

# Concord Biotech Ltd

## Scaling global fermentation-based API



**Kyon ki bhaiya, sabse bada rupaiya.**

Subscribe at upper price band of INR 741

## Scaling global fermentation-based API

Concord Biotech Limited (CBL) was incorporated on November 23, 1984. Concord is an India-based biopharma company and 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 is amongst the few companies globally that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities

In 2022, Concord commanded a market share of over 20% in fermentation-based API products, including mupirocin, sirolimus, tacrolimus, mycophenolate sodium, and cyclosporine. As of March 31, 2023, Concord's fermentation capacity reached 1,250 m<sup>3</sup>. They expanded their formulation business to India and emerging markets like Nepal, Mexico, Indonesia, Thailand, Ecuador, Kenya, Singapore, and Paraguay. They further expanded to the United States.

Concord has a strong presence in therapeutic areas and is well-positioned to benefit from industry growth. In India, Concord markets 27 brands of immunosuppressants, nephrology drugs, and anti-infective drugs for critical care. Their sales team operates in 20 states and 5 union territories. They also supply immunosuppressants to the Indian market through a B2B contract development manufacturing organization (CDMO) business.

Concord's clientele extends to over 200 customers in more than 70 countries for both APIs and formulations, with long-term supply agreements with some of them. Notably, Intas Pharmaceuticals Ltd and Glenmark Pharmaceuticals Ltd are among their API customers.

At the IPO price of INR 741 (upper price band), CBL is valued at P/E of 32.3x. Considering the growth opportunities in the company and strong fundamentals, we recommend a SUBSCRIBE rating

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	EV/EBITDA (%)	P/E (X)
FY21	616.9	327.9	235.3	53.2	38.1	22.5	95.6	23.5	33.0	23.4	32.9
FY22	712.9	273.9	178.6	38.4	25.0	16.7	105.5	15.9	21.8	28.0	44.3
FY23	853.1	343.3	238.2	40.2	27.9	23.0	123.3	18.6	25.4	22.1	32.3

Industry	Pharmaceutical
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### Issue Details

Listing	BSE & NSE
Open Date	4 <sup>th</sup> Aug 2023
Close Date	8 <sup>th</sup> Aug 2023
Price Band	INR 705-741
Face Value	INR 1
Market Lot	20 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	100%
Fresh Issue	0%
Issue Size (Amt)	INR 1,551 cr
Issue Size (Shares)	2,09,25,652
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	104616204
Post issue sh (nos)	104616204
Post issue M Cap	7,752 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	44.08	44.08
Public- Helix Investment	20.00	0.0
Public	35.92	55.92
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Issue Structure and Offer Details

The proposed fresh issue size of SBFC is INR 1,551 cr(Pure OFS) and the price band for the issue is in the range of INR 705-741 and the bid lot is 20 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 50% of the Offer	1,04,57,825
NIB	Not less than 15% of the Offer	31,37,348
Retail	Not less than 35% of the Offer	73,30,479

*Number of shares based on a higher price band of INR 741*

*Source: Company Reports*

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Helix Investment Holdings Pte Ltd	Not more than 1,551 Cr	2,09,25,652

*The amount is based on a higher price band of INR 741*

*Source: Company Reports*

**CBL financial summary and analysis**

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
<b>Revenue</b>	<b>616.9</b>	<b>712.9</b>	<b>853.2</b>	Adjusted EPS (INR)	22.5	16.7	16.7
<i>YoY Growth (%)</i>	<i>20.4</i>	<i>15.6</i>	<i>19.7</i>	Adjusted Cash EPS (INR)	25.1	21.5	21.9
Raw Material Cost	111.6	164.0	180.2	Adjusted BVPS (INR)	95.5	105.5	105.6
<i>RM Cost to Sales (%)</i>	<i>18.1</i>	<i>23.0</i>	<i>21.1</i>	Adjusted CFO per share (INR)	15.9	19.9	23.5
Employee Cost	69.5	95.7	110.3	CFO Yield (%)	2.2	2.7	3.2
<i>Employee Cost to Sales (%)</i>	<i>11.3</i>	<i>13.4</i>	<i>12.9</i>	Adjusted FCF per share (INR)	(1.2)	(0.3)	2.2
Other Expenses	108.0	179.3	214.1	FCF Yield (%)	(0.2)	(0.0)	0.3
<i>Other Exp to Sales (%)</i>	<i>17.5</i>	<i>25.2</i>	<i>25.1</i>	<b>Solvency Ratio (X)</b>			
<b>EBITDA</b>	<b>327.9</b>	<b>273.9</b>	<b>348.6</b>	Total Debt to Equity	0.1	0.1	0.1
<i>Margin (%)</i>	<i>53.2</i>	<i>38.4</i>	<i>40.9</i>	Net Debt to Equity	(0.1)	(0.1)	(0.1)
<i>YoY Growth (%)</i>	<i>60.3</i>	<i>(16.5)</i>	<i>27.3</i>	Net Debt to EBITDA	(0.3)	(0.3)	(0.3)
Depreciation & Amortization	27.5	50.1	54.0	<b>Return Ratios (%)</b>			
<b>EBIT</b>	<b>300.4</b>	<b>223.9</b>	<b>294.5</b>	Return on Equity	23.5	15.9	15.8
<i>Margin (%)</i>	<i>48.7</i>	<i>31.4</i>	<i>34.5</i>	Return on Capital Employed	20.3	13.9	18.8
<i>YoY Growth (%)</i>	<i>63.9</i>	<i>(25.5)</i>	<i>31.6</i>	Return on Invested Capital	33.1	21.8	29.9
Other Income	13.8	23.4	35.3	<b>Working Capital Ratios</b>			
Finance Cost	1.0	6.1	9.8	Payable Days (Nos)	27	43	36
Interest Coverage (X)	286.9	36.5	30.0	Inventory Days (Nos)	91	100	83
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	105	119	117
<b>PBT</b>	<b>313.2</b>	<b>241.2</b>	<b>320.1</b>	Net Working Capital Days (Nos)	169	176	165
<i>Margin (%)</i>	<i>50.8</i>	<i>33.8</i>	<i>37.5</i>	Net Working Capital to Sales (%)	46.2	48.3	45.2
<i>YoY Growth (%)</i>	<i>46.7</i>	<i>(23.0)</i>	<i>32.7</i>	<b>Valuation (X)</b>			
Tax Expense	77.8	62.6	81.9	P/E	32.9	44.3	44.3
<i>Tax Rate (%)</i>	<i>24.9</i>	<i>26.0</i>	<i>25.6</i>	P/BV	7.8	7.0	7.0
<b>PAT</b>	<b>235.3</b>	<b>178.6</b>	<b>238.1</b>	EV/EBITDA	23.4	28.0	21.9
<i>Margin (%)</i>	<i>38.1</i>	<i>25.0</i>	<i>27.9</i>	EV/Sales	12.4	10.8	8.9
<i>YoY Growth (%)</i>	<i>39.3</i>	<i>(24.1)</i>	<i>33.4</i>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.0	(3.6)	(63.2)	PBT	313.2	241.2	320.1
<b>Net Profit</b>	<b>235.3</b>	<b>175.0</b>	<b>175.0</b>	Adjustments	(7.2)	88.3	49.5
<i>Margin (%)</i>	<i>38.1</i>	<i>24.5</i>	<i>20.5</i>	Change in Working Capital	(61.3)	(59.4)	(41.6)
<i>YoY Growth (%)</i>	<i>39.3</i>	<i>(25.7)</i>	<i>(0.0)</i>	Less: Tax Paid	(77.8)	(62.6)	(81.9)
<b>Balance Sheet</b>				<b>Cash Flow from Operations</b>	<b>166.8</b>	<b>207.5</b>	<b>246.0</b>
Share Capital	9.5	9.5	10.5	Net Capital Expenditure	(204.2)	(155.4)	(145.1)
Total Reserves	989.9	1,093.7	1,093.7	Change in Investments	9.0	43.7	(12.9)
<b>Shareholders Fund</b>	<b>999.4</b>	<b>1,103.2</b>	<b>1,104.2</b>	<b>Cash Flow from Investing</b>	<b>(195.2)</b>	<b>(111.8)</b>	<b>(157.9)</b>
Long Term Borrowings	56.3	31.2	6.2	Change in Borrowings	37.9	(23.5)	(21.9)
Deferred Tax Assets / Liabilities	17.5	21.0	23.4	Less: Finance Cost	(1.0)	(6.1)	(9.8)
Other Long Term Liabilities	1.6	0.3	0.2	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	2.1	1.9	1.9	Dividend Paid	(5.7)	(70.5)	(53.6)
<b>Total Liabilities</b>	<b>1,076.8</b>	<b>1,157.6</b>	<b>1,135.9</b>	<b>Cash flow from Financing</b>	<b>31.1</b>	<b>(100.2)</b>	<b>(85.2)</b>
Net Block	537.6	568.0	568.0	<b>Net Cash Flow</b>	<b>2.7</b>	<b>(4.5)</b>	<b>2.8</b>
Capital Work in Progress	17.9	74.2	172.7	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	2.4	5.1	0.7
Non Current Investments	8.9	4.9	4.9	<b>Closing Balance of Cash</b>	<b>5.1</b>	<b>0.7</b>	<b>3.5</b>
Long Term Loans & Advances	10.8	29.5	29.5				
Other Non Current Assets	0.5	3.0	3.0				
Net Current Assets	501.1	478.1	357.8				
<b>Total Assets</b>	<b>1,076.8</b>	<b>1,157.6</b>	<b>1,135.9</b>				

Source: Ventura Research

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