



IPO Note

Accretion Pharmaceuticals Limited

Recommendation: **AVOID!**

Company Background –

- **Incorporation:** Accretion Pharmaceuticals Limited was originally incorporated on Dec 18, 2012. The registered office is located at Ahemdabad, Gujarat.
- **Business Activity:** The company is engaged in the business of manufacturing and marketing of tablets, capsules, oral liquid, external preparations and oral powder.
- **Revenue Stream:** The company generates majority of the revenue from the manufacturing of tablets.
- **Human Resource:** The company has 105 full-time employees as on May 06, 2025.

Objects of the Issue -

- Capital expenditure towards purchase of new equipment/machineries, etc.
- Capital expenditure towards upgradation of existing manufacturing facility.
- Repayment/prepayment of certain borrowings availed by the Company.
- Funding working capital requirements.
- General Corporate Purposes.

Promoters Name –

Harshad Nanubhai Rathod, Vivek Ashok Kumar Patel, Mayur Popatlal Sojitara and Hardik Mukundbhai Prajapati.

Rationale for recommendation –

The company has posted steady revenue growth and appears fairly valued. However, the sharp rise in FY24 margins, coupled with negative operating cash flows and high debt levels, raises sustainability concerns. Its business also relies heavily on a few customers. Given the financial risks, sectoral competition, and concerns around the lead manager's past IPOs, we recommend to **avoid** this IPO.

IPO Details

Opening Date	May 14, 2025
Closing Date	May 16, 2025
Allotment Date	May 19, 2025
Listing Date	May 21, 2025
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹96 to ₹101
Issue Size	29.75 Cr.
Fresh Issue	29.75Cr.
Offer for Sale	-
Application Amt	₹ 1,21,200 (1,200 shares)

INDUSTRY – Pharmaceutical

Avg. P/E ratio as per RHP – 28.35

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Dec-24
Revenue	2,229.20	2,938.43	3,366.52	3,566.73
EBITDA	163.88	199.13	748.93	874.25
Net Profit	7.90	10.39	387.52	523.55
RoCE	13.78%	15.82%	53.64%	23.09%*
ROE	2.57%	2.70%	72.47%	15.46%*
P/E	505.00	388.46	10.42	16.11*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	73.50%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	9.69	6.27
BVPS	13.37	40.55
P/E	10.42	16.11
P/BV	7.55	2.49
Mkt Cap (In Cr)	82.52	112.27

*Annualized

Lead Managers –

Jawa Capital Services Private Limited

Registrar –

Kfin Technologies Limited

Business Overview -

The Company is a pharmaceutical Contract Development and Manufacturing Organization (CDMO) engaged in the manufacturing and marketing of a broad portfolio of pharmaceutical products. Its offerings include tablets and capsules in various dosages, oral liquids, external preparations such as ointments, creams, gels, lotions, medicated shampoos, mouthwashes, dusting powders, and oral powders like sachets and dry syrups. The Company operates through multiple models including direct sales, loan licensing, and contract manufacturing, primarily on a principal-to-principal basis with various corporate clients.

The Company's business is structured across three key verticals: sales to the domestic market, direct exports, and sales to merchant exporters under loan license arrangements. Products sold to merchant exporters are further exported to various international markets, allowing the Company to indirectly serve geographies such as Africa, South-East Asia, and Latin America.



Granulation



Liquid fillings and sealing



Micro Lab

Manufacturing Unit- Manufacturing operations are carried out from its facility located at Xcelon Industrial Park, near Intas Pharmaceuticals, in Sanand, Ahmedabad, Gujarat.



Manufacturing Facility

The table below has the details for capacity utilisation:-

Capacity Utilisation:

Sl. No.	Particulars	FY22	FY23	FY24	Dec-24
1.	Tablet Section(MoU numbers)	39.85%	43.1%	53.52%	60.85%
2.	Oral Liquid Section (MoU bottle and pouch)	35.65%	45.05%	60.8%	61.69%
3.	External Perpetration Section (MoU - Tube)	16.26%	18.71%	40.01%	45.04%
4.	Capsule Section (MoU - Numbers)	32.07%	35.14%	45.97%	47.63%
5.	Oral Powder Section (MoU - Bottle & Pouch)	8.57%	18.09	24.66%	24.91%

Product Portfolio-

Sl no.	Name of Product	Usage type of disease/ Properties Type of product
1.	TABLET -Immediate-release tablets -Sustained-release or extended-release tablets -Enteric-coated tablets -Chewable tablets -Effervescent tablets -Sublingual and buccal tablets	Antibiotic, Antibacterial, Antifungal Anti- Inflammatory Antihistamine, Antiallergics, Antitussives, Anticold. Antiulcer and Antacid Anti-Diabetic Cardiac and Anti-Hypertensive Psychotropic

Sl no.	Name of Product	Usage type of disease/ Properties Type of product
		Vitamins and Supplement
2.	ORAL LIQUID -Solutions -Suspensions -Syrups -Drops	Antibiotic, Antibacterial Antihistamine, Antiallergics, Antitussives, Anticold. Antilulcer and Antacid Vitamins and Supplement Antiparasitic, Antiemetic Laxative
3.	EXTERNAL PREPARATION -Ointments -Creams -Gels -Lotions -Pastes -Dusting Powder -Mouth Wash	Antibiotic, Antibacterial, Antifungal Anti- Inflammatory Antipruritic Anti-ulcer Antiseptic
4.	CAPSULE -Hard- Shelled Capsules	Antibacterial, Antifungal Anti- Inflammatory Antilulcer and Antacid Cardiac and Anti-Hypertensive Vitamins and Supplement
5.	ORAL POWDER	Antibiotic, Antibacterial, Antifungal. Antihistamine, Antiallergics, Antitussives, Anticold. Antilulcer and Antacid. Vitamins and Supplement.

Product-wise Revenue Bifurcation:

(In Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Dec-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Tablet	999.85	44.85%	12,24.13	41.66%	1,335.72	39.68%	1,253.99	35.16%
Oral Liquid	627.78	28.16%	847.22	28.83%	995.63	29.58%	713.66	20.01%
External Preparation	186.78	8.38%	288.58	9.82%	375.02	11.14%	617.37	17.31%
Capsule	392.19	17.59%	484.43	16.49%	536.80	15.95%	558.16	15.65%
Oral powder	22.60	1.01%	94.07	3.20%	95.61	2.84%	423.35	11.87%
Other	-	-	-	-	27.66	0.82%	0.20	0.00%
Total	2,229.20	100%	2,938.43	100%	3,366.43	100%	3,566.73	100%

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product pricing, quality, variety and availability of courses.
- Geographic Competition:** The company faces competition from various domestic players and international players.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Customers:** The bargaining power is high with the customers.
- Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies –

- The Company aims to expand direct exports by registering products and manufacturing facilities in international markets, moving beyond merchant exporters.
- The Company focuses on nurturing strong customer relationships through effective communication, service, and marketing capabilities.
- By expanding its product portfolio and scaling existing offerings, the Company seeks to meet rising demand and sustain a competitive advantage.
- The Company emphasizes customer feedback and quality service to ensure high satisfaction and continuous improvement in its product offerings.

Risk Factors –

1. The company is dependent on top 10 customers for their revenue generation constituting to 38.31%, 70.01%, 72.98% and 65.36% for FY22, FY23, FY24 and Dec-24 respectively.
2. The company experienced negative cash flow from operations for FY24.
3. The Director/Promoters have 1 case against them for criminal matters and the company has 1 against it for other litigation.

PEER ANALYSIS –

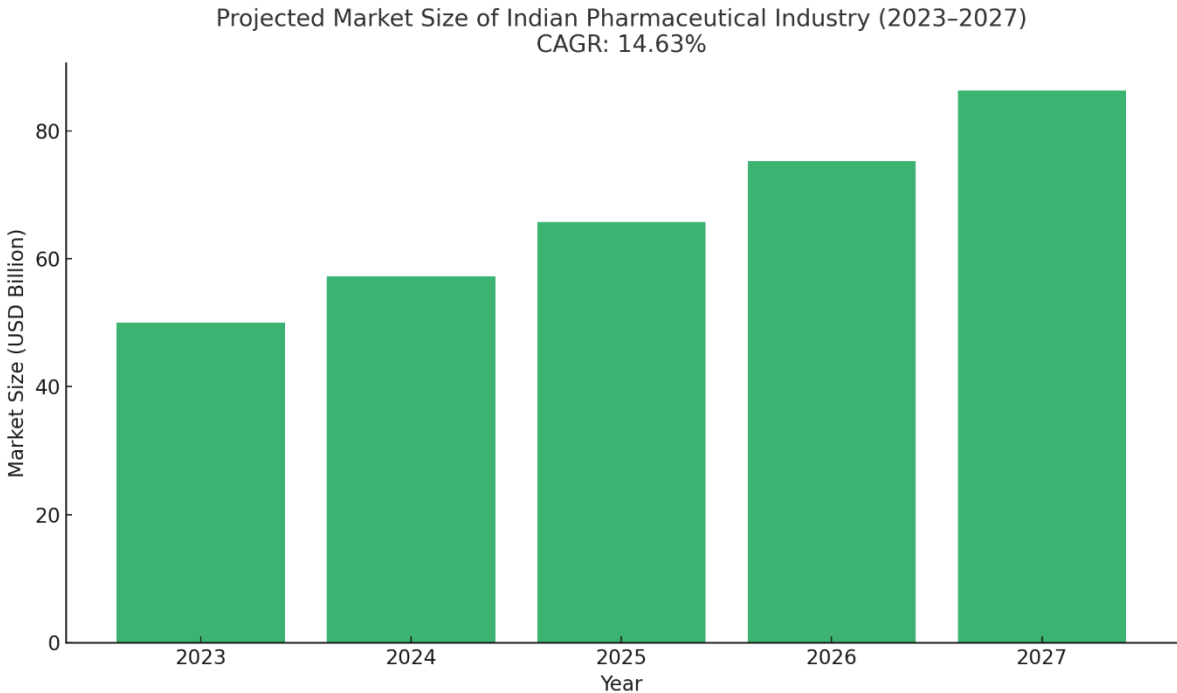
Particulars	Accretion Pharmaceuticals Limited			Sakar Healthcare Limited			Lincoln Pharmaceuticals Limited			Sotac Pharmaceuticals Limited		
	FY 22	FY23	FY24	FY 22	FY23	FY24	FY 22	FY23	FY24	FY 22	FY23	FY24
NP Margin	0.35%	0.35%	11.51%	11.69%	9.24%	7.46%	14.39%	13.68%	15.17%	-	3.7%	4.1%
EBITDA Margin	7.35%	6.78%	22.25%	24.22%	27.39%	26.54%	21.88%	20.96%	21.84%	-	10.6%	8.4%
RoCE	13.78%	15.82%	53.64%	9.91%	8.10%	7.13%	21.94%	19.89%	20.35%	-	21.4%	9.3%
ROE	2.57%	2.70%	72.47%	11.97%	7.36%	4.45%	16.02%	14.51%	15.74%	-	14.7%	9.5%
EPS(INR)	0.20	0.26	9.69	9.32	7.05	5.73	34.63	36.39	46.59	-	3.57	4.48
P/E	505.00	388.46	10.42	14.82	28.45	64.28	9.36	9.32	12.58	-	0.00	27.01

Accretion Pharmaceuticals has reported better numbers in FY24, but its performance over the last few years has not been consistent. Compared to peers like Lincoln, which has delivered steady profits and returns, and Sakar, which shows stable growth, Accretion appears less reliable. The company's return on equity (RoE) looks very high, but this may be misleading as it isn't supported by strong returns on capital or stable margins. Overall, Accretion seems riskier and less dependable than its listed competitors.

INDUSTRY OVERVIEW -

Pharmaceuticals Industry in India

The Indian pharmaceutical industry, currently valued at **\$50 billion**, is the **third largest globally by volume** and plays a vital role as the "pharmacy of the world." It contributes **20% of global generic medicine exports**, supplies over **60% of the global vaccine demand**, and meets **90% of the WHO's measles vaccine requirements**. The industry spans a wide range of segments including generics, OTC drugs, APIs, vaccines, biologics, and biosimilars. India has a strong export presence in over **200 countries**, including **40% of the US generic demand** and **50% of Africa's requirements**. The sector is supported by a robust manufacturing base of **over 10,500 facilities** and **more than 3,000 pharma companies**, making it a global leader in affordable, high-quality drugs. With a projected value of **\$65 billion by 2024** and **\$130 billion by 2030**, the Indian pharmaceutical market is expected to grow at a **CAGR of 10%** between 2023 and 2030.



Recent government initiatives have been instrumental in accelerating growth and ensuring self-reliance in the sector. The **Production-Linked Incentive (PLI) Scheme** for bulk drugs and pharmaceuticals has attracted an investment of **₹16,199 crore**, supporting domestic manufacturing and reducing dependency on imports. The **Promotion of Research and Innovation in Pharma MedTech Sector** is designed to build a robust innovation ecosystem and improve R&D capabilities across the value chain. Additionally, the **Pradhan Mantri Bhartiya Janaushadhi Pariyojana** has expanded access to affordable medicines, with over **12,500 Jan Aushadhi Kendras** operating across all districts and delivering annual savings of around **₹7,350 crore** for the public.

Key Management -

Key Management Persons Name -	Mayur Popatlal Sojitra
Age	37
Designation and No. of years of experience	Promoter and Executive Director, 12+ years of experience in Pharmaceutical industry
Qualification	Bachelor of Pharmacy and MBA in International Business
Other Directorships	1)Accresha Lifecare Private Limited 2) Accretion Nutraveda Private Limited

Key Management Persons Name -	Vivek Ashok Kumar Patel
Age	37
Designation and No. of years of experience	Promoter and Managing Director, 14+ years of experience in production and marketing within pharmaceutical industry.
Qualification	Bachelor in Pharmacy and MBA (Pharma)
Other Directorships	Accretion Nutraveda Private Limite

Key Management Persons Name -	Harshad Nanubhai Rathod
Age	38
Designation	Promoter, CFO and Exeutive Director, 14+ years of experience.
Qualification	Bachelor in Pharmacy and MBA in International Business.
Other Directorships	Accretion Nutraveda Private Limited

Key Management Persons Name -	Hardik Mukundbhai Prajapati
Age	37
Designation	Promoter and Executive Director, 14+ years of experience in pharmaceutical production.
Qualification	Bachelor in Pharmacy and Masters in Pharmacy
Responsibility	Responsible for handling operations related to Automotive and Allied Industries of the Company.
Other Directorships	1) Accresha Lifecare Private Limited 2) Accretion Nutraveda Private Limited

- The overall management of the company is satisfactory.
- The promoter and management have decent experience in the industry.
- Grishma A Shewale, Vijay Bhharatbhai Anadkat and Chand Rameshbahi Kanabar are the Non-Executive Independent Directors of the Company. They have relevant experience in their respective fields.
- **Bhavika A Dhaval, 28 years (CS and Compliance Officer)**, holds a degree in Bachelors of Commerce, and has 4 years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	2,229.20	2,938.43	3,366.52	3,566.73
Other Income	29.22	14.72	27.34	8.20
Total Income	988.95	1,616.57	3,350.72	3,323.46
Expenses				
Cost of materials consumed	1,861.29	2,366.33	2,505.91	2,668.55
Change in Inventories of Finished Goods,WIP and Stock In Trade	-105.26	-31.38	-344.95	-397.89
Employee Benefit Expenses	196.01	247.40	261.87	230.06
Finance Cost	101.66	107.64	115.38	106.39
Depreciation and Amortization Expense	81.04	92.33	84.73	57.35
Other expenses	113.28	156.95	194.76	191.76
Total Expenses	2,248.02	2,939.27	2,817.70	2,856.22
EBITDA	163.88	199.13	748.93	874.25
EBITDA Margin	7.35%	6.78%	22.25%	24.51%
Profit/(Loss) before tax	10.40	13.88	576.16	718.71
Tax Expense				
Current tax	2.32	3.87	185.96	180.38
Deferred Tax	0.18	-0.38	2.68	14.78
Total Tax	2.50	3.49	188.64	195.16
Profit/(Loss) for the year	7.90	10.39	387.52	523.55
Net Profit Margin	0.35%	0.35%	11.51%	14.68%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.49	1.49	1,252.00	1,252.00
Reserves and Surplus	407.61	478.53	114.04	668.43
Total Equity	409.10	480.02	1,366.04	1,920.43
NON-CURRENT LIABILITIES				
Long-term Borrowings	6.71	3.99	1.04	-
Deferred Tax liability	7.96	11.63	17.03	27.15
Long Term Provisions	-	-	-	3.38
Total Non-current liabilities	14.67	15.62	18.07	30.53
CURRENT LIABILITIES				
Short-term Borrowings	470.90	559.88	657.15	1,177.82
Trade Payables				
(a) Total outstanding dues of MSME	-	-	-	262.99
(b) Total outstanding dues of creditors other than MSME	673.72	784.95	657.75	698.56
Other Current Liabilities	25.85	31.85	22.06	87.49
Short-term Provisions	2.62	6.14	129.27	180.84
Total Current liabilities	1,173.09	1,382.82	1,466.23	2,407.70
Total Liabilities	1,466.47	1,673.70	2,169.85	2,640.52
Total Equity and Liabilities	1,774.11	2,057.97	2,704.61	3,998.83
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	583.59	601.23	527.27	614.09
Long Term Loans and Advances	2.55	3.91	13.38	13.38

Particulars	FY 22	FY 23	FY 24	Dec-24
Other Non- Current Assets	-	-	5.45	17.73
Total Non-Current assets	586.14	605.14	546.10	645.20
CURRENT ASSETS				
Inventories	693.28	776.39	1,447.58	2,004.44
Trade Receivables	406.80	579.94	580.44	1,007.31
Cash & Cash equivalents	37.45	3.64	9.16	18.64
Short Term Loans and Advances	50.44	92.87	121.31	323.24
Total Current assets	1,187.97	1,452.84	2,158.49	3,353.63
Total Assets	1,774.11	2,057.98	2,704.59	3,998.83

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	215.00	32.11	-132.72	-70.73
Net Cash Flow from Investing Activities	-25.73	-109.96	-10.77	-144.17
Net Cash Flow from Financing Activities	-158.49	44.03	149.02	224.37

Key Ratios

Per Share Data					Valuation Ratios (x)				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.20	0.26	9.69	6.27	EV/EBITDA	6.29	6.16	2.50	1.27
BV per share	-	0	13.37	40.55	Market Cap / Sales	-	-	1.20	2.37
Operating Ratios					P/E	505.00	388.46	10.42	16.11
EBITDA Margins	7.35%	6.78%	22.25%	24.51%	Price to Book Value	-	-	7.55	2.49
PAT Margins	0.35%	0.35%	11.51%	14.68%	Solvency Ratios				
Inventory days	113.83	96.70	157.38	130.61	Debt / Equity	2.47	2.20	2.52	0.31
Debtor days	66.79	72.24	63.10	69.95	Current Ratio	1.01	1.05	1.47	1.47
Creditor days	132.39	124.08	91.15	112.08	Quick Ratio	0.42	0.49	0.48	0.48
Return Ratios					Asset Turnover	1.26	1.43	1.24	1.76
RoCE	13.78%	15.82%	53.64%	23.09%	Interest Coverage Ratio	0.81	0.99	5.76	7.68
RoE	2.57%	2.70%	72.47%	15.46%					

*Annualized

INTERPRETATION –

1. The top line has increased over the years. It increased by 31.82% in FY23 and in FY24 it increased by 14.57% which was due to Merchant Export and Direct Export Sales.
2. The net profit increased over the years. It increased by 31.52% in FY23 and it increased by 3,629.74% in FY24. The sudden increase is because of the decrease in the expenses which was due to decrease in the price of raw materials.
3. The EBITDA and PAT margin saw a sudden increase in FY24 which was due to overall decrease in expenses in relation to revenue because of the decrease in cost of raw materials.
4. The company had negative cash flow from operations for FY24.
5. The DE ratio has remained high over the years.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Jawa Capital Services 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 –

Jawa Capital Services Private Limited-

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mangal Compusolution Limited	16.23	45.00	Nov 21, 2024	39.00
2.	Kalana Ispat Limited	32.59	66.00	Sep 26, 2024	44.85
3.	Mandeep Auto Industries Limited	25.25	67.00	May 21, 2024	28.45
4.	Slone Infosystems Limited	11.06	79.00	May 10, 2024	247.35

*CMP for the above-mentioned companies is taken as of 10th May 2025.
As per the offer document, the above-mentioned mandates Mangal Compusolution Limited, Kalpana Ispat and Mandeep Auto Industries have opened at a discount and Slone Infosystems has opened at a premium on the listing day.

Recommendation -

Accretion Pharmaceuticals Limited has been in the industry since 2012 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 16.11 times which makes it fairly priced.

The company's management structure is satisfactory.

The company's top line has increased consistently. EBITDA and PAT saw a sudden increase FY24 which raises concerns and therefore the margins also saw a huge jump. The company incurred negative cash flow from operations for FY24 and Dec-24. DE Ratio has remained high over the years. Overall, the financials look unsustainable and signals potential risk.

The company has high concentration for customers and loss of any may have adverse effects on the business operations.

The lead manager's performance also raises slight concerns as the last 3 out of the 4 mandates served by Jawa Capital Services has opened at a discount.

The Pharmaceuticals industry is highly fragmented and competitive and there are many established players.

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

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