

IPO Report

Choice

“SUBSCRIBE” to
Concord Biotech Ltd.

A leading manufacturer of niche & complex fermentation-based API



Salient features of the IPO:

- Rakesh Jhunjunwala-backed **Concord Biotech Ltd.** (CBL), a bio-pharma company is coming up with an IPO to raise around Rs. 1,550cr, which opens on 4th Aug. and closes on 8th Aug. 2023. The price band is Rs. 705 - 741 per share.
- The IPO only has OFS portion, thus the company will not receive any proceeds from the issue.
- Rakesh Jhunjunwala, through his asset management firm RARE Enterprises (through RARE Trusts) held 24.09% in CBL. Helix Investment Holdings Pte. Ltd., a healthcare focused private equity fund is owning 20% in the company. It is the sole selling shareholder and offloading its full stake via. the OFS route.
- Promoter & promoter group and public currently have 44.08% and 55.92% stake in the company, which will remain unchanged post-IPO.

Key competitive strengths:

- Established presence across the complex fermentation value chain
- Global leadership in immunosuppressant APIs along with a wide spectrum of complex fermentation-based APIs across multiple therapeutic areas
- Scaled manufacturing facilities with a consistent regulatory compliance track record and supported by strong R&D capabilities
- Diversified global customer base through long-standing relationships with key customers
- Experienced promoters, management team supported by marquee investors
- Financial track record of rapid growth and consistent profitability with healthy cash flows and shareholder returns

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Poor pick-up in the sales of anti-infective and oncology drug APIs
- Difficulty in ramping-up production at Limbasi facility
- Volatility/unfavorable in the forex rates
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- Fermentation-derived active pharmaceutical ingredients (API) are active ingredients made using microbial or cell-line host fermentation. These products can be naturally derived as well as semi-synthetically processed with a combination of fermentation and chemical synthesis.
- A wide array of microorganisms such as bacteria, yeast, fungi, and streptomycetes are used in fermentation to produce small & low-weight API molecules (such as peptides, organic molecules), large API molecules (such as proteins, nucleic acids) and macro-molecules (such as lipids and carbohydrates). These APIs are used in a wide range of pharmaceutical products ranging from vaccines to anti-cancer cytotoxic drugs, antibiotics & antifungals, hormonal products, immunosuppressants and vitamins.
- In 2022, the global small molecule fermentation API market was estimated at USD 11bn and is expected to expand by 3.6% CAGR over 2022-26 to reach a size of around USD 14bn. (Source: RHP)
- As fermentation involves working with microbial strains & culture, controlling multiple processes and performing various purification steps, it is a challenging process. Small modifications to the process may lead to relatively large variances in the outputs. Complex technical capabilities, difficulties in scaling-up operations and the substantial capital investments has resulted in significant barriers to entry in the fermentation-based API space. Globally, there are a limited number of companies that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities.

Issue details

Price band	Rs. 705 - 741 per share
Face value	Rs. 1
Shares for fresh issue	Nil
Shares for OFS	2.093cr shares
Fresh issue size	N/a
OFS issue size	Rs. 1,475.3 - 1,550.6cr
Total issue size	2.093cr shares (Rs. 1,475.3 - 1,550.6cr)
Employee reservation	0.001cr shares (Rs. 0.705 - 0.741cr)
Net issue size	2.092cr shares (Rs. 1,474.6 - 1,549.8cr)
Bidding date	4 th Aug. - 8 th Aug. 2023
Implied MCAP at higher price band	Rs. 7,752cr
Implied enterprise value at higher price band	Rs. 7,635cr
Book running lead manager	Kotak Mahindra Capital Company Ltd., Citigroup Global Markets India Pvt. Ltd. and Jefferies India Pvt. Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Pharmaceuticals
Promoters	Mr. Sudhir Vaid and Mr. Ankur Vaid

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.046cr shares
Non institutional portion (Big)	10%	0.209cr shares
Non institutional portion (Small)	5%	0.105cr shares
Retail portion	35%	0.732cr shares

Indicative IPO process time line

Finalization of basis of allotment	11 th Aug. 2023
Unblocking of ASBA account	14 th Aug. 2023
Credit to demat accounts	17 th Aug. 2023
Commencement of trading	18 th Aug. 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	44.08%	44.08%
Public	55.92%	55.92%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	20
Employee discount	Rs. 70 per equity share
Application money	Rs. 14,820 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	Gross margin	EBITDA margin	PAT margin
					1 M	3 M	6 M	1 Y						
Concord Biotech Ltd.	1	741	7,752	7,635					853	343	240	78.9%	40.2%	28.1%
Biocon Ltd.	5	257	30,831	44,876	4.8%	10.3%	9.0%	-16.3%	11,174	2,120	463	67.2%	19.0%	4.1%
Divi's Laboratories Ltd.	2	3,737	99,195	94,982	3.7%	14.4%	10.4%	-2.9%	7,768	2,368	1,823	60.7%	30.5%	23.5%
Laurus Labs Ltd.	2	338	18,217	19,926	-6.9%	9.9%	-1.1%	-35.6%	6,041	1,592	785	54.8%	26.4%	13.0%
Suven Pharmaceuticals Ltd.	1	495	12,604	12,186	1.1%	4.8%	0.6%	5.0%	1,340	567	411	69.5%	42.3%	30.7%
Average												63.0%	29.5%	17.8%

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average CFO / EBITDA (x)	4Y average CFO / Capital employed (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Concord Biotech Ltd.	18.5%	18.9%	12.4%	42.9%	30.9%	22.3%	16.7%	157.0	68.6%	21.1%	0.5	20.0%	17.2%
Biocon Ltd.	21.0%	19.0%	-14.8%	18.8%	8.6%	68.8%	13.0%	90.7	89.3%	10.0%	0.4	7.8%	3.8%
Divi's Laboratories Ltd.	12.9%	9.1%	9.8%	37.2%	27.6%	11.9%	26.5%	169.1	72.0%	23.0%	0.6	19.9%	18.2%
Laurus Labs Ltd.	28.7%	41.3%	45.4%	26.8%	14.8%	37.7%	42.0%	131.0	58.8%	20.2%	0.8	24.1%	22.4%
Suven Pharmaceuticals Ltd.	17.1%	13.8%	9.1%	44.1%	34.7%	12.5%	3.5%	94.0	82.1%	36.1%	0.7	30.4%	30.9%
Average	20.0%	20.8%	12.4%	31.7%	21.4%	32.7%	21.2%	121.2	75.6%	22.3%	0.6	20.6%	18.8%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Concord Biotech Ltd.	22.9	123.3	5.1	0.0	1.1	0.6	18.6%	24.8%	32.3	6.0	8.9	22.2	9.1	3.1%
Biocon Ltd.	3.9	148.8	0.6	1.0	0.3	0.2	2.6%	2.5%	66.6	1.7	4.0	21.2	2.8	1.5%
Divi's Laboratories Ltd.	68.7	480.9	30.0	0.0	1.6	0.5	14.3%	22.2%	54.4	7.8	12.2	40.1	12.8	1.8%
Laurus Labs Ltd.	14.6	75.0	2.0	0.4	1.5	0.8	19.4%	24.5%	23.2	4.5	3.3	12.5	3.0	4.3%
Suven Pharmaceuticals Ltd.	16.2	68.2	8.0	0.0	1.7	0.7	23.7%	39.3%	30.6	7.3	9.1	21.5	9.4	3.3%
Average			10.1	0.4	1.3	0.6	15.0%	22.1%	43.7	5.3	7.2	23.8	7.0	2.7%

Note: Financials as of FY23 (with IPO adjustments); Source: Choice Broking Research

- CBL is an India-based bio-pharma company and one of the leading global developers and manufacturers of select fermentation-based APIs across immunosuppressants and oncology (in terms of volume-based market share in 2022). Some of its immunosuppressant APIs like Tacrolimus, Mycophenolate Sodium, Cyclosporine, Mycophenolate Mofetil (mainly used for preventing organ transplant rejection) had over 40%, 28%, 30% and 15% global volume market share, respectively. Similarly, its Everolimus API (used in oncology drugs) had a global volume market share of 9%, while Mupirocin API (used in anti-fungal drugs) had a global market share of 22%.
- The company manufactures APIs, which cannot be manufactured synthetically. As of 31st Mar. 2023, it had an installed fermentation capacity of 1,250m³. CBL offered six immunosuppressant APIs, five anti-bacterial APIs, four anti-fungal APIs and six oncology drug APIs. During 2022, more than 90% of the approved and commonly prescribed small-molecule organ transplant drugs were fermentation-based. It had the widest range of small-molecule fermentation-based immunosuppressant APIs used for organ transplant. As of 30th Jun. 2023, the company had 128 DMF filings across several countries, including 20, 65, and four in the United States, Europe and Japan, respectively. Based on the immunosuppressant API DMF filing, it is one of the few companies globally having presence in all key regions like the United States, Europe and Japan.
- According to the RHP, the future global fermentation-based API market is expected to be driven primarily by the immunology, oncology and anti-infective therapeutic areas. CBL with its established presence in these therapeutic areas is likely to benefit from the expansion in the market.
- In 2016, the company ventured into formulation business catering to emerging markets, which further got expanded to regulated markets like the United States. In India, it had 27 formulation brands across immunosuppressants, nephrology drugs and anti-infective drugs. Through various marketing arrangements, CBL distributed its formulation products in the United States and countries in Asia, Africa and Latin America. As of 27th Jul. 2023, the company had 77 approved products for formulations and four ANDA approvals for six products from the USFDA.
- CBL manufactured its bio-pharmaceutical APIs and formulation products from three USFDA approved facilities in the state of Gujarat. Its API manufacturing facilities located at Dholka and Limbasi got commercialized in 2000 and 2021, respectively, while its formulation manufacturing facility at Valthera got commercialized in 2016. The Valthera facility had an installed formulation production capacity of 801.6mn units, with an average dosage capability of 0.5mn tablets, 0.4mn capsules and 646.5 bottles of dry syrup per shift.
- The company had over 200 customers in over 70 countries. API sales to pharmaceutical companies are through B2B mode. Formulation sales in India are primarily through B2B, while in other overseas markets it is through marketing arrangements through the distributors.
- CBL is being supported by marquee investors like Helix Investment Holdings Pte. Ltd. (Helix), which is backed by Quadria Capital Fund L.P., a healthcare-focused private equity fund in Asia. Currently Helix is holding 20% stake in the company and is the sole selling shareholder, offering its full stake via the OFS route. CBL is also backed by RARE Enterprises (through RARE Trusts, it had 24.09% stake), which is an Indian asset management firm with investments across biotechnology, healthcare and other sectors.

Key highlights of the company (Contd...):

- On the back of niche and complex product profile, CBL was able to report a strong business growth with healthy operating cash flows and consistency in the profitability over FY20-23. The company funded the business expansion from internal accruals, with little reliance on outside capital. It is consistently paying dividend with dividend pay-out ratio of over 30% since last eight years.
- Aided by increased demand for its products, CBL reported an 18.5% CAGR rise in consolidated operating revenue to Rs. 853.2cr in FY23. Business from the sales of API products increased by 17.5% CAGR, while contributing 89.2% to total operating revenue in FY23, compared to 91.6% in FY20. Formulation business increased by 28.9% during the period. Cost of revenue increased by 11.5% CAGR (a rate lower than top-line growth), resulting in a 424bps expansion in the gross profit margin. However, relatively higher employee and other expenses led to a 39bps expansion in the EBITDA margin, which stood at 40.2% in FY23. Consolidated EBITDA increased by 18.9% CAGR to Rs. 343.3cr in FY23. With expansion in the capacity, depreciation charge increased by 36.5% CAGR. Further with higher finance cost and effective tax rates, reported PAT increased by 12.4% CAGR to Rs. 240.1cr in FY23. PAT margin contracted by 487bps to 28.1% in FY23.
- CBL reported positive operating cash flows during FY20-23, which increased by 16.7% CAGR. Average operating cash flow stood at Rs. 193.8cr during the period. Total financial liabilities increased by 1.9% CAGR. However, the balance sheet was stable with negative net-debt levels. Average pre-issue RoIC and RoE stood at 17.2% and 20%, respectively.
- Based on our quick conservative forecast over FY23-25, top-line is anticipated to increase by 20% CAGR to Rs. 1,228.8cr in FY25E. EBITDA and PAT margins are likely to expand by 170bps and 109bps, respectively, reflecting benefits from the operating leverage. Post-issue RoIC and RoE is expected at 17.1% and 19.7% in FY25E, compared to 16.3% and 18.6%, respectively, in FY23.

Peer comparison and valuation: At the higher price band, CBL is demanding a P/E multiple of 32.3x (to its FY23 earning), which is at discount to the peer average.

Growth in the global market of fermentation-based APIs is expected to be driven by immunology, oncology and anti-infective therapeutic areas. CBL is focusing on these therapeutic areas with its wide range of niche & complex APIs. Moreover, considering its manufacturing capabilities and geographic presence CBL well placed to benefit from the expansion in the market. Thus, we assign a **"SUBSCRIBE"** rating for the issue.

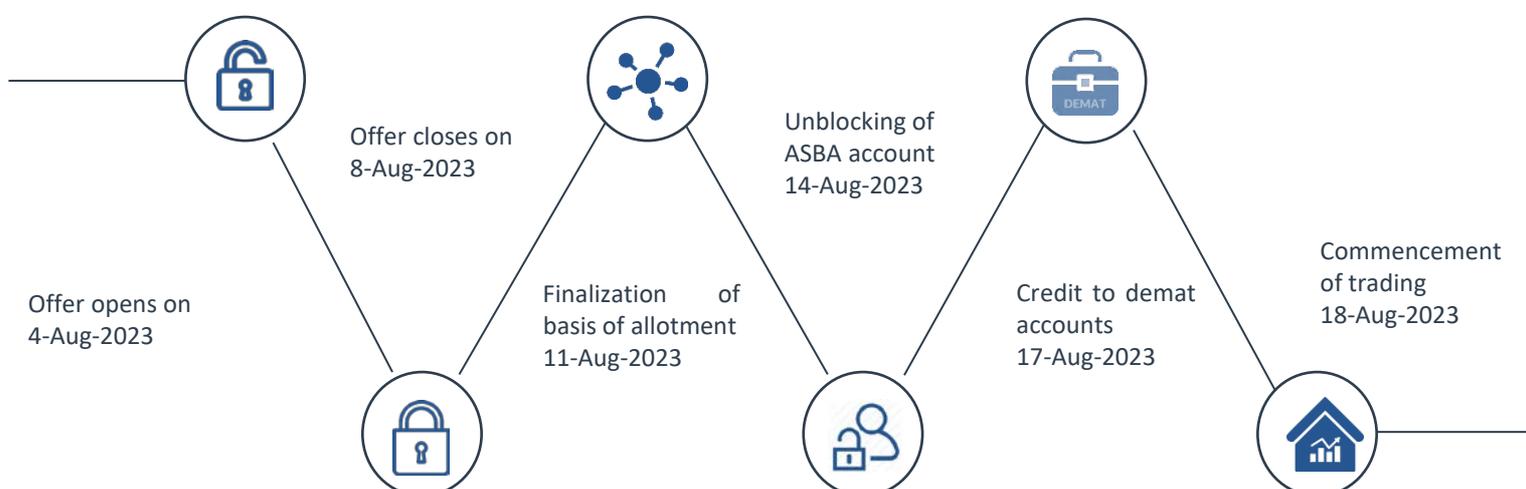
About the issue:

- CBL is coming up with an IPO with 2.093cr shares (fresh issue: nil; OFS shares: 2.093cr shares) in offering. This offer represents 20% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1,475.3 - 1,550.6cr.
- The issue is through book building process with a price band of Rs. 705 - 741 per share.
- Lot size comprises of 20 equity shares and in multiple of 20 shares thereafter.
- The issue will open on 4th Aug. 2023 and close on 8th Aug. 2023.
- The IPO only has OFS portion, thus the company will not receive any proceeds from the issue.
- Rakesh Jhunjunwala, through his asset management firm RARE Enterprises (through RARE Trusts) held 24.09% in CBL. Helix Investment Holdings Pte. Ltd., a healthcare focused private equity fund is owning 20% in the company. It is the sole selling shareholder and offloading its full stake via. the OFS route.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter & promoter group and public currently have 44.08% and 55.92% stake in the company, which will remained unchanged post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	44.08%	44.08%
Public	55.92%	55.92%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY20-23: On the back of niche and complex product profile, CBI was able to report a strong business growth with healthy operating cash flows and consistency in the profitability over FY20-23. The company funded the business expansion from internal accruals, with little reliance on outside capital. It is consistently paying dividend with dividend pay-out ratio of over 30% since last eight years.

Aided by increased demand for its products, CBL reported an 18.5% CAGR rise in consolidated operating revenue to Rs. 853.2cr in FY23. API business increased by 17.5% CAGR, while contributing 89.2% to total operating revenue in FY23, compared to 91.6% in FY20. Formulation business increased by 28.9% during the period. Geographically, business expanded 20% CAGR across the operating regions. Revenue contribution from India, United States and Other regions stood at 50.7%, 17.3% and 32.1%, respectively, in FY23.

Cost of revenue increased by 11.5% CAGR (a rate lower than top-line growth), resulting in a 424bps expansion in the gross profit margin. However, relatively higher employee and other expenses led to a 39bps expansion in the EBITDA margin, which stood at 40.2% in FY23. Consolidated EBITDA increased by 18.9% CAGR to Rs. 343.3cr in FY23.

With expansion in the capacity, depreciation charge increased by 36.5% CAGR. Further with higher finance cost and effective tax rates, reported PAT increased by 12.4% CAGR to Rs. 240.1cr in FY23. PAT margin contracted by 487bps to 28.1% in FY23.

CBL reported positive operating cash flows during FY20-23, which increased by 16.7% CAGR. Average operating cash flow stood at Rs. 193.8cr during the period. Total financial liabilities increased by 1.9% CAGR. However, the balance sheet was stable with negative net-debt levels. Average pre-issue RoIC and RoE stood at 17.2% and 20%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	CAGR over FY20-23	Y-o-Y (FY23 annual)
API	469.5	506.9	574.9	761.3	17.5%	32.4%
Formulations	42.9	110.1	138.0	91.9	28.9%	-33.5%
Revenue from operations	512.3	616.9	712.9	853.2	18.5%	19.7%
Gross profit	382.4	505.4	548.9	673.0	20.7%	22.6%
EBITDA	204.2	327.6	273.3	343.3	18.9%	25.6%
Reported PAT	169.1	234.9	174.9	240.1	12.4%	37.2%
Restated reported EPS	16.2	22.5	16.7	22.9	12.4%	37.2%
Cash flow from operating activities	154.8	166.8	207.5	246.0	16.7%	18.6%
NOPLAT	144.8	225.4	164.4	215.7	14.2%	31.2%
FCF		(41.7)	82.9	66.3		-20.0%
RoIC (%)	17.7%	20.7%	14.3%	16.3%	(147) bps	196 bps
Revenue growth rate		20.4%	15.6%	19.7%		
Gross profit growth rate		32.2%	8.6%	22.6%		
Gross profit margin	74.6%	81.9%	77.0%	78.9%	424 bps	188 bps
EBITDA growth rate		60.4%	-16.6%	25.6%		
EBITDA margin	39.9%	53.1%	38.3%	40.2%	39 bps	191 bps
EBIT growth rate		64.0%	-25.6%	29.6%		
EBIT margin	35.7%	48.6%	31.3%	33.9%	(180) bps	259 bps
Restated reported PAT growth rate		38.9%	-25.5%	37.2%		
Restated reported PAT margin	33.0%	38.1%	24.5%	28.1%	(487) bps	360 bps
Inventory days	79.2	78.3	89.3	87.2	3.2%	-2.4%
Debtor days	130.7	106.8	104.9	108.2	-6.1%	3.2%
Payable days	(50.7)	(34.8)	(33.2)	(37.8)	-9.3%	14.2%
Cash conversion cycle	159.2	150.3	161.0	157.5	-0.4%	-2.1%
Fixed asset turnover ratio	1.3	1.1	1.1	1.1	-6.1%	1.1%
Total asset turnover ratio	0.5	0.5	0.5	0.6	1.1%	3.8%
Current ratio	5.2	7.5	4.9	4.4	-6.0%	-10.3%
Quick ratio	4.2	5.6	3.4	3.1	-9.5%	-8.1%
Total debt	59.4	112.1	84.1	62.9	1.9%	-25.2%
Net debt	(141.3)	(89.7)	(78.3)	(117.5)	-6.0%	50.1%
Debt to equity	0.1	0.1	0.1	0.0	-14.2%	-36.1%
Net debt to EBITDA	(0.7)	(0.3)	(0.3)	(0.3)	-20.9%	19.5%
RoE (%)	22.0%	23.5%	15.9%	18.6%	(334) bps	275 bps
RoA (%)	18.0%	19.9%	13.3%	15.9%	(212) bps	253 bps
RoCE (%)	28.7%	33.3%	21.9%	24.8%	(392) bps	291 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

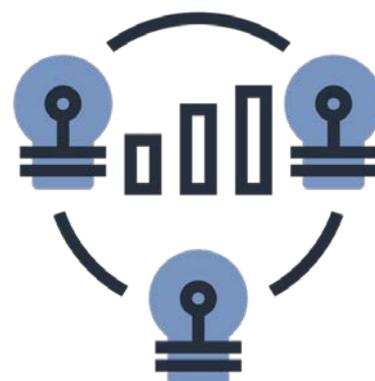


Competitive strengths:

- Established presence across the complex fermentation value chain
- Global leadership in immunosuppressant APIs along with a wide spectrum of complex fermentation-based APIs across multiple therapeutic areas
- Scaled manufacturing facilities with a consistent regulatory compliance track record and supported by strong R&D capabilities
- Diversified global customer base through long-standing relationships with key customers
- Experienced promoters, management team supported by marquee investors
- Financial track record of rapid growth and consistent profitability with healthy cash flows and shareholder returns

Business strategy:

- Continue to increase the API market share and further develop portfolio of complex and niche APIs with high growth potential
- Increase the presence of existing formulations and expand into new formulations
- Improve cost management and operational efficiencies
- Grow CDMO business



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Poor pick-up in the sales of anti-infective and oncology drug APIs
- Difficulty in ramping-up production at Limbasi facility
- Volatility/unfavorable in the forex rates
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20 - 23	Annual growth over FY22
Revenue from operations	512.3	616.9	712.9	853.2	18.5%	19.7%
Cost of materials consumed	(124.0)	(131.2)	(157.3)	(167.1)	10.4%	6.2%
Purchases of stock-in-trade	(10.8)	(19.4)	(30.7)	(28.8)	38.7%	-6.4%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	4.9	39.0	24.0	15.6	47.7%	-34.8%
Gross profit	382.4	505.4	548.9	673.0	20.7%	22.6%
Employee benefits expense	(62.2)	(69.5)	(95.7)	(110.3)	21.0%	15.2%
Other expenses	(116.0)	(108.4)	(180.0)	(219.4)	23.7%	21.9%
EBITDA	204.2	327.6	273.3	343.3	18.9%	25.6%
Depreciation and amortization expense	(21.2)	(27.5)	(50.1)	(54.0)	36.5%	8.0%
EBIT	182.9	300.0	223.2	289.3	16.5%	29.6%
Finance costs	(0.7)	(0.7)	(5.5)	(4.5)	86.2%	-17.7%
Share of profit/(loss) of joint venture	0.2	(0.4)	(3.6)	2.0	135.5%	-153.8%
Other income	31.3	13.8	23.4	35.3	4.1%	50.8%
PBT	213.6	312.7	237.5	322.0	14.7%	35.6%
Tax expenses	(44.5)	(77.8)	(62.6)	(81.9)	22.5%	30.9%
Reported PAT	169.1	234.9	174.9	240.1	12.4%	37.2%

Consolidated balance sheet statement (Rs. cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20 - 23	Annual growth over FY22
Equity share capital	9.5	9.5	9.5	10.5	3.2%	10.0%
Other equity	760.7	989.9	1,093.7	1,279.5	18.9%	17.0%
Non-current borrowings	48.0	81.3	56.2	31.2	-13.4%	-44.5%
Non-current lease liabilities	2.9	1.6	0.3	0.2	-61.8%	-47.3%
Non-current provisions	1.6	2.1	1.9	2.3	13.0%	22.6%
Net deferred tax liabilities	15.1	17.5	21.0	23.4	15.7%	11.8%
Trade payables	71.2	46.4	83.1	93.8	9.6%	12.9%
Current borrowings		5.1	4.3			
Current lease liabilities	1.1	1.3	1.6	0.1	-48.7%	-90.8%
Other current financial liabilities	7.3	22.8	21.6	31.3	62.5%	44.8%
Current provisions	0.3	0.7	1.7	27.5	359.1%	1471.9%
Net current tax liabilities	1.8			9.0	71.6%	
Other current liabilities	20.9	4.5	17.7	5.1	-37.6%	-71.4%
Total liabilities	940.5	1,182.5	1,312.8	1,514.0	17.2%	15.3%
Property, plant and equipment	236.3	537.6	568.0	592.5	35.9%	4.3%
Intangible assets	0.1	6.4	3.6	0.2	29.1%	-94.4%
Capital work-in-progress	141.4	17.9	74.2	172.7	6.9%	132.9%
Right-of-use assets	3.2	2.2	1.4	0.3	-56.7%	-81.0%
Investment in joint venture	0.8	0.4				
Non-current investments			0.3	0.1		-51.2%
Other non-current financial assets	5.4	2.8	2.5	10.2	23.5%	308.4%
Net non-current tax assets		1.7	3.6	2.7		-26.1%
Other non-current assets	14.7	6.4	26.6	7.6	-19.7%	-71.4%
Inventories	111.2	153.6	195.1	212.3	24.0%	8.8%
Trade receivables	183.5	177.5	232.2	273.8	14.3%	17.9%
Current investments	198.1	141.0	73.5	136.9	-11.6%	86.4%
Cash & cash equivalents	2.6	60.8	88.9	43.4	156.1%	-51.1%
Other current financial assets	2.1	22.6	22.0	36.6	161.2%	66.5%
Other current assets	41.1	51.6	21.0	24.7	-15.7%	17.5%
Total assets	940.5	1,182.5	1,312.8	1,514.0	17.2%	15.3%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	225.7	330.8	290.3	368.6	17.8%	27.0%
Working capital changes	(21.7)	(88.8)	(22.1)	(52.3)	34.0%	137.1%
Cash flow from operating activities	154.8	166.8	207.5	246.0	16.7%	18.6%
Purchase of fixed assets and CWIP	(155.5)	(204.2)	(155.5)	(145.1)	-2.3%	-6.7%
Cash flow from investing activities	(112.8)	(195.2)	(111.8)	(157.9)	11.9%	41.3%
Cash flow from financing activities	(43.4)	31.1	(100.2)	(85.2)	25.2%	-14.9%
Net cash flow	(1.4)	2.7	(4.5)	2.8		
Opening balance of cash	3.8	2.4	5.1	0.7	-43.8%	-87.0%
Closing balance of cash	2.4	5.1	0.7	3.5	13.3%	424.6%

Consolidated financial ratios				
Particulars	FY20	FY21	FY22	FY23
Profitability ratios				
Revenue growth rate		20.4%	15.6%	19.7%
Gross profit growth rate		32.2%	8.6%	22.6%
Gross profit margin	74.6%	81.9%	77.0%	78.9%
EBITDA growth rate		60.4%	-16.6%	25.6%
EBITDA margin	39.9%	53.1%	38.3%	40.2%
EBIT growth rate		64.0%	-25.6%	29.6%
EBIT margin	35.7%	48.6%	31.3%	33.9%
Restated reported PAT growth rate		38.9%	-25.5%	37.2%
Restated reported PAT margin	33.0%	38.1%	24.5%	28.1%
Turnover ratios				
Inventory receivable turnover ratio	4.6	4.7	4.1	4.2
Trade receivable turnover ratio	2.8	3.4	3.5	3.4
Accounts payable turnover ratio	7.2	10.5	11.0	9.6
Fixed asset turnover ratio	1.3	1.1	1.1	1.1
Total asset turnover ratio	0.5	0.5	0.5	0.6
Return ratios				
RoIC (%)	17.7%	20.7%	14.3%	16.3%
RoE (%)	22.0%	23.5%	15.9%	18.6%
RoA (%)	18.0%	19.9%	13.3%	15.9%
RoCE (%)	28.7%	33.3%	21.9%	24.8%
Per share data				
Restated adjusted EPS (Rs.)	16.2	22.5	16.7	22.9
DPS (Rs.)	6.4	0.5	6.7	5.1
BVPS (Rs.)	73.6	95.5	105.5	123.3
Operating cash flow per share (Rs.)	14.8	15.9	19.8	23.5
Free cash flow per share (Rs.)		(4.0)	7.9	6.3
Dividend payout ratio	39.5%	2.4%	40.3%	22.3%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Pvt. Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH000000222; Cin. No. U65999MH2010PTC198714). Registered Address: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400-099. Tel. No. 022-6707 9999.

Compliance Officer: Swati Matkar; Tel. No. 022-6707-9999; Ext. 896; email-id: compliance@choiceindia.com

Grievance officer: Deepika Singhvi ; Tel. No. 022-6707-9999; Ext. 834; email-id: ig@choiceindia.com

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors .

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This Report is not directed to, 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 or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL, or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.