



IPO Note

Medicamen Organics Limited

Growing Industry, Unsustainable Margins

Recommendation: **AVOID!**

Company Background -

- Incorporated in 1995, Medicamen Organics Limited has its registered office in New Delhi, India.
- It is engaged in developing, manufacturing and distribution of a broad range of pharmaceutical dosages.
- The company's products are marketed across India as well as African, CIS and southeast Asian Countries like Congo, Benin, Cameg, Togo, Senegal, etc.
- The company operates through two different business model such as Contract Manufacturing, and Government Contract.
- As of March 31, 2024, the company has over 112 employees on its payroll.

Objects of the Issue -

- Funding of expenses proposed to be incurred towards product registration in the international markets.
- Plant updation and increase in product capacity.
- Funding working capital requirements of the company.
- General corporate purposes.

Promoters Name -

Bal Kishan Gupta and Ashutosh Gupta.

Rationale for recommendation -

- ✓ The company has seen an exponential growth in the profitability margins for FY 2024 which does not seem sustainable going forward.
- ✓ The company has criminal proceedings which can impact the future growth.
- ✓ The company has had negative Operating Cash Flow for two preceding years.

IPO Details

Opening Date	June 21, 2024
Closing Date	June 25, 2024
Allotment Date	June 26, 2024
Listing Date	June 28, 2024
Stock Exchange	NSE SME
Lot Size	4,000 Shares
Issue Price Per Share	₹32 to ₹34
Issue Size	10.54 Cr.
Fresh Issue	10.54 Cr.
Offer for Sale	-
Application Amt	₹ 1,36,000 (4,000 shares)

KPIs

KPI's	(Amt in Lakhs.)		
	2022	2023	2024
Revenue	2,118.67	2,296.24	2,528.96
EBITDA	119.70	186.84	473.77
Net Profit	10.14	96.93	240.41
RoCE	5.17%	10.82%	24.02%
ROE	1.27%	10.79%	15.83%
P/E	200.00	20.99	10.69

Promoter Share Holding Pattern

Pre-Issue	Post Issue
81.21%	59.69%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.18	2.05
BVPS	17.66	21.99
P/E	10.69	16.55
P/BV	1.93	1.55
Mkt Cap (In Cr)	29.24	39.78

Lead Managers -

GYR Capital Advisors Private Limited

Registrar -

Kfin Technologies Limited

Business Overview -

Originally Incorporated on March 15, 1995, Medicamen Organics Limited has its registered office in New Delhi, It is engaged in developing, manufacturing and distribution of broad range of pharmaceutical dosage.

The range of pharmaceutical dosage includes generic dosage in form of Tablets, Capsules, Oral Liquids, Ointments, Gel, Syrups, Suspension and Dry powders for government (including both state and central governments) and private institutions as contract manufacturer / third party manufacturer.

The company's products are marketed across India as well as African, CIS and southeast Asian Countries like Congo, Benin, Cameg, Togo, Senegal, Burkina Faso, Philippines, Myanmar, Mozambique, Togo, Burundi, Kyrgyzstan and Kenya by the third-party distributor.

Capsules: Various capsule formulation/compositions are being manufactured by the company including but not limited to the following –

- Rabeprazole and Domperidone to treat with Hyperacidity.
- Tacrolimus Capsule belongs to a class of drugs known as immunosuppressants.
- Ribavirin capsules is an antiviral medicine that is used in the treatment of chronic hepatitis C virus (HCV) infection.

Ointment/External Preparation: Antifungal/anti-bacterial formulations like Miconazole, Nystatin, Clotrimazole, Nadifloxacin, Mometasone in single as well as a composition form like cream and Gel.

Suspension: A variety of cough syrups Multivitamin/Minerals, Calcium supplements, Antacid liquids, Iron supplements, Laxative liquids, Anthelmintic suspensions, anti-pyritic and anti-inflammatory suspensions, and etc.

Dry Powder Sachet: Sachets like pre and probiotic in granular form. Diclofenac Potassium and Sodium granules for oral administration.

Tablet: Various compositions of Ferrous and Folic Acid tablets. These tablets are widely used as an iron supplement to treat or prevent low blood levels of iron (such as those caused by anaemia or pregnancy).



Business Model -

Contract Manufacturing – The company's partner with pharmaceutical companies who are third-party providers who market and sell the products to various companies engaged in ethical marketing as well as generics in International Market and Domestic Markets

Government Contract -The company participates in government tenders for supply of its product as per their requirement to government hospitals, government departments, Government PSU, Government armed forces etc.

Competition -

The Indian Pharmaceutical industry is highly competitive.

Companies products face competition from products commercialized or under development by competitors in all the product portfolios.

The company also operate in a rapidly consolidating industry. The strength of combined companies could affect the competitive position in all the business areas

The company compete with local companies, multi-national corporations and companies from the rest of the world.

The company has medium barriers to entry.

The bargaining power is slightly higher with the suppliers and also higher with customers.

Business Strategies -

Improve global presence: The company has a total of 42 products which are under process of registration in 8 countries. The company intends to continue to grow the sales by registering more and new products in these markets.

Maintaining edge over competitors: The company intend to continue to enhance scale in existing products and introduce new products across high-end and mid-segments to capitalize on the opportunity

Expansion Plan: The company is expecting a big increase in the business of Iron Tablets for exports.

Customer Satisfaction: The company is customer-oriented and always strives to maintain good relationship with the customers.

Risk Factors -

The company has legal proceedings amounting to Rs. 250.85 lakhs. Any adverse decision may make the company liable to liabilities/penalties and may adversely affect reputation, business and financial status.

The top ten customers contribute 78.76%, 62.00% and 66.45% of the total sales for financial year ended on March 31, 2024, 2023 and 2022, respectively.

The top ten suppliers contribute 65.20%, 47.48%, 61.25% and 38.71% of the total purchase for the financial year ended on March 31, 2024, 2023 and 2022, respectively.

The company has experienced negative operating cash flow for FY ended 2023, and FY ended 2024.

PEER ANALYSIS

Particulars	Medicamen Organics Limited			Cian Healthcare			Zenotech Laboratories		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.4%	4%	10%	-7.1%	3%	0.4%	61%	27%	20%
EBITDA Margin	6%	8%	19%	5.4%	18%	17.6%	47%	49%	42%
RoCE	5%	11%	24%	-0.1%	7%	6.0%	13%	16%	11%
ROE	1%	11%	16%	-10.0%	4%	0.4%	31%	14%	9%
EPS (INR)	0.17	1.62	3.18	-2.21	0.81	0.10	3.63	1.90	1.36
P/E	200.00	20.99	10.69	-9.05	47.84	206.70	14.15	24.77	43.46

*Peer company named Brooks Laboratories Limited is not considered for comparison.

Indian Pharmaceutical Industry -

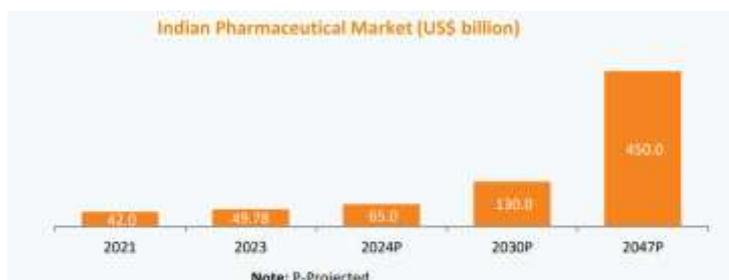
Introduction and Market Size -

The market size of India's pharmaceuticals industry is expected to reach US\$ 65 billion by 2024, and ~US\$ 130 billion by 2030.

According to government data, the Indian pharmaceutical industry is worth approximately US\$ 50 billion with over US\$ 25 billion of the value coming from exports.

About 20% of the global exports in generic drugs are met by India. India is among the top 12 destinations for biotechnology worldwide and 3rd largest destination for biotechnology in the Asia Pacific.

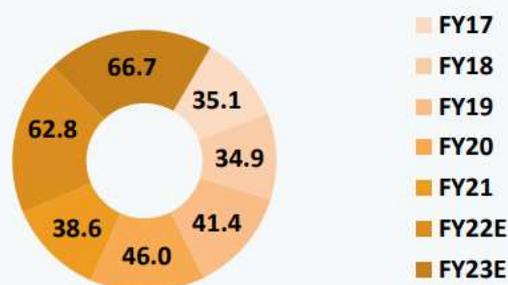
In 2022, India's Biotechnology industry crossed US\$ 80.12 billion, growing 14% from the previous year.



Future Outlook -

- The Indian Government has taken many steps to reduce costs and bring down healthcare expenses.
- The National Health Protection Scheme, which aims to offer universal healthcare, the ageing population, the rise in chronic diseases, and other government programmes, including the opening of pharmacies that offer inexpensive generic medications, should all contribute to boost the Indian pharmaceutical industry.

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



Note: E-Estimate

Pharmaceutical Exports -

- Pharmaceuticals is one of the top ten attractive sectors for foreign investment in India.
- The pharmaceutical exports from India reach more than 200 nations around the world, including highly regulated markets of the USA, West Europe, Japan, and Australia. India supplied around 45 tonnes and 400 million tablets of hydroxychloroquine to around 114 countries globally.
- India's drugs and pharmaceutical exports stood at Rs. 2,08,231 crore (US\$ 25.3 billion) for FY23, as per the data by Pharmexcil.
- India's exports of Drugs and pharmaceuticals stood at US\$ 6.59 billion during April-June 2023. Exports of Drugs and pharmaceuticals were estimated to be at US\$ 2.48 billion in March 2023 and shared 6.47% of the total exports of the month.

Key Management -

Key Management Persons Name -	Bal Krishan Gupta
Age	71
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 35 years of experience.
Qualification	Bachelor of Arts Degree
Roles and Responsibility	Expanding business horizons, management, innovation and growth.
Other Ventures	General Secretary of India Drugs Manufactures Associations

Key Management Persons Name -	Ashutosh Gupta
Age	43
Designation and No. of years of experience	Promoter, and Whole-Time Director, with 18 years of experience
Qualification	Bachelor of Business Administration
Roles and Responsibility	-
Other Ventures	Chairman of Pharmexcil, 2014-2016

Key Management Persons Name -	Shailesh Harimohan Gaur
Age	55
Designation and No. of years of experience	Executive Director, 33 years of experience
Qualification	Bachelor of Science and Master of Business Administration
Roles and Responsibility	Production Planning and Inventory Control (PPIC)
Other Ventures	-

Key Management Persons Name -	Rakesh Kumar
Age	53
Designation and No. of years of experience	Independent Director, 25 years of experience
Qualification	-
Roles and Responsibility	-
Other Ventures	Owner of M/s A.R. Associates, tax consultancy, legal advice, and audit.

Key Management Persons Name -	Sneh Gaur
Age	50
Designation and No. of years of experience	Non-Executive Director, 8 years of experience
Qualification	Bachelor of Science/Diploma in Computer Management
Roles and Responsibility	Previously worked as an Executive Admin in fields of Cross-cultural experience in purchase, sourcing, and logistics.
Other Ventures	-

Key Management Persons Name -	Sachin Gupta
Age	43
Designation and No. of years of experience	Independent Director, 20 years of experience
Qualification	CFA, B.com, Master of Financial Analysis
Roles and Responsibility	Seasoned financial professional
Other Ventures	Associate in Global Finance Services in Natwest Digital Services Pvt. Ltd.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	2,097.52	2,214.71	2,527.17
Other Income	21.15	81.53	1.79
Total Income	2,118.67	2,296.24	2,528.96
Total Expenses	2,093.15	2,160.27	2,190.08
Cost of Material Consumed	1,411.92	1,398.16	1,439.94
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-71.36	-59.80	-146.99
Finance costs	47.32	61.24	64.74
Depreciation and Amortization expense	68.01	71.16	71.94
Other expenses	637.26	689.51	760.45
EBITDA	119.70	186.84	473.77
Profit/(Loss) before tax	25.52	135.97	338.88
Tax Expense	15.38	39.04	98.47
Profit/(Loss) for the year	10.14	96.93	240.41

Statement of Assets and Liabilities

Amt in Lakhs.

Equity	FY 22	FY 23	FY 24	Assets	FY 22	FY 23	FY 24
Share Capital	600.00	600.00	860.00	Tangible Assets	1,127.67	1,085.65	1,033.91
Reserves & Surplus	201.06	297.99	658.40	Intangible Assets	1.40	1.20	1.01
Equity	801.06	897.99	1,518.40	Other non-current assets	81.91	85.13	91.93
Liabilities				Inventories	472.18	613.90	614.26
Long Term Borrowings	64.11	32.63	16.14	Trade receivables	624.54	1,076.82	1,670.00
Other non-current liabilities	134.39	138.10	140.01	Cash	43.74	52.82	53.30
Short Term Borrowings	960.46	1,146.87	1,249.51	Other current assets	402.35	343.05	391.66
Trade payables	730.91	899.86	707.96	Total Assets	2,753.79	3,258.57	3,856.07
Other current liabilities	62.86	143.12	226.05				
Total Equity and Liabilities	2,753.79	3,258.57	3,858.07				

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.17	1.62	3.18	EV/EBITDA	14.89	10.84	5.76
BV per share	15.86	16.68	21.99	Market Cap / Sales	1.90	1.80	1.57
Operating Ratios				P/E	200.00	20.99	10.69
EBITDA Margins	5.71%	8.44%	18.75%	Price to Book Value	2.14	2.04	1.55
PAT Margins	0.48%	4.22%	9.51%				
Inventory days	82.17	101.18	88.72	Solvency Ratios			
Debtor days	108.68	177.47	241.20	Debt / Equity	1.28	1.31	0.83
Creditor days	170.42	221.91	199.80	Current Ratio	0.88	0.95	1.25
Return Ratios				Quick Ratio	0.61	0.67	0.97
RoCE	5.17%	10.82%	24.02%	Asset Turnover	0.76	0.68	0.66
RoE	1.27%	10.79%	15.83%	Interest Coverage Ratio	1.09	1.89	6.21

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is GYR Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times-

GYR Capital Advisors Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	HOAC Foods Inida Limited	5.54	48.00	May 24, 2024	201.00
2.	ABS Marine Services Limited	96.29	147.00	May 21, 2024	274.55
3.	Naman In-Store (India) Limited	25.35	89	April 02, 2024	92.05
4.	Koura Fine Diamond Jewelry Limited	5.50	55	March 14, 2024	47.00
5.	Thaai Casting Ltd	47.20	77	February 23, 2024	198.35
6.	Maxposure Limited	20.26	33	January 23, 2024	87.40
7.	Kay Cee Energy & Infra Limited	15.93	54	January 05, 2024	225.95
8.	Trident Techlabs Limited	16.03	35	December 29, 2023	704.00
8.	Maitreya Medicare Limited	14.89	82	November 07, 2023	133.00
10.	Basilic Fly Studio Limited	66.35	97	September 11, 2023	334.00

The company has had 25 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 19th June 2024.

As per the offer document mandates have opened at premiums on the listing date.

Recommendation -

The company has been in the industry since 1995 and has vast experience in the industry. The management overview of the company is good with two promoters possessing good experience in the industry.

The P/E on a post-IPO and annualised basis is around 10.69 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 33.33 times.

The company has seen an increase in the top line and bottom line of its financials but the increase in the profitability margins does not look sustainable going forward. The company has performed against the industry trend which seems risky and not sustainable the company is concentrated when talking about buyers and suppliers. The company also faces significant competition in this industry. The company also has had negative Operating cash flows. The company's solvency ratio is not very satisfactory. However, the company operates in a growing industry and has good potential to grow further by enhancing operations.

Thus, we recommend to **AVOID** this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

