



**IPO Report**

02<sup>nd</sup> May '24

**Snapshot**

Indegene Limited provide digital-led commercialization services for the life sciences industry, including biopharmaceutical, emerging biotech and medical devices companies, that assist them with drug development and clinical trials, regulatory submissions, pharmacovigilance and complaints management, and the sales and marketing of their products. Company’s solutions enable life sciences companies to develop products, launch them in the market, and drive sales through their life cycle in a more effective, efficient and modern manner. Company’s portfolio of solutions cover all aspects of commercial, medical, regulatory and R&D operations of life sciences companies. Company have established client relationships with each of the 20 largest biopharmaceutical companies in the world by revenue for the Financial Year 2023.

**VALUATION**

Company is bringing the issue at price band of Rs 430-452 per share at p/e multiple of 331x on FY23 PAT basis. Company has domain expertise in healthcare with robust digital capabilities and in-house developed technology portfolio & track record of establishing long-standing client relationships. Also, company’s global delivery model & track record of creating value through acquisitions with experienced management and motivated talent pool supported by marquee investors is creating optimism in company. Hence ,looking after all above we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>430-452</b>
<b>Opening date of the issue</b>	<b>06<sup>th</sup> May ‘2024</b>
<b>Closing Date of the issue</b>	<b>08<sup>th</sup> May’2024</b>
<b>No of shares pre issue</b>	222,435,091 Eq Shares
<b>Issue Size</b>	Rs 1789-1842 Cr
<b>No of shares</b>	41,628,952-4,076,550 Eq Shares
<b>Fresh issue</b>	Rs 760 Cr
<b>Offer For Sale</b>	23,932,732 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 2/share
<b>Bid Lot</b>	33
<b>Employee Reservation</b>	Rs 12.5 Cr

<b>BIDDING DETAILS</b>	
<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 20,235,170 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 6,070,552 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 14,164,620 Eq Shares)
<b>Employee</b>	296,208 Eq Shares
<b>Lead managers</b>	Kotak Mahindra Capital, Citigroup Global, J.P.Morgan, Nomura Financial
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd

**WHAT WE LIKE**

**Domain expertise in healthcare**

Company’s understanding of the healthcare domain enables it to efficiently modernize and digitize the key functions involved in the life sciences commercialization process. This requires in-depth domain expertise of the journey of a drug from the research lab to the market to be able to organize and analyze scientific and clinical data, navigate the regulatory landscape and the ethical guidelines within which the industry operates, and develop medical content for healthcare professionals, patients, and payers.

**Track record of establishing long-standing client relationships**

Company have long-standing relationships with marquee biopharmaceutical companies including each of the 20 largest biopharmaceutical companies in the world by revenue for the Financial Year 2023 .Additionally, company also serve clients in the mid-sized pharma, emerging biotech and medical devices industries. Company have high client stickiness and retention since company’s solutions, once implemented, are deeply integrated with its clients’ workflow. Company’s retention rates (i.e., revenues from existing customers as a percentage of revenues from such customers earned in the previous year) were 122.83%, 159.89%, and 129.90% for the Financial Years 2023, 2022 and 2021, respectively.

**Global delivery model**

Company cater to the needs of its clients from six operation hubs and 17 offices located across North America, Europe and Asia. Company’s solutions are offered primarily through two delivery models, namely its enterprise-wide technology-enabled COEs and its digital Omnichannel Activation solutions. Company’s COEs comprise individuals with subject expertise across multiple functional areas who work closely with its clients to deliver its technology-enabled solutions. These CoEs work closely with its clients to deliver multi-year, enterprise-wide, global solutions. These CoEs have the ability to stitch together multiple upstream and downstream activities and work with multiple business verticals or with different global and regional teams of the same organization



## COMPANY BACKGROUND

Company had 27 clients from whom company earned between US\$1 million and US\$10 million in revenues, five clients from whom company earned between US\$10 million and US\$25 million in revenues, and three clients from whom company earned more than US\$25 million in revenues, during the 12 months ended December 31, 2023. Life sciences enterprises require a talent pool with in-depth domain expertise on the journey of a drug from the research lab to the market to organize and analyze scientific and clinical data, navigate the regulatory landscape and the ethical guidelines within which the industry operates, and to develop the requisite medical content for healthcare professionals, patients, and payers .

Despite these evolving needs, life sciences enterprises continue to struggle from a lack of a qualified in-house talent pool . At the same time, drug pricing caps create margin pressures on biopharmaceutical companies, thus risking the overall profitability of the industry and consequently, operations spend . Such margin pressures have been further compounded by the loss of exclusivity of drugs due to patent cliffs, leading to loss of revenue in high value drugs . While there are such talent gaps and margin pressures, life sciences companies are placing greater emphasis on digital innovation and enterprise-wide transformation initiatives to improve operational efficiencies . The growing maturity of technology tools is also leading to requirements of domain-centric digital expertise . Life sciences companies are embracing technological partners with the requisite domain expertise to aid them in this digital journey , and this is where company's role lies. Positioned at the intersection of healthcare and technology, company's solutions span across different stages of the commercialization lifecycle of drugs and medical devices. Company's Enterprise Commercial Solutions and its Omnichannel Activation solutions cater to the commercial functions of life sciences companies while company's Enterprise Medical Solutions and Enterprise Clinical Solutions cater to their medical and R&D functions.

Given the breadth of company's solutions, company is well positioned to benefit from the expected growth in life sciences operations expenditure, which was estimated at ₹12.0 trillion (US\$156 billion) in 2022 and is expected to grow at a CAGR of 6.5% to reach ₹15.5 trillion (US\$201 billion) in 2026. Sales and marketing was the largest segment of life sciences operations expenditure, contributing ₹4.2 trillion (US\$55 billion) or 35% of overall life sciences operations expenditure, but with a low outsourcing penetration rate of 7 – 12%. However, outsourcing expenditure in this segment is projected to grow at a CAGR of approximately 14.5% between 2022 and 2026, representing room for growth . Company have already penetrated this segment through its Enterprise Commercial Solutions and derived ₹13,568.89 million or 58.84% of its revenue from operations for the Financial Year 2023 from this segment. The regulatory and medical affairs segment and the pharmacovigilance segment together accounted for ₹3.5 trillion (US\$45 billion) or 29% of overall life sciences operations expenditure . Company cater to this segment through its Enterprise Medical Solutions and derived ₹5,602.27 million or 24.29% of company's revenue from operations for the Financial Year 2023 from this segment.

As of December 31, 2023, company had 65 active clients. Company deliver solutions to them from its operation hubs located across North America, Europe and Asia. Company have internally developed artificial intelligence (“AI”) and machine learning (“ML”) based proprietary platforms, which allow company to offer its solutions across the globe at scale. Company's delivery model allows it to operate where its clients are located. As of December 31, 2023, company had 5,181 full-time employees across 10 countries, of which 4,510 employees were delivery employees (i.e., employees who do not belong to corporate and support functions). As of December 31, 2023, 20.49% of company's delivery employees had healthcare-related educational backgrounds. Company's technological expertise primarily involves converting unstructured clinical data and information into structured content and analytics-ready data sets. Using such data sets, company is able to create scientific, medical and promotional content, accelerate patient recruitment for clinical trials, and deliver personalized omnichannel experiences to physicians and patients. Company's domain expertise in the life sciences industry and its technical capabilities have enabled company to deploy AI-powered solutions across the life sciences commercialization continuum. Company have embedded a range of proprietary tools and platforms across each of the solutions it offer. Using these tools and platforms, company seek to improve cost efficiency, speed to market, regulatory compliance and product quality at scale in a manner that requires less manpower and human intervention. Further, company have developed its tools and platforms to be integrated with well-established third-party technology platforms that are used in the life sciences industry.



**INVESTMENT RATIONALE**

<p><i>Robust digital capabilities and in-house developed technology portfolio</i></p>	<p>Over the years, company have developed a suite of proprietary tools and platforms, including applications that automate and create AI-based efficiencies using AI, ML, NLP and advanced analytics capabilities that are core components of company’s solutions. These proprietary “NEXT”-branded tools and platforms assist in driving transformation across the commercialization lifecycle of biopharmaceutical products and medical devices. Company aim to drive efficiency, effectiveness and quality in various aspects of the R&amp;D and commercialization processes of life sciences companies. Having previously leveraged AI across its solutions, company is now able to adapt Gen AI to enhance its solutions. Utilizing Gen AI in the life sciences context requires technology to be contextualized and trained through curated data sets, and business processes to be re-engineering and deployed by companies which have both technology and life sciences expertise. Company’s technology innovation is supported by a dedicated team of 650 individuals who work on data science, data engineering, NLP, Natural Language Generation (“NLG”), Gen AI, machine vision, speech-to-text conversion and classification, and prediction model development</p>
<p><i>Experienced management and motivated talent pool supported by marquee investors</i></p>	<p>Several of company’s Key Managerial Personnel and Senior Management Personnel have several years of experience in the healthcare domain, and have academic backgrounds in business or hold qualifications from various medical institutions. They have worked extensively in the healthcare industry across marketing and technology roles. Their academic backgrounds and experience have helped company develop its domain expertise. They have successfully led Company since its inception by building each of company’s business units, expanding its operations geographically and raising funds from its shareholders. Company’s Key Managerial Personnel and Senior Management Personnel are positioned across India and the United States, and have domain experience in life sciences, marketing and digital transformation. Several members of company’s key management team have previously worked with companies that are now company’s clients. Company is supported by a motivated talent pool of employees that are key to its success. Company’s diverse employee pool comes from 22 nationalities and helps company serve its clients effectively across the regions that company operate in. Company aim to maintain an employee focused culture. Company’s human resources policies and practices have earned company recognition as one of India’s best companies to work for since 2016 from the Great Place to Work Institute, which has also recognized company as one of the 100 best companies for women in India from 2018 to 2022.</p>
<p><i>Track record of creating value through acquisitions</i></p>	<p>Since 2005, company have successfully executed several acquisitions and have benefitted from the synergies, networks, technologies, and talent pools of the companies that company have acquired. Company’s acquisitions have helped it in accessing new technologies, markets and clients; and have helped in expanding the range of solutions that company offer to its clients. In 2016, company acquired Encima Group, Inc. (“Encima”) in the United States, a company which provided marketing analytics and campaign execution solutions to several large life sciences companies. This acquisition enhanced company’s Enterprise Commercial Solutions offerings by adding capabilities in digital marketing and campaign operations, as well as additions to company’s senior management team. More recently, in 2019, company acquired a minority stake in DT Associates Research and Consulting Services Limited (“DT Associates Limited”), a digital transformation and client experience consulting firm in the United Kingdom, to expand its strategic consulting capabilities, and which also added to company’s senior management team.</p>



## OBJECTS OF OFFER

### The Offer for Sale

The Offer comprises the Fresh Issue aggregating up to ₹7,600 million by Company and the Offer for Sale of up to 23,932,732 Equity Shares by the Selling Shareholders.

### The Fresh Issue

#### *Requirement of funds*

Company proposes to utilise the Net Proceeds towards funding of the following objects:

1. Repayment/prepayment of indebtedness of one of company's Material Subsidiaries, ILSL Holdings, Inc.;
2. Funding the capital expenditure requirements of Company and one of company's Material Subsidiaries, Indegene, Inc.; and
3. General corporate purposes and inorganic growth.

## RISKS

Company's business is solely focused on the life sciences industry and may be adversely impacted by factors affecting the life sciences industry, including the growth of the overall life sciences industry, outsourcing and other trends..

Source:RHP

## INDUSTRY OVERVIEW

### Life Sciences Operations Outsourcing Supplier Ecosystem

#### *Categorization of service provider landscape and description of services provided*

There are five broad categories of service providers within the life sciences industry:

#### *1.Contract research organizations and contract sales organizations*

These organizations support biopharmaceutical and medical devices enterprises with their capabilities in conducting clinical trials usually taking up end-to-end responsibility of trials. CROs and CSOs also possess brick and mortar clinical trial facilities and employ medically trained teams of professionals such as nurses and doctors for the day-to-day research activities and to monitor safety throughout the process. They also provide associated support services focusing on the discovery and approval of new drugs or devices, among other vertical services across the life sciences value chain like marketing and sales including provision and management of contract sales representatives. Examples of CROs and CSOs include IQVIA, Syneos Health and Parexel.

#### *2. IT/BPO service providers*

These companies are industry agnostic service providers with a suite of verticalized offerings in multiple industries including life sciences. Their services are an interplay of IT services like cloud infrastructure, IT maintenance support, and domain specific business process services like clinical data management, patient access and recruitment services etc. in clinical segment along with other vertical services. They also provide industry agnostic horizontal services like human resources, finance, and accounting services etc. By design, the business model of IT/BPOs is based on providing broad-based services through a network of offshore delivery centers and have a large full-time equivalent ("FTE") base. Examples of IT/BPO service providers include Accenture, Cognizant and TCS.

3. Life sciences specialist These are life sciences focused organizations providing hyper-personalized and specialized services across the life sciences value chain segments like marketing and sales, regulatory, and medical affairs and pharmacovigilance. For instance, in clinical services, life sciences specialists leverage their deep domain expertise and digital portfolio to enable achievement of clinical trial objectives through advanced data analytics along with digital tools to compress study timelines. Examples of life sciences specialists include Axtria, Eversana, Indegene and ZS Associates.

4. Digital engineering firms These companies help life sciences companies with the ideation, design, and engineering of technological products such as platforms, software, and custom applications. They integrate software and next-generation technologies in the products and offerings of enterprises. Examples of digital engineering firms include EPAM Systems, Globant and Indegene.

5. Product/platform players These organizations offer platforms which enable a unified view of data thereby helping companies to support their business operations. The product/platform players partner with other service providers such as CROs, IT/BPOs and life sciences specialists to develop end-to-end customized solutions for life sciences enterprises. Examples of product/platform players include Veeva, Salesforce and ArisGlobal.



**Consolidated Financials**

**(Rs in Mn)**

<b>Financials</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>9months ended FY24</b>
Total Revenue (A)	9662.78	16646.09	23061.33	19166.11
Total Expenditure (B)	7357.44	13776.88	19099.09	15498.98
EBIDTA	2305.34	2869.21	3962.24	3667.13
EBIDTA Margin	23.86	17.24	17.18	19.13
Other Income	306.46	258.88	579.65	531.38
Depreciation	255.46	334.51	598.10	576.31
EBIT	2356.34	2793.58	3943.79	3622.20
Interest	69.57	59.63	313.32	371.13
PBT	2286.77	2733.95	3630.47	3251.07
Share of profit in associate	-2.00	0.00	0.00	0.00
PBIT	2284.77	2733.95	3630.47	3251.07
Exceptional	29.89	-468.99	0.00	0.00
PBT	2314.66	2264.96	3630.47	3251.07
Tax	457.80	636.78	969.48	832.05
PAT	1856.86	1628.18	2660.99	2419.02
NPM	19.22	9.78	11.54	12.62
ROE%	46.04	21.57	25.02	18.23
EPS	7.56	7.50	12.03	10.91
Eq Cap	3.13	3.51	442.95	443.51
Net Worth	3,245.13	7,639.00	10,637.22	13,270.01

**(Source: RHP)**



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