

Company Overview

Indegene is a provider of digital-led commercialization services for the life sciences industry, including biopharmaceutical, emerging biotech and medical devices companies and the sales and marketing of their products. Their solutions enable life sciences companies to develop products, launch them in the market, and drive sales through their life cycle in a more effective, efficient and modern manner. The company achieves this by combining over two decades of healthcare domain expertise and fit-for-purpose technology. Their portfolio of solutions covers all aspects of commercial, medical, regulatory, and R&D operations of life sciences companies. The company's Enterprise Commercial Solutions and Omnichannel Activation Solutions cater to the commercial functions of life sciences companies, while their Enterprise Medical Solutions and Enterprise Clinical Solutions cater to their medical and R&D functions. Their Enterprise Clinical Solutions help drive efficiencies in the drug discovery and clinical trial operations of life sciences companies. They provide consultancy services through their subsidiary, DT Associates Ltd., under the DT Consulting brand. The company has established client relationships with each of the 20 largest biopharmaceutical companies in the world. Since its inception, Indegene has completed a total of 13 acquisitions and has enjoyed synergistic benefits from each of them. As of December 31, 2023, Indegene had 65 active clients whom they deliver solutions from their six operation hubs and 17 offices located across North America, Europe and Asia.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/prepayment of indebtedness of one of material subsidiaries, ILSL Holdings, Inc
- ⇒ Funding the capital expenditure requirements of company and one of material subsidiaries, Indegene, Inc
- ⇒ General corporate purposes.

Investment Rationale

Strong digital capabilities and in-house developed technology portfolio to propel growth

The company claims strong digital capabilities and an in-house developed technology portfolio that is set to drive its growth. At the core of their solutions are proprietary tools and platforms that have been developed in-house. These applications automate and create AI-based efficiencies using AI, ML, NLP, and advanced analytics capabilities, which are core components of their solutions. These proprietary "NEXT"-branded tools and platforms drive transformation across the commercialization lifecycle of biopharmaceutical products and medical devices. They aim to drive efficiency, effectiveness, and quality in various life sciences companies' R&D and commercialization processes. The company has a dedicated team of 650 individuals supporting technology innovation. They have also built a Gen AI workbench that interfaces their technology team and life sciences subject matter experts ("SMEs"). Their technology team evaluates different Gen AI models and develops the technology infrastructure. Their SMEs can interact with this workbench using natural language and contextualize Gen AI for various business use cases. Their NEXT suite of tools and platforms helps them drive enterprise outcomes at scale in content management, safety and pharmacovigilance, regulatory intelligence and planning, customer data management and advanced analytics, clinical trials and workflow management. Thus, we believe that the company is poised to transform the life sciences industry and drive its growth.

Established long-standing client relationships to drive business performance

Indegene has built long-standing relationships with marquee biopharmaceutical companies, including each of the 20 largest biopharmaceutical companies globally by revenue for FY23. They typically enter into Master Service Agreements (MSAs) with clients ranging from 1 to 3 years, which broadly set out terms of their engagements, and they execute separate work orders for individual engagements setting out commercial terms. Due to the sticky nature of their solutions, recurring revenues account for a high proportion of their total revenues. Their retention rates were 122.83%, 159.89% and 129.90% for the financial years 2023, 2022 and 2021, respectively. The company's operations are centred around their clients' revenue-generating activities rather than managing cost centres, in contrast to several broad-based service providers. This allows them to develop strong and lasting relationships, ensuring revenue visibility for the company.

Issue Details

Offer Period	06 th May, 2024 - 08 th May, 2024
Price Band	Rs. 430 to Rs. 452
Bid Lot	33
Listing	BSE & NSE
Issue Size (no. of shares in mn)	40.7
Issue Size (Rs. in bn)	18.41
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Kotak Mahindra Capital, Citigroup Global, J.P.Morgan, Nomura Financial
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Registrar	Link Intime India Pvt Ltd
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Particulars	Pre Issue %	Post Issue %
Public – Individual & Investor Selling S/h	56.59%	42.62%
Public	43.24%	57.23%
Employee	0.17%	0.16%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Indegene Ltd.

Valuation

Indegene has developed various tools and platforms, including applications that automate and create AI-based efficiencies in developing commercial assets, regulatory documents, and medical content. In addition, they have applications that assist in managing various processes of their clients' workflow. The company provide domain expertise that helps them contextualize the use of technology to, among other things, optimize sales and marketing costs, drive omnichannel activation at scale, enable faster recruitment of patients for clinical trials and accelerate the time taken to make regulatory submissions. The company also continuously pursues acquisition opportunities that fall in capability buys, technology play, and efficiency play. Since its inception, Indegene has completed 13 acquisitions. The acquisitions have helped it access new technologies, markets and clients and have helped expand the range of solutions it offers to its clients. The company also has a record of sustained consolidated revenue from operation, growing at a CAGR of 54.5% during FY21-23. Going ahead, the improvement in operational performance is anticipated to be driven by strengthening their go-to-market approach through deepening relationships with existing clients, establishing new client relationships, strengthening new market segments, focusing on high-value opportunities, and scaling promising business verticals. **The issue is valued at a P/E of 31.3x on the upper price band based on FY24E earnings, which we feel is fairly valued. We, therefore, recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company's business is solely focused on the life sciences industry and may be adversely impacted by factors affecting the industry, including growth of the overall industry, outsourcing, and other trends.
- ⇒ The majority of the company's revenues are derived from subsidiaries. Any disruption in the operations of one or more of its subsidiaries may adversely affect business, financial condition and results of operations.
- ⇒ The company's business depends on attracting, developing, motivating, retaining and effectively utilizing skilled professionals. If they cannot manage attrition and attract and retain skilled professionals, it may adversely impact business prospects, reputation and future financial performance.



Indegene Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Revenue				
Revenue from Operations	9,663	16,646	23,061	19,166
Total Revenue	9,663	16,646	23,061	19,166
Expenses				
Employee benefit expenses	5,356	10,143	14,648	12,232
Other expenses	2,001	3,633	4,452	3,267
Total Operating Expenses	7,357	13,777	19,099	15,499
EBITDA	2,305	2,869	3,962	3,667
Depreciation and Amortization expenses	255	335	598	576
Other income	306	259	580	531
EBIT	2,356	2,794	3,944	3,622
Finance costs	70	60	313	371
Exceptional Item	30	-469	0	0
PBT	2,317	2,265	3,630	3,251
Total tax	458	637	969	832
PAT	1,857	1,628	2,661	2419
Diluted EPS	8.7	7.5	12.0	10.8

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Cash Flow from operating activities	1,720	2,970	1,302	3,543
Cash flow from investing activities	-242	-1,602	-8,933	-2,635
Cash flow from financing activities	-1,315	2,335	3,331	-437
Net increase/(decrease) in cash and cash equivalents	163	3,703	-4,300	471
Cash and cash equivalents at the beginning of the period	1,739	1,334	5,063	736
Cash and cash equivalents at the end of the period	1,334	5,063	736	1,199

Source: RHP, BP Equities Research



Indegene Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Equity and Liabilities				
Equity Share Capital	3	4	443	444
Other Equity	3,242	7,635	10,194	12,827
Total Equity	3,331	7,639	10,637	13,270
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	177	109	3,943	3,388
(ii) Lease Liabilities	134	329	852	705
Provisions	123	265	350	404
Other financial liabilities	201	788	1,365	975
Current Liabilities				
Financial Liabilities				
(i) Borrowings	71	73	0	605
(ii) Lease Liabilities	132	146	230	211
(iii) Trade Payable	502	742	733	817
(iv) Other financial liabilities	408	772	1,830	1,356
Current tax liabilities	0	253	120	526
Provisions	208	354	495	574
Other current liabilities	673	2,065	1,483	2,350
Total Current Liabilities	1,994	4,404	4,891	6,439
Total liabilities	2,630	5,896	11,401	11,911
Total Equity and Liabilities	5,960	13,535	22,039	25,181
Assets				
Non-Current Assets				
Property, plant and equipment	231	337	406	321
Capital work in Progress	105	169	1,924	1,724
Goodwill on Consolidation	233	462	1,050	862
Intangible Assets	290	409	3,261	3,302
(i) Investments				
(ii) Other financial assets	99	120	98	104
Non-Current Tax Assets	41	44	43	95
Deferred tax assets (net)	367	692	671	969
Other non current assets	1	1	99	94
Total Non current assets	1,367	2,234	7,552	7,471
Current Assets				
Investment	0	1,199	6,140	8,296
(i) Trade Receivables	2,854	4,439	6,420	7,112
(ii) Cash and cash equivalents	1,334	5,063	736	1,199
(ii) Other Bank Balance	65	110	122	26
Loans				
(iii) Other Current Financial Assets	59	82	398	404
Other current assets	281	407	671	675
Total Current Assets	4,593	11,300	14,487	17,711
Total Assets	5,960	13,535	22,039	25,181

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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