



**SUBSCRIBE**

**IPO Report**

03<sup>rd</sup> July '24

**Snapshot**

Company is an Indian pharmaceutical company engaged in developing, manufacturing and globally marketing a broad range of pharmaceutical products across several major therapeutic areas. Company is a research and development (“R&D”) driven company with a differentiated product portfolio that includes orals, injectables and biotherapeutics, which has enabled it to reach a range of target markets across over 70 countries, with a strong presence in India, Europe and Canada. Company was ranked as (i) the 13th largest pharmaceutical company in India in terms of Domestic Sales for MAT Financial Year 2024, (ii) the 4th largest pharmaceutical company by market share in company’s Covered Markets in terms of Domestic Sales for MAT Financial Year 2024, and (iii) the largest pharmaceutical company in the gynecology and human immunodeficiency virus (“HIV”) antivirals therapeutic areas in India in terms of Domestic Sales for MAT Financial Year 2024

**VALUATION**

Company is bringing the issue at price band of Rs 960-1008 per share at p/e multiple of 36x on post issue FY24 PAT basis. Company is well-placed to leverage its position in the domestic market along with demonstrated capabilities of building brands with large, diversified and fast-growing product portfolio in international markets. Company with strong R&D capabilities driving differentiated portfolio of products with extensive and diversified manufacturing capacity along with highly qualified, experienced and entrepreneurial management team and Board.. Hence ,looking after all above we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>960-1008</b>
<b>Opening date of the issue</b>	<b>03<sup>rd</sup> July '2024</b>
<b>Closing Date of the issue</b>	<b>05<sup>th</sup> July '2024</b>
<b>No of shares pre issue</b>	18,11,52,116 Eq Shares
<b>Issue Size</b>	Rs 1897-1952 Cr
<b>No of shares</b>	1,96,63,481-1,92,66,170 Shares
<b>Fresh issue</b>	Rs 800 Cr
<b>Offer For Sale</b>	11,428,839 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	14

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 9633084 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 2889926 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 6743160 Eq Shares)
<b>Employee</b>	108900 Eq Shares
<b>Lead managers</b>	Axis Capital, Kotak Mahindra Capital, Jefferies India, J. P. Morgan India
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd

**WHAT WE LIKE**

***Well-placed to leverage company’s Position in the Domestic Market***

Company is focused on the domestic market, with its sales in India contributing to 48.28% of company’s total revenue from operations for the Financial Year 2024. Company have a long standing market presence and, since company began focusing on Indian domestic branded generics in 1995, company have successfully grown its business, to become (i) the 13th largest pharmaceutical company in India in terms of Domestic Sales for MAT Financial Year 2024, (ii) the 4th largest pharmaceutical company by market share in company’s Covered Markets in terms of Domestic Sales for MAT Financial Year 2024, and (iii) the largest pharmaceutical company in the gynecology and HIV antivirals therapeutic areas in India in terms of Domestic Sales for MAT Financial Year 2024

***Demonstrated Capabilities of Building Brands***

Company have demonstrated strong capabilities and a proven track record in building brands. Six of its brands were ranked among the 300 highest selling brands in the IPM, in terms of Domestic Sales for MAT Financial Year 2024

***Large, Diversified and Fast-Growing Product Portfolio in International Markets***

Company have an established presence in international markets, which is a strong complement to company’s domestic business and presents strong opportunities for growth. Company employ a calibrated and differentiated approach for entering and deepening its presence in each of company’s markets so as to address the unique characteristics of each market, such as, among other factors, its regulatory landscape, market size, competitive landscape and scope for company’s products.



## COMPANY BACKGROUND

Company have experienced rapid growth in sales in India in recent years. Company's sales in India contributed to 48.28% of its total revenue from operations for the Financial Year 2024. Between MAT Financial Year 2020 and MAT Financial Year 2024, company's Domestic Sales grew at a CAGR of 9.73%, outperforming the Indian pharmaceutical market ("IPM"), which grew at a CAGR of 8.19%, by 1.19 times. Company had a Covered Market presence of 52.66% of the IPM in terms of Domestic Sales for MAT Financial Year 2024. Company's competitive advantage in the domestic market stems from its differentiated product portfolio, which has allowed company to establish its presence in most of the major therapeutic areas, including gynecology, cardiovascular, vitamins, minerals and nutrients, HIV antivirals, blood-related and oncology/anti-neoplastics. Across the gynecology, vitamins, minerals and nutrients, HIV antivirals, blood-related and oncology/antineoplastics therapeutic areas, company was ranked among the 10 largest pharmaceutical companies in India in terms of Domestic Sales for MAT Financial Year 2024. Sales of company's iron, chiral, biotherapeutics, injectables and photo-chemistry products contributed to 52.97% of its revenue from sales in India for the Financial Year 2024, demonstrating company's approach towards establishing a differentiated product portfolio. Company is focused towards pharmaceutical products used in chronic (including sub-chronic) therapeutic areas. Chronic therapeutic areas in the IPM are expected to register higher growth than acute therapeutic areas over the next five Financial Years. Chronic therapeutic areas contributed to ₹25,460.48 million or 46.22% of its total Domestic Sales for MAT Financial Year 2024.

Company have demonstrated strong capabilities and a proven track record in building brands. Six of its brands were ranked among the 300 highest selling brands in the IPM, in terms of Domestic Sales for MAT Financial Year 2024. Company had 26 brands with Domestic Sales of over ₹500.00 million for MAT Financial Year 2024, as compared to 13 brands for MAT Financial Year 2020. In addition, 16 of company's top 20 brands were each ranked among the three highest selling brands in their respective therapeutic areas in the IPM, in terms of Domestic Sales for MAT Financial Year 2024. Company also sell its portfolio of differentiated products internationally in over 70 countries. Company have established its international presence by either developing its own front-end distribution capabilities or focusing on alliances with local and multi-national companies that have an established presence in the therapeutic areas of company's focus. Company's sales outside India contributed to 51.72% of its total revenue from operations for the Financial Year 2024. Further, sales of company's iron, chiral, biotherapeutics, injectables and photo-chemistry products, most of which are developed and manufactured in-house, contributed to 29.70% of its revenue from sales outside India for the Financial Year 2024. Company's range of products and geographic presence provides company with a risk-minimizing business model that derives considerable resilience through different revenue streams, as well as leverages company's manufacturing and R&D capabilities. Between the Financial Year 2020 and Financial Year 2024, its exports grew at a CAGR of 19.51%, outperforming the overall Indian pharmaceutical exports, which grew at a CAGR of 12.21% during the same period, by 1.60 times. Company's growth in these markets has been driven both organically, including through increasing penetration in these markets by launching new products and growing its existing brands, and inorganically, through the acquisition of companies and products and through in-licensing arrangements.

Company is an R&D driven company and its core strength lies in company's ability to research, develop and manufacture inhouse specialty pharmaceutical products for high-growth therapeutic areas, for which there is limited competition and high barriers to entry. As of March 31, 2024, company had a team of 548 qualified scientists and five dedicated R&D facilities in India. As of March 31, 2024, company had filed over 1,800 dossiers globally including 209 in the European Union and 142 in Canada. In addition, as of March 31, 2024, company had been granted 220 patents and had 30 pending patent applications in several countries, and had submitted 102 drug master files ("DMFs") for APIs with the U.S. Food and Drug Administration ("USFDA"). Company have a strong track record in developing portfolios of differentiated products across several platforms, including chiral molecules, complex APIs (such as iron and photo-chemistry), injectables (such as liposomals), high potency drugs, biotherapeutics and novel drug delivery systems. Company had the highest market share in the IPM in several chiral molecules, such as S-Metoprolol, SAMlodipine and Etodolac, and iron combination products, in terms of Domestic Sales for MAT Financial Year 2024. Company have 13 manufacturing facilities across India. Company's facilities are capable of producing pharmaceutical and biopharmaceutical products across a wide range of dosage forms, including oral solids, oral liquids, injectables, including liposomal and lyophilized injectables, biotherapeutics and complex APIs, including chiral molecules, iron molecules and cytotoxic products. Further, company's ability to manufacture its own APIs and formulations has allowed company to attain a significant degree of vertical integration, allowing company to source products in a cost-effective manner, ensure quality and security of availability of an essential raw material and protect its intellectual property. In particular, company have in-house manufacturing capabilities for most of its specialty products, including complex injectables, iron products, photo-chemistry products, chiral molecules and biotherapeutics.



**INVESTMENT RATIONALE**

<p><i>Strong R&amp;D Capabilities Driving Differentiated Portfolio of Products</i></p>	<p>Company have strong in-house R&amp;D expertise, which has allowed it to develop a differentiated portfolio of pharmaceutical products that gives company a competitive advantage in the markets in which it operate. Company’s R&amp;D efforts are focused towards (i) complex molecules, including highly complex APIs that require multi-step transformation, (ii) differentiated pharmaceutical formulations, in multiple dosage forms and novel drug delivery systems, which are capable of greater efficacy and better patient compliance, (iii) continuous product and process improvements to achieve better quality and productivity, and (iv) niche biotherapeutics formulations. As of March 31, 2024, company had 548 qualified scientists, of which 11 are post doctorates, 48 hold Ph.Ds, 391 are post graduates, and the remaining are graduates. Company have five R&amp;D facilities in India, and have established dedicated teams for new product development, including complex oral solids, injectables, complex generic APIs and biotherapeutics, technology transfer and life cycle management. As of March 31, 2024, company had been granted 220 patents and had 30 pending patent applications in several countries, and had submitted 102 DMFs for APIs with the USFDA. As a result of company’s advanced research facilities, sophisticated equipment, talented R&amp;D team and strong focus towards innovation, Savitribai Phule Pune University has accredited one of company’s R&amp;D centers as a Ph.D. center for prospective students to conduct and complete their research and thesis. Company’s strategy for R&amp;D is to establish differentiated technology platforms and, once established, develop multiple products on the platforms. In a thorough and systematic approach to selecting products for development, which includes a detailed commercial evaluation of the market opportunity of a particular formulation or API, its development complexity, intellectual property landscape and the potential competitive scenario. Of its five R&amp;D facilities, company have three facilities focused on formulations research, one facility focused on API research and one facility focused on biopharmaceuticals research</p>
<p><i>Wide range of specialized product offerings and services making company a comprehensive solution provider for its diversified customers spread across geographies and sectExtensive and Diversified Manufacturing Capacityors</i></p>	<p>Company have 13 manufacturing facilities across the states of Maharashtra, Gujarat, Sikkim and Karnataka and the union territory of Jammu and Kashmir, in India. Company’s facilities are capable of producing pharmaceutical products of a wide range of dosage forms, including oral solids, oral liquids, injectables, including complex injectables such as liposomal and lyophilized injectables, biotherapeutics and complex APIs, including chiral molecules, iron molecules and cytotoxic products. Company started as a contract development and manufacturing organization (“CDMO”) business catering to multi-national corporations. Company’s beginnings as a CDMO has helped it develop the ability to handle complex manufacturing processes at scale, such as lyophilization and complete isolation technology for cytotoxic products. In company’s manufacturing of biotherapeutics products, company have successfully developed and deployed its microbial and mammalian based platforms. Company utilize continuous biomanufacturing facilities and perfusion-based technology in India, which require lower capital expenditure to construct, occupy a smaller footprint, require lower operating expenditure and have relatively higher yield.</p>



## OBJECTS OF OFFER

### Offer for Sale

The Selling Shareholders will be entitled to the proceeds from the sale of their respective portion of the Offered Shares in the Offer for Sale, net of their respective share of the Offer related expenses and relevant taxes thereon.

### Fresh issue

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

1. Repayment and/ or prepayment of all or a portion of certain outstanding borrowings availed by Company; and
2. General corporate purposes.

## RISKS

Any manufacturing or quality control problems may damage company's reputation, subject company to regulatory action, and expose it to litigation or other liabilities, which could adversely affect its reputation, business, financial condition and results of operations.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of biologics market in India

Biopharmaceuticals or biologics are substances produced by manipulating living organisms via techniques such as genomics (mapping of genes), proteomics (study of structure of proteins), mutation analysis (change in the DNA sequence of a cell) and systems biology (study of complex interactions in a biological system) intended for human/animal treatment. Globally, these techniques are referred to as biotechnology, which in other words is a process technology or a drug discovery research tool. Biopharmaceuticals are drugs developed by applying biotechnology on living organisms / biologics for treatment of diseases.

The Indian biologics industry can be roughly categorised under traditional vaccine makers and manufacturers focused more on therapeutic biologics. Further, there are players primarily focusing on recombinant therapeutics and monoclonal antibodies. Erythropoietin (used in severe anemia/cancer), streptokinase and recombinant human insulin, filgrastim etc. are the most common recombinant drugs currently marketed in India. In the therapeutic category, Indian companies are present in areas such as immunological, oncology, osteoarthritis, anti-diabetic etc. During the Financial Year 2019 to the Financial Year 2024, the Indian biopharmaceuticals industry clocked a CAGR of approximately 18%, primarily on account of increase in sale of vaccines in the domestic as well as global markets. On the other hand, in the therapeutic segment, growth has been lower than that in the vaccines segment due to limited product launch by Indian players to enter the regulated markets of the US and Europe. Going forward, growth is expected to be driven by new product launches in the domestic market and regulated exports market. Growth in exports is set to witness strong growth, driven by vaccines and biosimilars in the regulated and semi-regulated markets. Higher effectiveness of biologics over conventional drugs has prompted global players to undertake more research and development in the segment. Therefore, the share of biopharmaceuticals segment is expected to increase in the near to medium term. Hence, more Indian players are likely to align their capabilities with the global trend and invest in biosimilars.

### Gynaecology therapy area in Indian pharmaceutical market have shown healthy growth over the years

There is still a lot of potential for women's healthcare in India with awareness among female population for treatments of various diseases. Gynaecology medications as well as some of the nutraceuticals used in women's health thus have seen increased demand in recent years. Gynaecology therapy area have seen the traction in recent years and have marginally outperformed the overall Indian domestic formulation market in terms of growth from the Financial Year 2020 to the Financial Year 2024. This can be attributed to rise in alertness regarding well-being and health in the Indian female population which in turn has resulted in a rise in the demand for gynaecological therapies. More women are seeking medical help for gynaecological diseases leading to greater penetration of the gynaecological drugs in the Indian domestic formulation market. This shows that women's healthcare industry, especially gynecology in India, is a growing market with tailwinds such as improved access and awareness in women's healthcare. O



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	58553.87	59858.11	66582.51
Total Expenditure (B)	45254.79	48046.29	54285.28
EBIDTA	13299.08	11811.82	12297.23
EBIDTA Margin	22.71	19.73	18.47
Other Income	634.73	459.05	569.90
Depreciation	2448.55	2601.18	3124.07
EBIT	11485.26	9669.69	9743.06
Interest	1759.78	2136.08	2371.47
PBT	9725.48	7533.61	7371.59
Share of profit in Asso	0.00	0.00	0.00
PBIT	9725.48	7533.61	7371.59
Exceptional	0.00	61.46	99.31
PBT	9725.48	7472.15	7272.28
Tax	2699.92	1853.70	1996.53
PAT	7025.56	5618.45	5275.75
NPM	12.00	9.39	7.92
ROE%	33.32	21.247	16.87
EPS	36.62	29.42	27.54
Eq Cap	1,808.52	1,808.52	1,811.52
Net Worth	21,141.42	26,496.60	31,217.65

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
Emcure Pharmaceutical s Limited	NA	66582.51	27.54	163.22	16.87
<b>Peers</b>					
Dr. Reddy's Laboratories Limited	17.93	280111	334.59	1693.75	19.74
Cipla Limited	30.10	257740.90	334.59	330.78	15.43
Alkem Laboratories Limited	33.86	257740.90	51.01	862.46	17.41
Torrent pharma	57.74	1078280	48.94	202.57	24.15
Mankind Pharma Limited	45.30	103347.75	47.68	233.73	20.43
Abbott India Limited	47.43	58489.10	565.28	1740.71	32.48
J. B. Chemicals & Pharmaceutical s Limited	50.49	34841.80	34.85	188.37	18.90

(Source: RHP)



## DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.