

Pharmaceuticals | India

IPO | 03 August 2023

Concord Biotech Limited

One of the Leading API Manufacturers

About the Company

Concord Biotech Limited is an India-based company which was incorporated in 1984. It is an R&D-driven biopharma company with a strong global presence supplying their products to over 70 countries including the USA, India, Europe, and Japan. The company manufactures Active Pharmaceutical Ingredients (API) through fermentation & semi-synthetic process and finished formulations. In 2022, it was ranked among the leading global developers and manufacturers of several fermentation-based APIs across immunosuppressants and oncology in terms of market share, based on volume. The company is coming up with an IPO comprising fully of OFS of ~20.9mn shares, aggregating to ~Rs15.5bn.

Diversified Product Portfolio

Concord manufactures fermentation and semi-synthetic-based products in therapeutic segments such as Immunosuppressants, Anti-bacterial, Oncology, Antifungals & others. As of June'23, Concord had a portfolio of 57 brands and 77 products which includes 23 APIs and 53 formulations. They had 80+ out-licensed formulation which they distributed in India under their brands. The wide range of products has attracted customers across the globe and the company also has a robust pipeline of products under development. As of Mar'23, the company had 6 fermentation-based immunosuppressant APIs, including tacrolimus, mycophenolate mofetil, mycophenolate sodium, cyclosporine, sirolimus and pimecrolimus.

Strong Global Presence

The company has a strong global footprint and supplies their products to 70 countries. In 2016, they launched their formulation business in India as well as emerging markets, including Nepal, Mexico, Indonesia, Thailand, Ecuador, Kenya, Singapore, Paraguay, and have further expanded to the United States. As of Mar'23, they had a total installed fermentation capacity of 1,250 m³. In India, they have a presence across 20 states and 5 union territories, through their sales team. They also have a B2B contract development manufacturing organization (CDMO) business where they supply immunosuppressants to the domestic market. Their formulations are provided primarily under a B2B model through 1,500 government and corporate hospitals.

Financials in Brief

On the financial front, the company reported a turnover of Rs6307.5mn, Rs7363.5mn and Rs8884.8mn for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs2348.9mn, Rs1749.3mn and Rs2400.8mn respectively for the aforementioned period. While the company's top-line continued to grow, registering a CAGR of ~18% over FY21-23, its bottom line reported lower net profit during FY22. For the last three fiscals, it has reported an average EPS of Rs. 20.79 and an average RoNW of 20%.

Our View

On FY23 financials, the IPO is valued at 32.3x P/E, 22.5x EV/EBITDA and 9.1x EV/Sales, on the upper price band. Concord has an established presence in the therapeutic areas and are well-poised to benefit from the industry growth tailwinds. The immunosuppressant API portfolio is expected to remain one of the key contributors to the API business in the near future. Moreover, the R&D team is working on developing new formulations for which they expect to apply for ANDA approvals from the USFDA. **In view of strong global footprint, diversified products portfolio, robust in-house R&D capabilities and experienced management team, we recommend a SUBSCRIBE to the issue.**

SUBSCRIBE 

IPO Details

Price Band (Rs)	705-741
Face Value (Rs)	1
Issue Open/Closing Date	4-Aug-23/8-Aug-23
Fresh Issues (mn)	-
OFS (mn)	20.9
Total Issue (mn)	20.9
Minimum Bid Qty. (Nos)	20
Issue Size (Rs bn)*	15.51
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	77.5

*At higher band

Object of the Issue

- ▶ Achieve the benefits of getting listed on the Stock Exchanges.
- ▶ Carry out OFS.

Strengths

- ▶ Global leadership in immunosuppressant APIs.
- ▶ Strong presence across the complex fermentation value chain.
- ▶ Scaled manufacturing facilities and strong R&D capabilities.
- ▶ Continued efforts to increase the API market share.

Key Risk

- ▶ Delay or reduction in the supply of raw materials.
- ▶ Manufacturing or quality control issues.
- ▶ Dependent on a limited number of customers for a major portion of revenues.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	44.1	44.1
Others	55.9	55.9

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	6,169	7,129	8,532
EBITDA	3,276	2,733	3,433
EBITDA Margin (%)	53.1	38.3	40.2
PAT	2,349	1,749	2,401
PAT Margin (%)	38.1	24.5	28.1
EPS (Rs)	22.5	16.7	22.9
P/E (x)	33.0	44.3	32.3
EV/EBITDA (x)	23.7	28.3	22.5
EV/Sales (x)	12.6	10.8	9.1
Net Worth	9,994	11,032	12,900
RoE (%)	23.5	15.9	18.6
Gross Debt	863	606	312
Net Block	5,462	5,730	5,930
Net Asset Turnover (x)	1.1	1.2	1.4

Source: RHP; Note: * "based on FY23 annualized nos"

Senior Research Analyst:

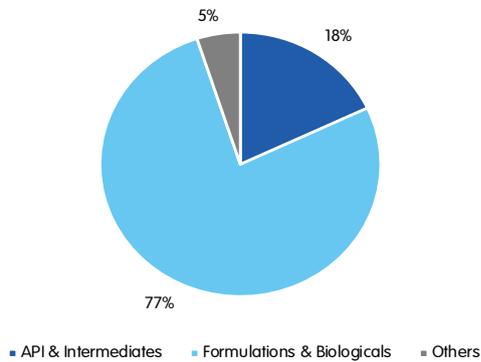
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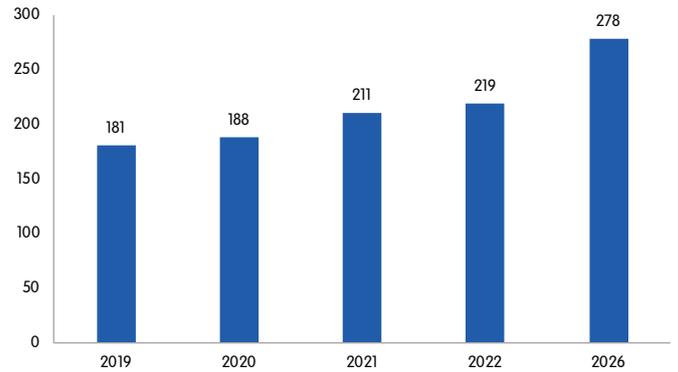
Industry Data

Exhibit 1: India Healthcare Category Wise Export Share (%)



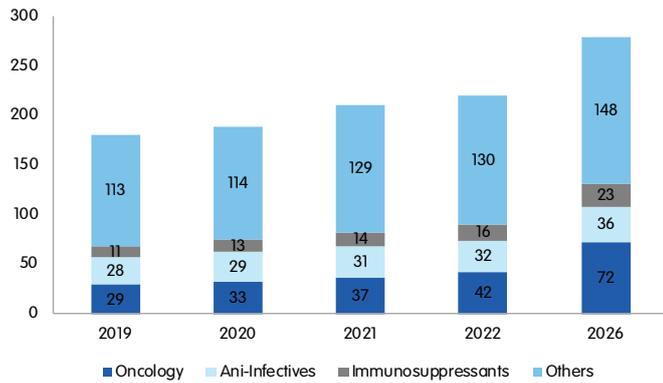
Source: RHP, F&S Analysis, Ministry of Commerce & Industry

Exhibit 2: Global API Market (\$bn)



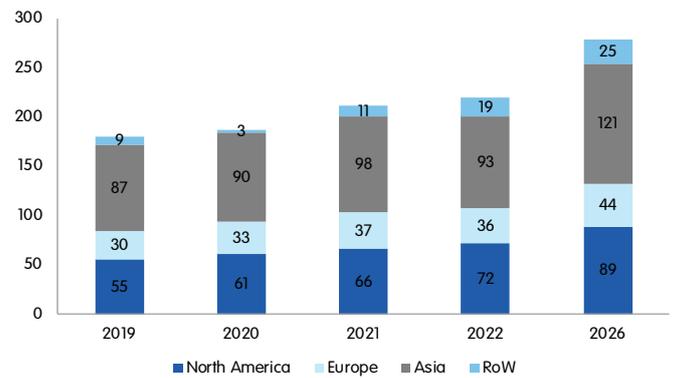
Source: RHP, F&S Analysis

Exhibit 3: Global API Market by Select Therapy Area (\$bn)



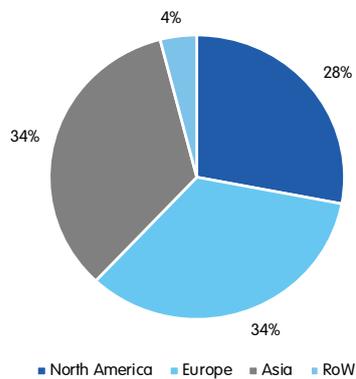
Source: RHP, F&S Analysis

Exhibit 4: Global API Market by Region (\$bn)



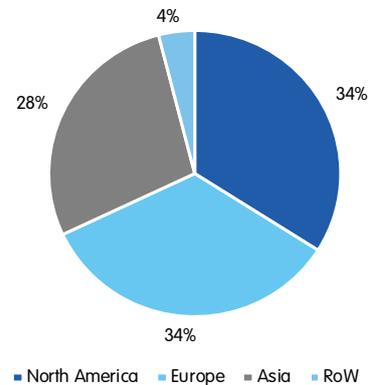
Source: RHP, F&S Analysis

Exhibit 5: Tacrolimus API Volume by Regions 2022 (%)



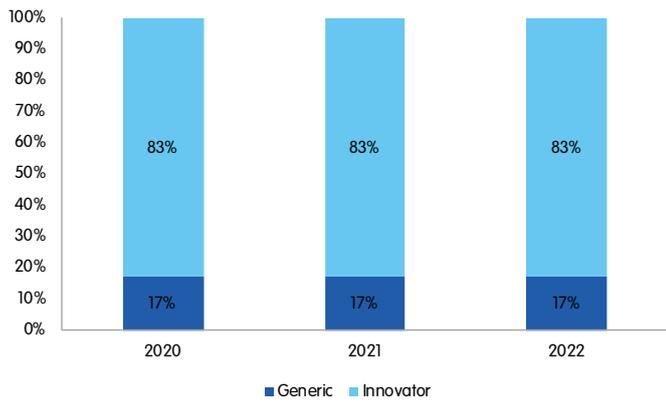
Source: RHP, F&S Analysis

Exhibit 6: Mycophenolate Sodium API Volume by Regions 2022 (%)



Source: RHP, F&S Analysis

Exhibit 7: Small Molecule Anti-Infectives API Volume Share (%)



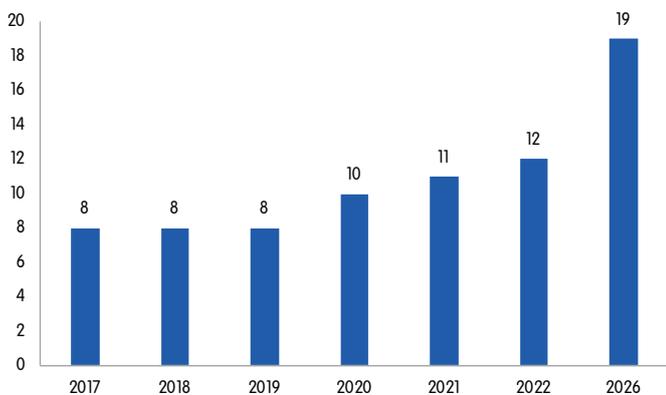
Source: RHP, F&S Analysis

Exhibit 8: Selected Fermentation-based API Companies and Active DMFs for Relevant Products

Molecule	Concord Biotech	Biocon	Brightgene	CCSB	CKD Bio	Hisun	Huadong Medicine	Teva
Cyclosporine	✓✓✓				✓✓		✓✓✓	✓✓✓
Dactinomycin	✓					✓		
Everolimus	✓✓	✓✓	✓✓	✓✓	✓✓		✓	
Lovastatin	✓✓	✓				✓✓		✓✓
Midostaurin	✓		✓	✓				
Mitomycin	✓✓					✓✓		✓✓✓
Mupirocin	✓✓						✓✓	✓✓
Mupirocin Calcium	✓✓						✓✓	✓✓✓
Mycophenolate Mofetil	✓✓✓	✓✓		✓	✓	✓✓		✓✓✓
Mycophenolate Sodium	✓✓	✓		✓				✓

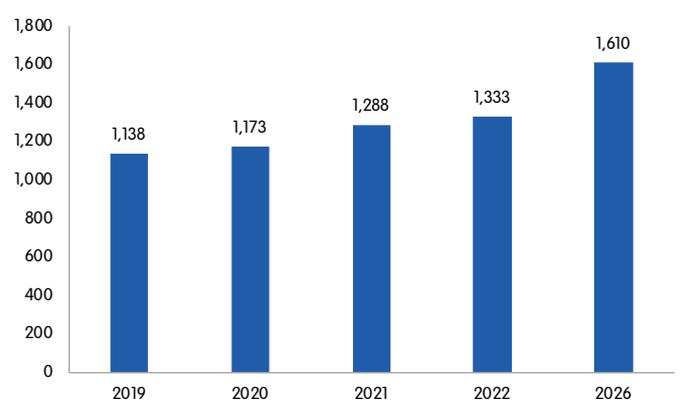
Source: RHP

Exhibit 9: India API Market (\$ bn)



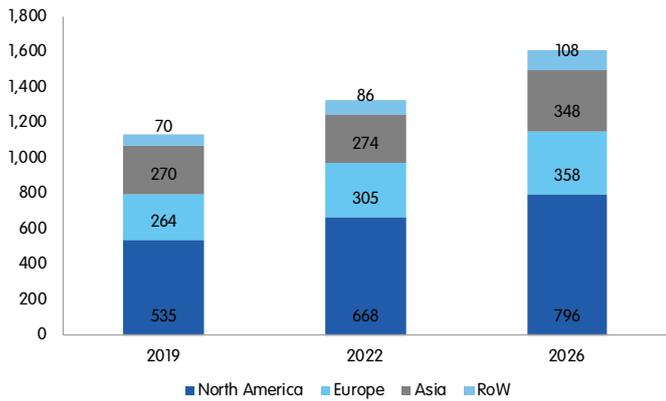
Source: RHP, F&S Analysis, IBEF

Exhibit 10: Global Pharma Market (\$bn)



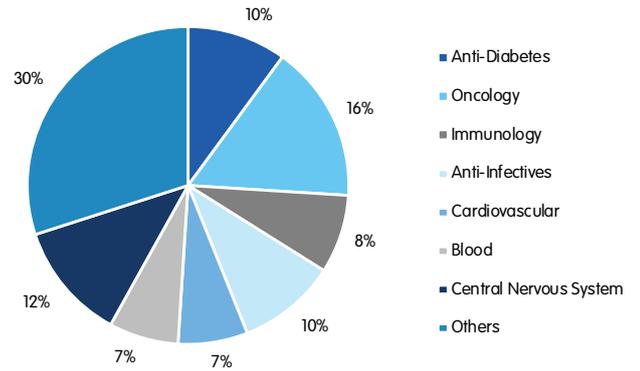
Source: RHP, F&S Analysis, IQVIA MIDAS

Exhibit 11: Global Pharma Market by Region (\$bn)



Source: RHP, F&S Analysis, IQVIA MIDAS

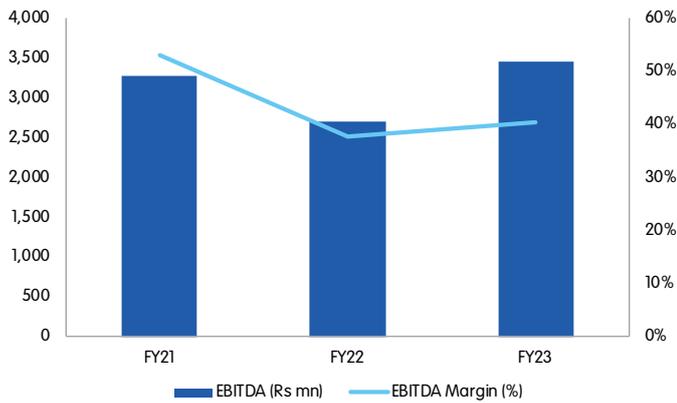
Exhibit 12: Global Pharma Market by Therapy Area in 2022 (%)



Source: RHP, F&S Analysis

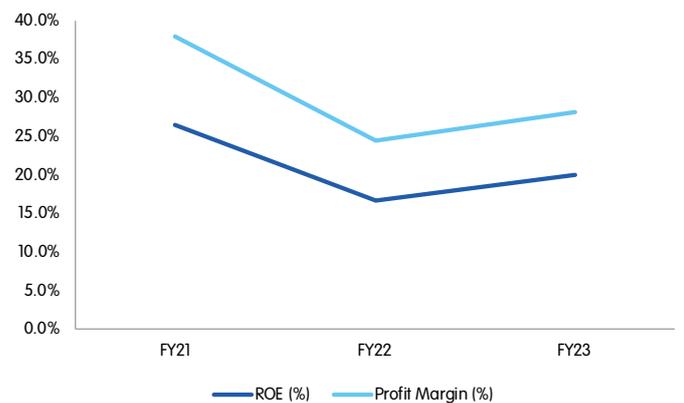
Company Data

Exhibit 13: EBITDA Trend



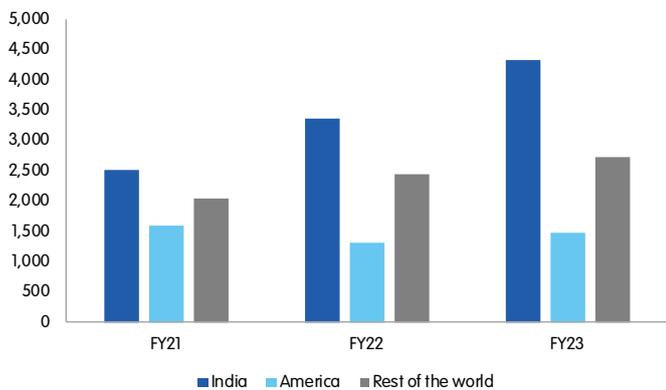
Source: RHP

Exhibit 14: RoE & Profit Margin Trend



Source: RHP

Exhibit 15: Revenue Breakup (Rs mn)



Source: RHP

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