



## IPO Note

# Onyx Biotec Limited

Recommendation: **AVOID!**

### Company Background –

- **Incorporation:** Onyx Biotec Limited was originally incorporated on May 13, 2005. The registered office is located at Himachal Pradesh, India.
- **Business Activity:** The company is engaged in the manufacturing of range of Sterile Water for Injections, Dry Powder Injections and Dry Syrup.
- **Revenue Stream:** The company derives majority of its revenue from sterile water for injections.
- **Human Resource:** The company has 175 full-time employees as on Sep 30, 2024.

### Objects of the Issue -

- Upgradation of existing manufacturing Unit I to manufacture large volume parentals for intravenous use.
- Setting up a high-speed cartooning packaging line at existing manufacturing Unit II for Dry Powder Injections.
- Prepayment or repayment of all or a portion of certain loans availed by the Company.
- General Corporate Purposes

### Promoters Name –

Sanjay Jain, Naresh Kumar, Fateh Pal Singh, Harsh Mahajan, Lakshya Jain and Parmjeet Kaur

### Rationale for recommendation –

- ✓ The PE ratio of 36.48 times post-issue makes it highly priced.
- ✓ The company's top line, bottom line and profitability margins have remained slightly inconsistent over the years which raises concern on its sustainability.
- ✓ The RoCE and RoE is low for FY2024.
- ✓ The company has high concentration of customers and suppliers.
- ✓ The management overview is not satisfactory.
- ✓ The industry is highly competitive and fragmented.

### IPO Details

Opening Date	Nov 13, 2024
Closing Date	Nov 18, 2024
Allotment Date	Nov 19, 2024
Listing Date	Nov 21, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹58 to ₹61
Issue Size	29.34 Cr.
Fresh Issue	29.34 Cr.
Offer for Sale	-
Application Amt	₹ 1,22,000 (2,000 shares)

### INDUSTRY - Pharmaceuticals

Avg. P/E ratio of peers – 75.10

		KPIs		(In Lakhs)
KPI's	FY 22	FY 23	FY 24	May-24
Revenue	4,486.14	3,948.19	5,374.88	1,052.81
EBITDA	563.85	445.80	828.22	223.48
Net Profit	335.31	183.47	303.17	130.77
RoCE	15.63%	7.70%	11.71%	3.28%
ROE	20.48%	10.08%	12.19%	4.99%
P/E	21.48	39.10	24.02	10.34*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
88.60%	65.10%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	2.54	1.67
BVPS	18.67	29.90
P/E	24.02	36.48
P/BV	3.27	2.04
Mkt Cap (In Cr)	81.27	110.61

### Lead Managers –

**Horizon Management Private Limited**

### Registrar –

**MAS Services Limited**




## Business Overview -

Onyx Biotech Limited is engaged in the business of manufacturing Sterile Water for Injections, Dry Powder Injections and Dry Syrup for India and overseas. The products are being processed and manufactured in accordance with best Food and Drug Administration (FDA) practices.

**Clients:** The company's key clients include Hetero Healthcare Limited, Mankind Pharma Limited, Sun Pharmaceutical Industries Limited, Aristo Pharmaceuticals Private Limited, Macleods Pharmaceuticals Limited, Mapra Laboratories Private Limited, Axa Parenterals Limited, FDC Limited, Zuventus Healthcare Limited, Akums Drugs and Pharmaceuticals Limited, Reliance Life Sciences Limited etc.

**Manufacturing units and capacity utilization:** The company has two manufacturing facilities in Himachal Pradesh. Unit I is used for manufacturing Sterile Water for Injections and the capacity utilization remained at 31.52%, 40.90% and 52.10% for FY2023, FY2024 and May-24 respectively. Unit II is used for the manufacturing of Dry Powder Injections and Dry Syrup and the capacity utilization remained at 69.20%, 62.94%, 59.87% and 62.94% for FY2022, FY2023, FY2024 and May-24 respectively.

## Product Portfolio:

Product	Description
Sterile Water for Injections 	Water for Injection is very pure water that is free from germs. It doesn't have any chemicals to kill bacteria or control acidity. It comes in small, single-use containers. You can only use it to mix medicines that you will inject into a vein, muscle, or under the skin.
Dry Powder Injections 	Cephalosporins are a type of antibiotic used to treat many different bacterial infections. They come in 5 main groups, each stronger than the last. The first group is good for common infections. The second group is better for ear and sinus infections. The third group is used for more serious infections like pneumonia and blood infections. The fourth group is similar to the third but can fight some drug-resistant bacteria. The fifth group is the strongest and can fight very tough bacteria.
Dry Powder Syrups 	Celhalosporin Dry Syrup is a medicine that kills bacteria that cause infections. It helps treat infections in the lungs, throat, and urinary tract, among other areas.

## Revenue Bifurcation Product-wise –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Sterile Water for Injections	4,486.14	100.00	3,918.91	99.26	3,200.49	59.55
Dry Powder Injections	-	-	26.34	0.67	2,053.51	38.21
Dry Powder Syrups	-	-	2.94	0.07	120.88	2.25
<b>Total</b>	<b>4,486.14</b>	<b>100.00</b>	<b>3,948.19</b>	<b>100.00</b>	<b>5,374.88</b>	<b>100.00</b>

**Competition -**

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, price and product range.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

**Business Strategies -**

- The company intends to enter into new markets for the products internationally such as Commonwealth of Independent States (CIS), African countries and Latin American Countries.
- The company intends to enter into further loan licencing arrangements for large volume parentals which are proposed to be produced at Unit I.
- The company proposes to setup a high-speed cartooning packaging line at manufacturing Unit II for Dry Powder Injections

**Risk Factors -**

The company's significant portion of revenue is derived from top 10 customers which contributed to 93.98%, 94.48%, 71.16% and 82.13% for FY2022, 2023, 2024 and May-2024 respectively.

The company is highly dependent on top 10 suppliers for their purchase which contributed to 78.73%, 76.91%, 70.34% and 75.47% for FY2022, FY2023, FY2024 and May-24 respectively.

The company had negative cash flow from operations for May-24.

**PEER ANALYSIS -**

Particulars	Onyx Biotech Limited			Suven Pharmaceuticals Limited			J B Chemicals and Pharmaceuticals Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	7.47%	4.65%	5.64%	31.22%	29.66%	26.97%	15.64%	12.97%	15.69%
EBITDA Margin	12.57%	11.29%	15.41%	49.20%	44.75%	42.01%	23.65%	22.34%	26.53%
RoCE	15.63%	7.70%	11.71%	41.75%	31.68%	19.24%	23.00%	19.77%	25.51%
ROE	20.48%	10.08%	12.19%	29.71%	23.70%	14.64%	18.06%	16.52%	18.90%
EPS (INR)	2.84	1.56	2.54	17.83	16.16	11.80	24.93	26.50	35.66
P/E	21.48	39.10	24.02	33.95	29.23	57.38	31.22	37.29	46.28

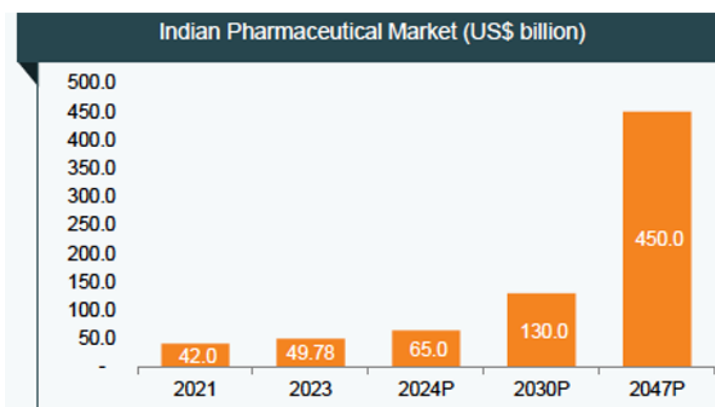
**Interpretation -**

- The company is not comparable on an apple-to-apple basis with the peers.
- The market cap of the company is very less compared to its peer.
- The RoE and RoCE of the company is low compared to its peer.

## INDUSTRY OVERVIEW -

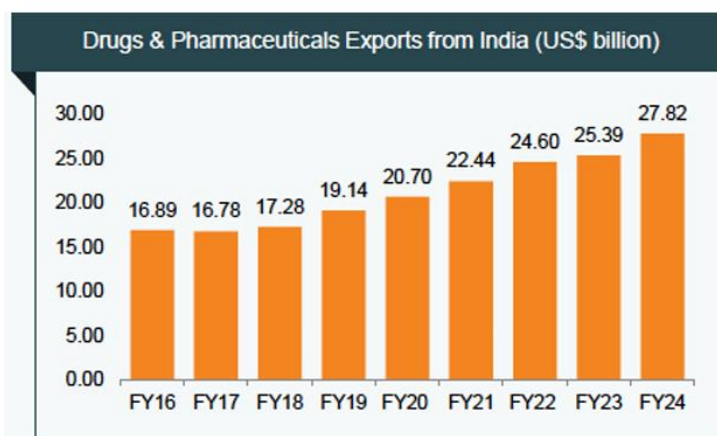
### Pharmaceutical Industry in India –

India's drugs and pharmaceuticals exports stood at US\$ 27.82 billion in FY24 (April- March). 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. During FY18 to FY23, the Indian pharmaceutical industry logged a compound annual growth rate (CAGR) of 6- 8%, primarily driven by an 8% increase in exports and a 6% rise in the domestic market. The Indian healthcare industry reached over US\$ 370 billion in 2022 and is expected to reach over US\$ 610 billion by 2026. Indian hospital market valued at US\$ 98.98 billion in FY23 and projected to grow by 8% CAGR and reached to US\$193.59 billion by FY32.



(Source:RHP)

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. In 2020, India supplied around 45 tonnes and 400 million tablets of hydroxychloroquine to around 114 countries globally. The market size of the medical devices sector in India was estimated to be US\$ 11 billion in 2023 and its share in the global medical device market is estimated to be 1.5%. The government has set ambitious target to elevate the medical devices industry in India to US\$ 50 billion by 2030.



(Source:RHP)

### Clinical Trials and High-End Drugs

India is among the leaders in the clinical trial market. Due to a genetically diverse population and availability of skilled doctors, India has the potential to attract huge investments to its clinical trial market. In October 2021, AstraZeneca India launched a Clinical Data and Insights (CDI) division to further strengthen its global presence and manage data-related aspects of its clinical trials. In November 2021, US-based Akston Biosciences announced that it will start the clinical trial of its second-generation COVID-19 vaccine 'AKS-452' in India soon.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Sanjay Jain</b>
<b>Age</b>	62
<b>Designation</b>	Promoter and Managing Director, 16+ years of experience in pharmaceutical industry
<b>Qualification</b>	Undergraduate
<b>Responsibility</b>	Responsible for overall management and growth of the Company
<b>Other Directorships</b>	Rosllion Healthcare Private Limited

<b>Key Management Persons Name -</b>	<b>Harsh Mahajan</b>
<b>Age</b>	37
<b>Designation and No. of years of experience</b>	Promoter, Whole-time Director, Chief Executive Officer and Chief Financial Officer, 5+ years of experience in pharmaceutical industry
<b>Qualification</b>	Bachelor's degree in commerce and Master's degree in business administration
<b>Responsibility</b>	Oversees manufacturing operation at Unit I and Unit II of Company, business strategy, risk management, finance, accounting and marketing.
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Naresh Kumar</b>
<b>Age</b>	60
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 16+ years of experience in pharmaceutical industry
<b>Qualification</b>	Undergraduate
<b>Responsibility</b>	Oversees manufacturing operation at Unit I of Company
<b>Previous Experience</b>	Worked as Senior Executive in Regulatory Affairs Department

<b>Key Management Persons Name -</b>	<b>Lakshya Jain</b>
<b>Age</b>	31
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 8+ years of experience in pharmaceutical industry
<b>Qualification</b>	Bachelor's degree in pharmacy and Master's degree in Biopharmaceuticals
<b>Responsibility</b>	Oversees quality control and assurance at Unit I and Unit II of Company
<b>Other Directorship</b>	Rosllion Healthcare Private Limited

<b>Key Management Persons Name -</b>	<b>Parmjeet Kaur</b>
<b>Age</b>	58
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Non-Independent Director, 5+ years of working experience in pharmaceutical industry
<b>Qualification</b>	No formal education
<b>Other Directorship</b>	-

<b>Key Management Persons Name -</b>	<b>Prince Preet Singh</b>
<b>Age</b>	45
<b>Designation and No. of years of experience</b>	Independent Director, 19+ years of working experience in Sales & Marketing, Business Development, P&L Management etc.
<b>Qualification</b>	Bachelor's degree in commerce, diploma in general management and currently pursuing master's degree in business administration
<b>Previous Experience</b>	Eli Lilly and Company (India) Private Limited, Roche Diagnostics India Private Limited, Alere Medical Private Limited etc.

<b>Key Management Persons Name -</b>	<b>Vineet Singh</b>
<b>Age</b>	35
<b>Designation and No. of years of experience</b>	Independent Director, 12+ years of working experience in accounting, finance, taxation and auditing
<b>Qualification</b>	Bachelor's degree in commerce, Member of ICAI
<b>Current Firm</b>	Medicover Healthcare Private Limited,

<b>Key Management Persons Name -</b>	<b>Nitesh Garg</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Independent Director, 14+ years of working experience in accounting, audit, finance, and taxation
<b>Qualification</b>	Bachelor's degree in commerce, Qualified CA and Diploma in international financial reporting
<b>Previous Experience</b>	Ernst & Young Associates LLP

- The overall management of the company is not satisfactory.
- The promoter and management have good experience in the industry.
- The position of CEO and CFO is held by the same person which is not favourable.
- The management structure is condensed.



## FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	May-24
Revenue from Operations	4,486.14	3,948.19	5,374.88	1,052.81
Other Income	11.95	12.46	12.55	1.30
<b>Total Income</b>	<b>4,498.09</b>	<b>3,960.65</b>	<b>5,387.43</b>	<b>1,054.11</b>
<b>Expenses</b>				
Cost of Material Consumed	2,647.16	2,129.69	3,616.87	613.09
Changes in stock-in-trade	5.15	-27.58	-42.73	2.95
Employee Benefit Expenses	862.02	1,048.48	599.91	113.15
Finance Cost	51.48	55.46	210.66	49.08
Depreciation and Amortization Expense	144.77	149.13	224.93	51.06
Other expenses	407.96	351.80	372.61	49.81
<b>Total Expenses</b>	<b>4,118.54</b>	<b>3,706.98</b>	<b>4,982.25</b>	<b>879.14</b>
<b>EBITDA</b>	<b>563.85</b>	<b>445.80</b>	<b>828.22</b>	<b>223.48</b>
<b>EBITDA Margin</b>	<b>12.57%</b>	<b>11.29%</b>	<b>15.41%</b>	<b>21.23%</b>
<b>Profit/(Loss) before tax</b>	<b>379.55</b>	<b>253.67</b>	<b>405.18</b>	<b>174.97</b>
<b>Tax Expense</b>				
Current tax	65.20	25.85	30.97	38.63
Deferred Tax	-20.96	44.35	71.04	5.57
<b>Total Tax</b>	<b>44.24</b>	<b>70.20</b>	<b>102.01</b>	<b>44.20</b>
<b>Profit/(Loss) for the year</b>	<b>335.31</b>	<b>183.47</b>	<b>303.17</b>	<b>130.77</b>
<b>Net Profit Margin</b>	<b>7.47%</b>	<b>4.65%</b>	<b>5.64%</b>	<b>12.41%</b>

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	May-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	590.16	590.16	1,332.22	1,332.22
Reserves and surplus	1,047.43	1,230.00	1,155.65	1,286.42
<b>Total Equity</b>	<b>1,637.59</b>	<b>1,820.16</b>	<b>2,487.87</b>	<b>2,618.64</b>
<b>2. Non-current liabilities</b>				
Long-term borrowings	862.99	1,801.55	2,359.09	2,323.35
Deferred Tax liability	141.96	186.31	257.35	262.92
Long-term provisions	38.09	43.58	49.07	49.28
<b>Total Non-current liabilities</b>	<b>1,043.04</b>	<b>2,031.44</b>	<b>2,665.51</b>	<b>2,635.55</b>
<b>3. Current liabilities</b>				
Short-term Borrowings	361.40	1,121.28	718.95	832.79
Trade Payables				
(i) Total outstanding dues of MSME	30.85	41.33	675.98	425.86
(ii) Total outstanding dues of creditors other than MSME	400.78	650.93	702.58	727.58
Other Current Liabilities	205.43	201.72	129.77	164.69
Short-term provisions	4.75	5.50	32.92	71.46
<b>Total Current liabilities</b>	<b>1,003.21</b>	<b>2,020.76</b>	<b>2,260.20</b>	<b>2,222.38</b>
<b>Total Liabilities</b>	<b>2,046.25</b>	<b>4,052.20</b>	<b>4,925.71</b>	<b>4,857.93</b>
<b>Total Equity and Liabilities</b>	<b>3,683.84</b>	<b>5,872.36</b>	<b>7,413.58</b>	<b>7,476.57</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant and Equipment	1,723.49	4,250.39	4,347.72	4,293.87
Capital Work-in-progress	402.32	-	-	-

Particulars	FY 22	FY 23	FY 24	May-24
Other Non- current Assets	114.81	165.53	110.03	112.53
<b>Total Non-Current assets</b>	<b>2,240.62</b>	<b>4,415.92</b>	<b>4,457.75</b>	<b>4,406.40</b>
<b>2. Current assets</b>				
Inventories	305.26	632.90	910.31	946.80
Trade Receivables	841.74	507.57	1,537.28	1,705.85
Cash & Cash equivalents	1.36	0.74	146.68	60.18
Short term loans and advances	262.76	24.82	27.64	39.84
Other Current Assets	32.10	290.41	333.93	317.50
<b>Total Current assets</b>	<b>1,443.22</b>	<b>1,456.44</b>	<b>2,955.84</b>	<b>3,070.17</b>
<b>Total Assets</b>	<b>3,683.84</b>	<b>5,872.36</b>	<b>7,413.59</b>	<b>7,476.57</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	May-24
Net Cash Flow from Operating Activities	48.55	623.60	151.62	-119.41
Net Cash Flow from Investing Activities	-577.59	-2,267.19	-314.79	3.89
Net Cash Flow from Financing Activities	519.78	1,642.97	309.11	29.02

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	2.84	1.56	2.54	EV/EBITDA	5.07	10.64	6.54
BV per share	27.75	30.84	18.67	Market Cap / Sales	2.47	2.80	2.06
<b>Operating Ratios</b>				P/E	21.48	39.10	24.02
EBITDA Margins	12.57%	11.29%	15.41%	Price to Book Value	2.20	1.98	3.27
PAT Margins	7.47%	4.65%	5.64%	<b>Solvency Ratios</b>			
Inventory days	24.84	58.51	61.82	Debt / Equity	0.75	1.61	1.24
Debtor days	68.49	46.92	104.39	Current Ratio	1.44	0.72	1.31
Creditor days	59.51	118.64	139.12	Quick Ratio	1.13	0.41	0.91
<b>Return Ratios</b>				Asset Turnover	1.22	0.67	0.73
RoCE	15.63%	7.70%	11.71%	Interest Coverage Ratio	8.14	5.35	2.86
RoE	20.48%	10.08%	12.19%				

**INTERPRETATION –**

1. The top line has remained slightly inconsistent over the years. A decrease of 12% was seen for FY2023 because in FY2022 the demand for their product increased significantly due to COVID-19 and then since the demand in FY2023 decreased the revenue dropped slightly. In FY2024 there was an increase of 36% which was because the company commenced the manufacturing of dry syrups and dry powder injections.
2. The net profit has also remained inconsistent over the years. There was a decrease by 45% in FY2023 and an increase of 65% in FY2024.
3. The EBITDA margin and PAT margin has remained inconsistent over the years.
4. The RoCE and RoE have seen a dip in FY2023.
5. The debtor days have significantly increased in FY2024.
6. The PE ratio has decreased in FY2024.



**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is Horizon Management Private Limited.  
A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Horizon Management Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Osel Devices Limited	70.66	160.00	Sep 24, 2024	213.80
2.	Forcas Studio Limited	37.44	80.00	Aug 26, 2024	105.00
3.	Tunwal E-Motors Limited	115.64	59.00	July 23, 2024	43.75
4.	Veritas Advertising Limited	8.48	114.00	May 21, 2024	134.00
5.	Shree Karni Fabcom Limited	42.49	227.00	Mar 14, 2024	655.00
6.	M.V.K. Agro Food Product Limited	65.88	120.00	Mar 07, 2024	44.05
7.	Baba Food Processing India Limited	33.00	76.00	Nov 15, 2023	54.80
8.	Cosmic CRF Limited	57.21	314.00	Jun 30, 2023	1,502.75

The company has handled 8 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 9<sup>th</sup> Nov 2024.  
As per the offer document, the above-mentioned mandates M.V.K. Agro Food Product, Baba Food Processing India and Cosmic CRF India have opened at a discount and remaining all have opened at a premium on the listing day.

## Recommendation -

Onyx Biotech Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is not satisfactory.

The P/E on a post-IPO basis is around 36.48 times which makes it slightly highly priced.

The company's bottom line and profitability margins have remained slightly inconsistent over the years which raises concern. The RoCE and RoE has remained low over the years. The debtor days has seen a sudden increase in FY2024. Also, the margins for May-24 has increased significantly which might not be sustainable in the long run.

The company has high concentration for customers and suppliers and loss of any may cause adverse effect in the business operations.

The company is operating in the pharmaceutical industry which is highly fragmented and competitive and there are many established players already.

Thus, investors can **AVOID** this IPO.

### Disclaimer

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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