

CONCORD BIOTECH LIMITED

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Company Overview

Concord Biotech Limited ("Concord") is one of the leading global developers and manufacturers of select fermentation-based APIs across immunosuppressants and oncology in terms of market share, based on volume in 2022, supplying to over 70 countries including regulated markets, such as the United States, Europe and Japan, and India. Concord with close to 130 DMF filings has a 20% market share globally in its top selling APIs including mupirocin, sirolimus, tacrolimus, mycophenolate sodium and cyclosporine. As of March 31, 2023, they had a total installed fermentation capacity of 1,250 m³. In 2016, they launched their formulation business in India as well as emerging markets.

India-based biopharma company is amongst the few companies globally that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities. Fermentation is a challenging process as it involves working with microbial strains and culture, controlling multiple process parameters, and performing various purification steps. 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 investment required have resulted in significant barriers to entry in the fermentation-based API space. The global small-molecule fermentation-based API market was valued at ₹ 925 billion in 2022. The market is expected to reach approximately ₹ 1,186 billion in 2026, representing a CAGR of 3.6% from 2022 to 2026. Growth of the fermentation-based API market is expected to be driven primarily by the therapeutic areas of immunology, oncology and anti-infectives.

Concord has an established presence in its therapeutic areas and is well-poised to benefit from the industry tailwinds. As of March 31, 2023, they had 6 fermentation-based immunosuppressant APIs, including tacrolimus, mycophenolate mofetil, mycophenolate sodium, cyclosporine, sirolimus and pimecrolimus. They aim to continue to grow their immunosuppressant API portfolio, which will remain one of the key contributors to their API business in the near future.

In addition to their immunosuppressant API portfolio, they aim to increase the sales of their APIs across other therapeutic areas, especially the following:

- Anti-Infective APIs
- Anti-Bacterial APIs
- Anti-Fungal APIs
- Oncology Drug APIs

Concord has invested significantly in capacity expansion in recent years. With their increased capacities, they are in the process of scaling up their API production to serve more customers.

Globally recognized facilities: As of March 31, 2023, Concord had three manufacturing facilities in the state of Gujarat, India, comprising API manufacturing facilities in Dholka and Limbasi and a formulation manufacturing facility in Valthera, which were commercialized in 2000, 2016 and 2021.

Issue Details

Offer for Sale of up to 20,925,652 Equity shares

Issue Highlights

Issue Size:	₹ 1,498 – 1,551 Cr
No. of Shares:	20,925,652 Equity Shares
Face Value:	₹ 1/-
Price Band:	₹ 705 - 741
Bid Lot:	20 Shares and in multiple thereof
Employee Reservation:	Upto 10,000 shares
Employee Discount	₹ 70/- per share
Post Issue Implied MCap:	₹ 7,375 – 7,752 Cr
Issue Opens On:	Friday, 4th August'2023
Issue Closes On:	Tuesday, 8th August'2023
BRLMs:	Kotak Mahindra Capital, Citigroup Global, Jefferies India
Registrar:	Link Intime India Pvt Ltd
Listing :	BSE & NSE

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-08-2023
Refunds/Unblocking ASBA Fund	14-08-2023
Credit of equity shares to DP A/c	17-08-2023
Trading commences	18-08-2023

Issue break-up

	No. of Shares	₹ In Cr		% of Issue
		@Lower	@upper	
QIB	10,457,825	759.87	774.92	50%
NIB	3,137,348	221.18	232.48	15%
-NIB1	1,045,783	73.73	77.49	
-NIB2	2,091,565	147.46	154.98	
Retail	7,320,479	516.09	542.45	35%
EMP	10,000	0.64	0.67	
Total	10,000	1,497.78	1,550.52	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs, NIB-2=NII Bid Above ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹2-10 Lakhs	NII - Bid Above ₹ 10Lakhs
Minimum Bid Lot	20 Shares	280 Shares	1,360 Shares
Minimum Bid Lot	₹14,820^	₹2,07,480^	₹10,07,760^
No. of Applications	3,66,024	3,735	7,470

Pre-Offer and Post-Offer Equity Shares

104,616,204 Shares

Shareholding (%)

	Pre issue	Post issue
Promoters	29.40%	29.40%
Promoters Group	14.68%	14.68%
Public-Helix Investment Holding	20.00%	-
Public - Other	35.92%	55.92%
Total	100.00%	100.00%

In India, Concord markets a portfolio of 27 brands across immunosuppressants, nephrology drugs and anti-infective drugs for critical care. They have a presence across 20 states and 5 union territories in India, through their sales team. They also have a B2B contract development manufacturing organization (“CDMO”) business where they supply immunosuppressants to the Indian market. These formulations are manufactured in facilities inspected and accredited by overseas regulators, such as the USFDA, and distributed to the United States and countries in Asia, Africa, and Latin America on a B2B basis, primarily through arrangements with distributors. Currently, they had 77 approved products for formulations. In addition, they have obtained 4 ANDA approvals for 6 products from the USFDA for formulations. Their R&D team is working on developing new formulations for which they expect to apply for ANDA approvals from the USFDA.

Robust R&D: Concord has established two DSIR-approved R&D units with 148 members as of March 31, 2023. Their R&D team has demonstrated ability to advance products, including complex products, from R&D to commercialization. Concord’s R&D initiatives focus on critical activities including new product development, cost improvement, process improvement, technology transfer and scale-up initiatives. Their evaluation for product selection covers market opportunity, competitive scenario, technical feasibility, development complexity and IP landscape scenario of each potential product. As of March 31, 2023, Concord developed and commercialized 23 fermentation-based APIs across its 40 manufacturing blocks.

Diversified customer profile: Concord has over 200 customers in over 70 countries as of March 31, 2023 for its APIs and formulations. It has entered into long-term supply agreements with some of its customers. The company’s API customers include Intas Pharmaceuticals and Glenmark Pharmaceuticals. Among its 10 largest customers by revenue for the Financial Year 2021, several of them were among the key consumers in their respective regions for the APIs it supplied to them (Source: F&S Report). As of March 31, 2023, Concord had an average of eight years of relationships with its 10 largest customers by revenue in the Financial Year 2023. For the Financial Years 2021, 2022 and 2023, Concord generated revenues from operations of ₹2,725.28 million, ₹3,101.90 million and ₹3,778.11 million, respectively, or 44.17%, 43.51% and 44.28%, of its revenues for the same years from its 10 largest customers.

Outlook

Concord Biotech is a leading player in fermentation-based complex APIs with presence across major markets commanding a market share of over 20% by volume in 2022. With increasing prevalence of chronic diseases, growth in generic drugs & export formulations segment and increasing adoption of innovator drugs coupled with China + One strategy for expanding India’s export potential will continue to drive the API market.

The IPO is fully Offer for Sale and the highest price band of Rs.741, Concord is commanding a PE of 32.3x. SUBSCRIBE

Financial & Operating Metrics

Particulars	For the Year Ended March 31 (₹ Cr)		
	2023	2022	2021
Sale of products	830.45	703.99	602.42
Sale of Services	0.18	4.45	1.64
Other Operating Income – Export benefits	6.62	4.49	12.89
Product Linked Incentive Income	15.91	-	-
Total for Revenue from Operations	853.17	712.93	712.93

Revenue contribution based on Geography

Particulars	For the Year Ended March 31 (₹ Cr)					
	2023		2022		2021	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
Domestic	432.13	50.65%	337.41	47.33%	252.65	40.95%
- India	432.13	50.65%	337.41	47.33%	252.65	40.95%
Export	421.03	49.35%	375.52	52.67%	364.29	59.05%
- USA	147.25	17.26%	131.45	18.44%	159.79	25.90%
- Rest of the World	273.78	32.09%	244.07	34.23%	204.50	33.15%
Total for Revenue from Operations	853.17	100.00%	712.93	100.00%	616.94	100.00%

Particulars	For the Year Ended March 31 (₹ Cr)					
	2023		2022		2021	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
API	761.31	89.23%	574.91	80.64%	506.88	82.16%
Formulations	91.85	10.77%	138.03	19.36%	110.06	17.84%
Total for Revenue from Operations	853.17	100.00%	712.93	100.00%	616.94	100.00%

Management

Sudhir Vaid is one of the Promoters of the company and the Chairman and Managing director of the company. Previously, he was associated with Ranbaxy Laboratories Ltd, Lupin Chemicals Ltd and acted as a consultant for Plus Chemicals S.A. and Biocon India Ltd.

Ankur Vaid is one of the Promoters of the company and the Joint Managing Director and the Chief Executive Officer of the company. He has been associated with the Company since 2009 and has more than 15 years of experience in the pharmaceutical industry.

Ravi Kapoor is a Non-Executive Director of the company. He has been on company board since December 15, 2003.

Rajiv Ambrish Agarwal is a Non-Executive Nominee Director of the company. He has been a Non-Executive Director on company Board since June 30, 2008. He has been associated with Rare Enterprises since 2006. He is currently a nominee director on the board of directors of companies including Nazara Technologies Ltd, Aptech Ltd and Equirius Capital Pvt Ltd.

Utpal Sheth is a Non-Executive Nominee Director of the company. He has been on the Board since December 12, 2009. He has been working with Rare Enterprises since 2003 and is currently the chief executive officer of Rare Enterprises.

Amit Varma is a Non-Executive Director of the company and is a nominee of Helix Investment Holdings Pte. Ltd. He has been on the board since July 5, 2016. He has also in the past been part of Religare Capital Markets Ltd. He is currently associated with Quadria Capital Investment Management Pte. Ltd as a co-founder and managing partner.

Bharti Khanna is an Independent Director of the company. She has been on the Board since January 31, 2017. She is currently a director on the board of directors of Amaran Lifesciences Pvt Ltd.

Anil Katyal is an Independent Director of the company. He has been on the board since October 23, 2019.

Amitabh Thakore is an Independent Director of the company. He has been on the board since January 31, 2017. Previously, he has been associated with Torrent Gujarat Biotech Ltd, Ahmedabad Electricity Co Ltd. He was also associated with L&T Ltd, Tata Economic Consultancy Services and the National Development Corporation of Tanzania.

Arvind Agarwal is an Independent Director of the company. He has been on the board since May 24, 2022. He has over 35 years of experience in the Indian Administrative Services.

Jayaram Easwaran is an Independent Director of the company. He has been on the board since June 14, 2022. He is currently on the board of directors of Jindal Stainless Ltd and Jindal Stainless (Hisar) Ltd.

Mandayam Chakravarthy Sriraman is an Independent Director of the company. He has been on the board since June 14, 2022. Previously, he has been associated with Amoli Organics Pvt Ltd, Tonira Pharma Ltd and Sun Pharmaceuticals Industries.

Lalit Sethi is the Chief Finance Officer of the company. He joined the company on March 14, 2022.

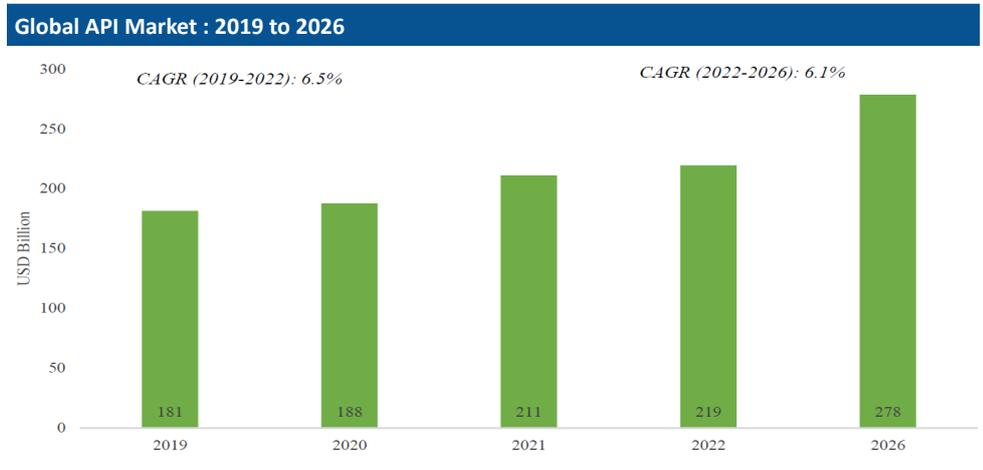
Prakash Sajnani is the Company Secretary, Compliance Officer and Senior General Manager (Finance) of the company. He has been associated with the company since February 15, 2006.

Industry Dynamics

Global API Market: An API is the biologically-active ingredient of a drug product that is intended to have a specific effect. These effects can range from a pharmacological action to a direct impact on the diagnosis or prevention of disease to altering the physiological functions of humans. A well-formulated API is essential for manufacturing safe and efficacious drugs. The strength of the drug depends on the amount of API present in the formulation. There are different types of API with different manufacturing needs. For example, synthetic APIs are manufactured using chemical processes such as crystallization. Biotech APIs are produced using fermentation of bacteria or fungus or can be manufactured in bioreactors using cell lines.

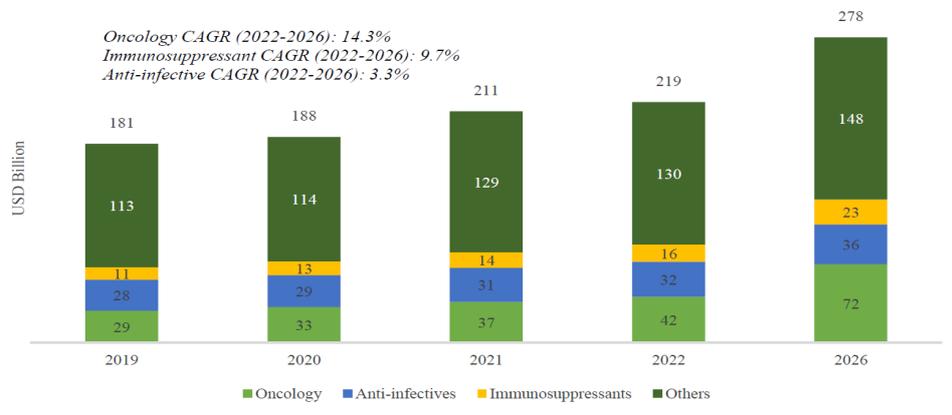
The global API market was valued at approximately USD 219 billion (INR 18,157 billion) in 2022, which constitutes about 16% of the total pharmaceutical formulations market and is expected to reach approximately USD 278 billion (INR 23,051 billion) by the year 2026, at a projected CAGR of 6.1% over the forecast period of 2022 to 2026. Of the total market, biological APIs accounted for 37% of the share in 2022, and small molecule drug APIs accounted for the remainder of 63% share.

Global Fermentation-Based API Market: Fermentation-derived APIs are active ingredients or intermediates made using microbial or cell line host fermentation. Fermentation products can be naturally derived as well as semi-synthetically processed with a combination of fermentation and chemical synthesis. These APIs are used in a wide range of pharmaceutical products ranging from vaccines to anti-cancer cytotoxic drugs, antibiotics and antifungals, hormonal products, immunosuppressants, and vitamins.



Source: Frost & Sullivan Analysis

Global API Market by Select Therapy Area: 2019 to 2026

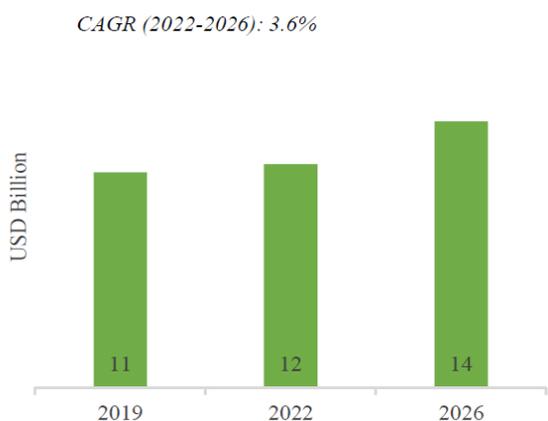


Source: Frost & Sullivan Analysis

Global Small Molecule Fermentation API Market Size (Concord’s 80% revenues are derived from small molecule fermentation API market): The technological advantages of fermentation lend well to market expansion of the fermentation API segment. The global small molecule fermentation API market was valued at USD 11 billion (INR 925 billion) 2022 (Concord has 20% market share by volume in this market). The market is expected to reach approximately USD 14 billion (INR 1,186 billion) in 2026, projecting a CAGR of 3.6% over the period of 2022 to 2026.

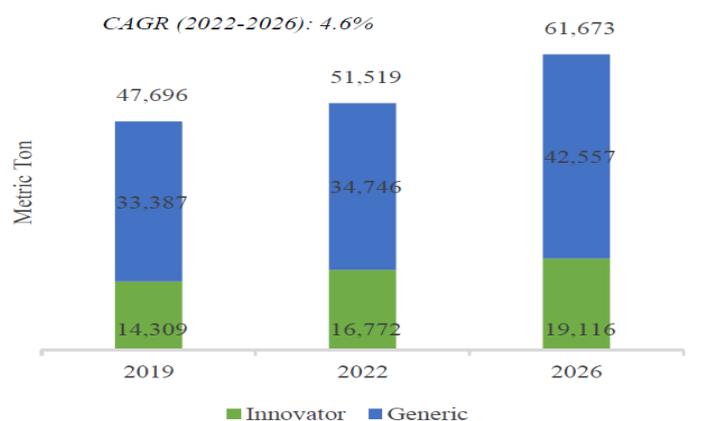
Within the small molecule segment, generic drug fermentation APIs accounted for a dominant share of nearly 70% by volume in 2022. With the increasing thrust of adopting low-cost alternatives, the overall market is expected to further shift in favor of generic drugs. Consequently, the volume of APIs utilized in generic drugs is forecasted to grow at a 5.2% CAGR between 2022 and 2026, compared to 3.3% for innovators during the same period.

Global Small Molecule Fermentation API Market by Sales Value: 2019 to 2026



Source: Frost & Sullivan Analysis

Global Small Molecule Fermentation API Market by Volume: 2019 to 2026



Source: Frost & Sullivan Analysis, IQVIA MIDAS Quarterly March 2023 (Calendar Year 2022 Only) All rights reserved

India API Market and Trends in Export Bulk Drug Market from India (Concord’s 50.7% revenue comes from domestic market)

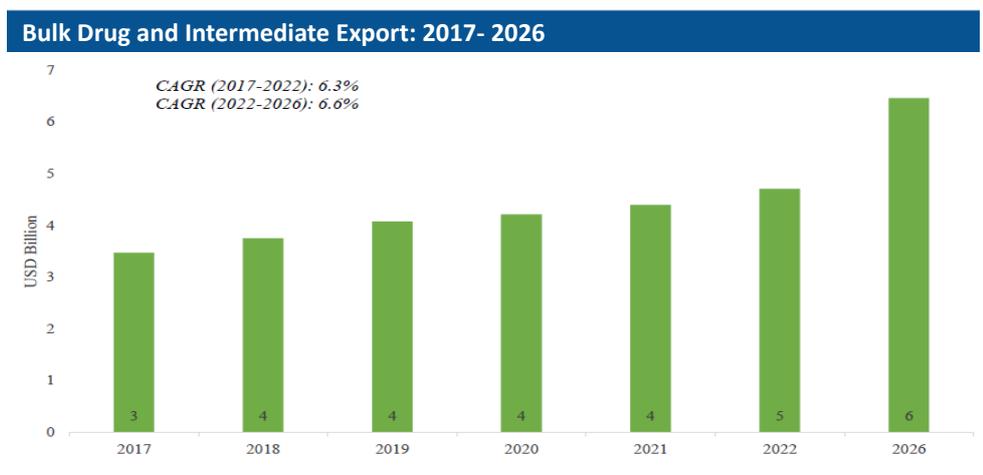
India’s growth trajectory of the API market is well-cemented for domestic API consumption as well as exports. The Indian API market, valued at USD 17 billion (INR 1,377 billion) in 2022, comprises APIs manufactured for export and APIs consumed in formulation manufacturing. These formulations are domestically consumed as well as exported to the global market. While API exports accounted for USD 5 billion (INR 356 billion) in 2022, APIs required for formulation manufacturing amounted to USD 12 billion (INR 1,035 billion) in 2022. The total domestic India API market (APIs consumed for exported and domestically consumed formulations) is expected to grow at a CAGR of 11.1% between 2022 and 2026.



Source: Frost & Sullivan Analysis, IBEF

Note: Excluding API exports but includes APIs and Intermediates

India exported USD 3 billion (INR 225 billion) worth of APIs, which increased to USD 5 billion (INR 356 billion) in 2022. The bulk drugs have mostly been exported to the United States, where bulk drugs and intermediates worth USD 816 million (INR 61,859) were exported in the calendar year 2022.



Source: Frost & Sullivan Analysis, Commerce.gov.in,

Note: Estimated average growth rate, as per data accessed on 13th June 2023

Business Highlights

As of June 30, 2023, Concord had a portfolio of 57 brands and 77 products manufactured by them, including 23 APIs and 53 formulations. In addition, as of March 31, 2023, they had 80 out-licensed formulation which they distributed in India under their brands.

- **API Business**

Concord develops, manufactures and market APIs with a focus on fermentation-based semi-synthetic APIs. As of June 30, 2023, they filed more than 128 DMFs across several countries. They sell APIs in both regulated markets and emerging markets.

API Business - Therapeutic Areas – Regulatory Filings as of March 31, 2023.

Business Area	Total API	Molecule	Regulatory Filings				
			US	EU	Canada	Japan	China
Immunosuppressants	6	Tacrolimus	✓		✓	✓	✓
		Mycophenolate Mofetil		✓	✓	✓	
		Mycophenolate Sodium		✓	✓		✓
		Cyclosporine	✓	✓	✓	✓	✓
		Sirolimus	✓	✓			
		Pimecrolimus					
Anti-bacterials	5	Mupirocin	✓	✓			✓
		Mupirocin Calcium		✓	✓		
		Vancomycin Hydrochloride		✓			
		Teicoplanin	✓				
		Polymyxin B Sulfate					
Anti-fungals	4	anidulafungin	n.a	n.a	n.a	n.a	n.a
		micafungin sodiumn	n.a	n.a	n.a	n.a	n.a
		Caspofungi	n.a	n.a	n.a	n.a	n.a
		Nystatin	n.a	n.a	n.a	n.a	n.a
Oncology Drugs	6	Temsirolimus	✓				
		Everolimus	✓	✓	✓	✓	
		Romidepsin	✓				✓
		Mitomycin	✓	✓			
		Dactinomycin	✓				
		Midostaurin	✓				
Others	2	Lovastatin	✓	✓			
		Pravastatin Sodium	✓	✓			

n.a. = Details not available

• **Formulation Business**

Concord forayed into the formulation business in 2016. They manufacture immunosuppressant formulations by leveraging their in-house API manufacturing capabilities. They are offered under their own brands in India, and sold across emerging countries in Asia, Africa and Latin America and the United States, primarily through arrangements with distributors. In addition, they offer nephrology drugs and anti-infectives for critical care which they in-license in India under their own brands.

Business Area	Total API	Molecule	Trade name
Immunosuppressants	7	Tacrolimus	Tacrocord, Tacrolimus Capsules USP, Tacrocord & Placord,
		Mycophenolate Mofetil	Mofecon, Mofecon OS, Mycophenolate Mofetil USP, Mofecon & MMF Cord
		Mycophenolate Sodium	Mofecon-S, Mycophenolic Acid Delayed Release Tablets
		Cyclosporine	Conimune ME, Cyclograf ME
		Everolimus	Evercon
		Rituximab	Conimab
		Valganciclovir	Valocon
Nephrology Drugs	17	Darbepoetin Alfa	Darbecon
		Iron Sucrose	Coniron
		Cinacalcet	Cinacet
		Sevelamer Carbonate	Sevecord
		Pre-probiotics	Milipro90
		Alpha Ketoanalogue c	Valolog
		Sunflower Oleodistillate	UPShield
		Sodium bicarbonate	Nabosis
		Calcium Acetate	Cacecon
		Levocarnitine	Kanilev
		Calcium Polysterene Sulphonate	Picatol
		Calcitriol	Kalcord
		Febuxostat	Unuric
		Acetyl Cysteine + Taurine	Noxiteine
		Erythropoietin	Epocord
		Amphotycin B Liposomal	Amfoeva
		Enoxaparin Sodium	Anxacord
Anti-infectives for Critical Care	20	Anidulafungin	Anicord
		Micafungin	Micacord
		Daptomycin	Dapute
		Teicoplanin	Teicocord
		Meropenem	Mepecon & Meroeva
		Meropenem + Sulbactam	Mepecon-SB
		Tigecycline	Tigicon
		Colistimethate Sodium	Cricolist
		Polymyxin B	Pobix
		Fosfomycin Sodium	Fosutrac

Business Area	Total API	Molecule	Trade name
		Vancomycin Hydrochloride	Vanogard
		Minocycline	Mnocrit
		Voriconazole	Vorixia
		Liposomal Amphotericin-B	Amfoterol
		Tofacitinib	Tofajoint
		Leflunomide	Arthimide
		Polymixin B	Pobix
		Meropenem	Mepecon EDTA
		Anidulafungin	Anideva
		Ceftazidime + Avibactam	Avycord
Others	8	Caspofungin Acetate	Caspocon & Caspoeva
		Muprocin	Muprevent
		Piperacillin and Tazobactam	Primataz & Hopeva
		Cefoperazone + Sulbactam	Nexmatch & Inpeva
		Cefoperazone + Sulbactam	Nexmatch Forte & Inpeva Forte
		Human Normal Albumin 20%	Obulin & Conalb
		Posaconazole	Picocord
		Human Normal Immunoglobulin 5%	Gamacon & Gammacord

Source: Company RHP, LKP Research

Concord aspires to grow its CDMO Business

Concord aims to leverage its R&D capabilities and experience to offer CDMO services for (i) APIs in the area of fermentation and semi-synthesis; and (ii) formulations. They have completed two CDMO projects and have one additional CDMO project in progress. Due to the existing technical expertise and the operating standards and protocols that adhere to global standards, large contract development and manufacturing service providers in India are positioned to benefit from the growing demands for CDMO services.

R&D capabilities & Manufacturing Prowess

Concord has dedicated R&D units for both APIs and formulations located in Dholka and Valthera. Both of them are approved by DSIR, India. Its API R&D unit is equipped with facilities for isolation of strain, mutation and passive selection of microbial strains and strain improvement, laboratory fermenters and pilot plant facility for scale-up of fermentation process. Its formulations R&D unit is equipped with facilities to develop and commercialize niche formulations. For the Financial Years 2021, 2022 and 2023, Concord's expenditure on R&D activities amounted to ₹192.91 million, ₹258.47 million and ₹295.89 million (3% of FY23 Revenue), respectively. As of March 31, 2023, Concord had two patents registered in its name in the United States.

Manufacturing Facilities and Approvals

Manufacturing facility	Area (in sq.m.)	Year of commercialization	Products	Regulatory standards
Unit I (Dholka)	112,302	2000	APIs	Inspected by USFDA, Government of Upper Bavaria, Germany, PMDA of Japan and MFDS of Korea
Unit II (Valthera)	94,826	2016	Formulations	Inspected by USFDA
Unit III (Limbarasi)	596,309	2021		Inspected by USFDA

Source: Company RHP, LKP Research

Production Capacity, Actual Production Volume and Capacity Utilization

Particulars	As of / for the Financial Year		
	2021	2022	2023
Unit I (Dholka)			
Annual installed fermentation capacity ⁽¹⁾ (m ³)	450	450 ⁽²⁾	450 ⁽²⁾
Actual fermentation volumes (m ³)	312	319 ⁽²⁾	338 ⁽²⁾
Capacity utilization (%)	69.39%	70.93%	75.11%
Unit II (Valthera)			
Annual installed production capacity ⁽¹⁾ (units in millions)	523	523	802
Actual production volumes (units in millions)	111	104	80
Capacity utilization (%)	21.31%	19.89%	9.92%
Dosage capability (per shift)			
Tablets	169,697	169,697	451,515
Capsules	357,576	357,576	357,576
Dry syrup (bottles)	646	646	646
Total per shift	527,919	527,919	809,737
Unit III (Limbarasi) – Phase 1			
Annual installed fermentation capacity ⁽¹⁾ (m ³)	Nil	800 ⁽²⁾	800 ⁽²⁾
Actual fermentation volumes (m ³)	Nil	160 ⁽²⁾	254 ⁽²⁾
Capacity utilization (%)	Nil	20.00%	31.75%

Notes:

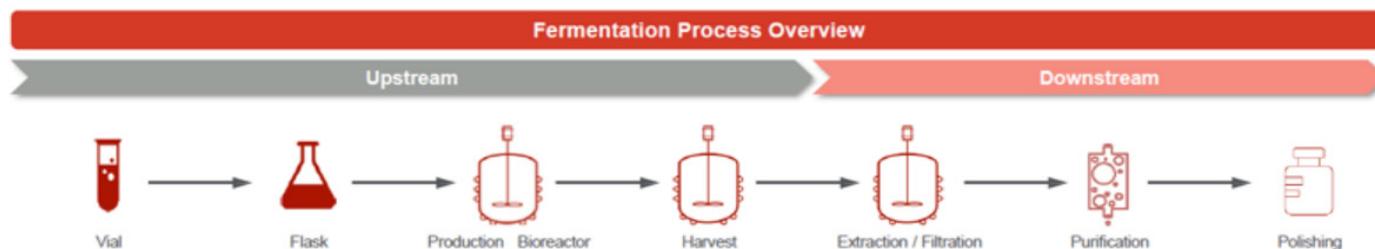
(1) Dosage capacity calculations based on (i) 330 days of production in a year, and (ii) three shifts of eight hours each per day and an assumption of 24 hours manufacturing

(2) These figures include seed fermenters and fermenters.

Source: Company RHP, LKP Research

Production Process

Concord specializes in fermentation-based and semi-synthetic APIs, the following diagram illustrates its fermentation process.



Source: Company RHP, LKP Research

Concord’s semi-synthetic APIs are fully backward integrated with in-house fermentation-based APIs as key starting materials.

Competitive Strengths

Established presence across the complex fermentation value chain.

The fermentation value chain encompasses aspects such as R&D, patents, key starting materials, API and formulation manufacturing, as well as marketing and distribution of fermentation-based products. Concord has established capabilities across the fermentation value chain. In addition, they have honed their capabilities across the fermentation value chain, which they leveraged to build a track record across multiple products in various therapeutic areas. Over the last 2 decades since 2001, Concord has been able to build difficult-to-replicate technical expertise in the fermentation process, which has enabled them to develop and commercialize a wide spectrum of fermentation-based APIs. Their business model aims to capture opportunities within the fermentation segment across APIs, formulations and other adjacencies, by combining their R&D and production capabilities. Their integration of R&D, patents, key starting materials, API and formulations manufacturing and marketing and distribution allow them to cater to their customers’ specific requirements and provide them with customized solutions. Their ability to do so further enhances their business profile and strengthens their customer relationships.

Global leadership in immunosuppressant APIs along with a wide spectrum of complex fermentation-based APIs across multiple therapeutic areas.

Concord is one of the leading global developers and manufacturers of select fermentation-based APIs across immunosuppressants and commanded a market share of over 20% by volume in 2022 across identified fermentation-based API products. As of March 31, 2023, they had 6 fermentation-based immunosuppressant APIs. As of 2022, more than 90% of the approved and commonly prescribed small-molecule organ transplant drugs were fermentation-based. The global demand for immunosuppressant APIs is expected to increase, driven by the growth of the immunosuppressant formulation markets.

In particular, the growth is expected to be driven by organ transplantation becoming more common, where patients would need to take immunosuppressants for the rest of their lives. In addition to immunosuppressants, Concord manufactures fermentation-based APIs for the therapeutic areas of anti-bacterials, anti-fungals and oncology. As of March 31, 2023, they had a portfolio of 5, 3 and 6 commercialized fermentation-based anti-bacterial, anti-fungal and oncology drug APIs, respectively.

Scaled manufacturing facilities with a consistent regulatory compliance track record and supported by strong R&D capabilities

Concord has 3 manufacturing facilities in the state of Gujarat, India. The API manufacturing facilities in Dholka and Limbasi are divided into a total of 41 manufacturing blocks to process different classes of APIs. Their manufacturing facilities have been subject to inspections by overseas regulators on a periodic basis. In 2021, they launched the manufacturing facility at Limbasi for capacity expansion. From the Limbasi facility they intend to cater to major emerging and regulated markets, subject to inspections from regulatory authorities in these markets, allowing them to serve these markets with key APIs manufactured across 2 manufacturing facilities. They are currently one of the companies approved by the GoI to receive incentives under the PLI Scheme. Through their continuous R&D initiatives, they optimize their production processes.

Diversified global customer base with long-standing relationships with key customers

Concord has established long-standing relationships with certain key customers, including leading global generic pharmaceutical companies. As of March 31, 2023, Concord had relationships with Intas Pharmaceuticals Ltd and Glenmark Pharmaceuticals Ltd, 2 of their Top-10 customers for around 11 years and 18 years, respectively. A majority of their customers are from regulated markets. In addition, they have developed relationships with 60 new customers during the financial years 2023. Their APIs are provided under a B2B model to pharmaceutical companies globally. For the formulations business as well, they operate through a B2B model across United States and emerging markets under arrangements with distributors. In India, they market immunosuppressant, nephrology and anti-infectives drugs for critical care, which they market under their own brands and through their sales force model. As of March 31, 2023, they offered formulations across 20 states and 5 union territories in India, covering over 1,500 government and corporate hospitals.

Experienced Promoters, Management Team supported by marquee investors

Concord is managed by a Promoter-led management team. Their professional management team is supported by over 1,200 employees, including strong R&D, production, quality and regulatory compliance and marketing teams. As of March 31, 2023, they had 148, 290 and 144 employees in their R&D, quality and regulatory, and marketing teams, respectively. Helix Investment Holdings Pte. Ltd, which is backed by Quadria Capital Fund L.P., a healthcare-focused private equity fund in Asia, and other co-investors, holds 20% of their fully subscribed and paid-up Equity Share capital. They are also backed by RARE Enterprises, which is an Indian asset management firm with investments across biotechnology, healthcare, and other sectors. They benefit from the capital sponsorship and professional expertise of their investors.

Financial track record of rapid growth, consistent profitability with healthy cash flows

Concord has been able to maintain a high profit margin because of their niche and complex product portfolio. Their cash conversion ratio, defined as the net cash flow from operating activities by EBITDA, was 51%, 76.95% and 71.25%, respectively, for the financial years 2021, 2022 and 2023. Their Return on Capital Employed was 28.54%, 20.55% and 24.27% and Return on Equity was 26.55%, 16.64% and 20.06% for the Financial Years 2021, 2022 and 2023, respectively.

Profit & Loss Statement

Rs mn	FY23	FY22	FY21
Revenue from operations	8,532	7,129	6,169
Operating expenses	5,099	4,397	2,894
EBITDA	3,433	2,733	3,276
Other Income	353	234	138
EBIDT	3,786	2,967	3,414
Interest	45	55	7
Depreciation	540	501	275
PBT	3,201	2,412	3,132
Tax	819	626	778
Consolidated PAT	2,381	1,786	2,353
Minority/other adj.	20	-36	-4
Consolidated PAT	2,401	1,749	2,349
EPS	22.95	16.7	22.5

Source: RHP, LKP Research

Balance Sheet

Rs mn	FY23	FY22	FY21
Equity	105	95	95
Other Equity	12,795	10,937	9,899
Non current liabilities	321	544	774
Total current liabilities	1,918	1,552	1,057
Total Equity & Liabilities	15,140	13,128	11,825
Property, plant and equipment	5,925	5,680	5,376
Capital Work-in-progress	1,727	742	179
Other Non-current Assets	211	379	198
Inventories	2,123	1,951	1,536
Investments	1,369	735	1,410
Trade receivables	2,738	2,322	1,775
Other current assets	1,047	1,319	1,350
Total Assets	15,140	13,128	11,825

Source: RHP, LKP Research

Cash Flow Statement

Rs mn	FY23	FY22	FY21
Cash flow from operations	2,460	2,075	1,668
Cash flow from Investment	-1,579	-1,118	-1,952
Cash flow from financing	-852	-1,002	311
Net cash flow	28	-45	27
Cash at beginning of the period	7	51	24
Cash at the end of the period	35	7	51

Source: RHP, LKP Research

Key Ratios

	FY23	FY22	FY21
EBITDA Margin(%)	40.2%	38.3%	53.1%
PAT Margin (%)	28.1%	24.5%	38.1%
Sales growth (%)	19.7%	15.6%	-
ROE (%)	20.1%	16.6%	26.6%
ROCE (%)	24.3%	20.6%	28.5%
Debt to Equity	0.0	0.1	0.1

Source: RHP, LKP Research

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