	21%
Valuation Ratios (x)			
EV/EBITDA	3.03	4.71	5.48
Market Cap / Sales	0.92	0.61	0.67
P/E	31.23	21.21	23.27
Price to Book Value	36.09	8.39	6.64
Solvency Ratios			
Debt / Equity	3.22	1.52	2.00
Current Ratio	1.38	1.54	1.20
Quick Ratio	1.27	1.49	0.91
Asset Turnover	4.46	3.59	2.35
Interest Coverage Ratio	3.88	2.57	2.01

Financial Charts



Key Risk Factors

1. The company is substantially dependent on the key customers from which the company derives a significant portion of its revenues. The loss of any significant clients may have a material and adverse effect on the business and results of operations. The top 10 customers contributed 83.51%, 68.92%, and 74.53% of the Operating Revenue generated as of 31st March 2023, 2022, 2021 respectively.
2. The company is dependent on a few numbers of suppliers for the purchase of products. The loss of any of these large Suppliers may affect the business and the results of operations. The top 10 suppliers contributed 62.86%, 68.15% and 73.58% of the Total Purchases as of 31st March 2023, 2022, 2021 respectively.
3. The company had negative cash flow in recent fiscals. Sustained negative cash flow could adversely impact the business, financial condition, and results of operations. The company had negative operating cash flow for the financial year ended 2021, and 2022.

Track Record of Lead Manager

The lead manager to the issue is Swastika Investmart Limited. A table has been set below highlighting the details of the IPO of the last 6 companies handled by the Lead Managers in recent times –

Swastika Investmart Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Service Care Limited	20.68	67.00	July 26, 2023	60.6
2.	Infinium Pharmachem Limited	25.26	135.00	April 17, 2023	527.0
3.	CyberMedia Research & Services Limited	14.04	180.00	October 10, 2022	17.0
4.	Sonu Infratech Limited	8.64	36.00	May 13, 2022	39.8
5.	Evoq Remedies Limited	9.72	27.00	March 30, 2022	14.0
6.	Richa Info Systems Limited	10.00	125.00	February 21, 2022	69.6

*CMP for all the above-mentioned companies is taken as of 29th August 2023.

As per the offer document, Swastika Investmart Limited has had 6 mandates in the last three fiscal years. For Swastika Investmart Limited out of the 6 mentioned above, 1 opened at par, 1 opened at a discount and the rest all opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2019 and is relatively new to the business. The financials look decent, and the profitability margin has remained constant over the years. The management outlook is satisfactory.

The PE on an annualised and post-IPO basis is around 31.84 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a very highly competitive segment and requires constant approvals for the products. The company also faces competition from several organized and unorganized players. The company is planning to venture into manufacturing of the API but as the company is relatively new and faces high competition from organized players there might not be the growth expected. The recommendation is for a long-term perspective Thus, there is no harm in avoiding **AVOID** this IPO.

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