



**AJCONGLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISORS



**IPO note:**

**Innova Captab Limited- "Subscribe for Listing Gains"**

Innova Captab Limited is an integrated pharmaceutical company with a presence across the pharmaceuticals value chain including research and development, manufacturing, drug distribution and marketing and exports. The company is ranked third among peers in terms of finished tablet and capsule manufacturing capacity in India. In Fiscal 2022, among Indian formulation CDMO players considered in the CRISIL Report, company recorded the third highest operating revenue, the second highest operating profit margin, the third highest net profit margin and the second highest return on capital employed. On December 31<sup>st</sup>, 2021 company acquired Univentis Medicare Limited ("UML") and on June 30, 2023, acquired Sharon Bio-Medicine Limited ("Sharon"), a listed entity pursuant to the corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 ("IBC") before the Hon'ble National Company Law Tribunal, Mumbai Bench ("NCLT").

Innova Captab's business includes (i) a contract development and manufacturing organization ("CDMO") business providing manufacturing services to Indian pharmaceutical companies, (ii) a domestic branded generics business and (iii) an international branded generics business. Company's CDMO services and products include commercial large-scale manufacturing of generic products. They also entered into loan license agreements with their customers. Some of their key customers in CDMO space includes Cipla Limited, Glenmark Pharmaceuticals Limited, Wockhardt Limited, Corona Remedies Private Limited, Emcure Pharmaceuticals Limited, Lupin Limited, Intas Pharmaceuticals Limited, Leeford Healthcare Limited, Medley Pharmaceuticals Limited, Cachet Pharmaceuticals Limited, Eris Healthcare Private Limited, Indoco Remedies Limited, J. B. Chemicals and Pharmaceuticals Limited, Oaknet Healthcare Private Limited, Zuventus Healthcare Limited, Ajanta Pharma Limited, Mankind Pharma Limited and Smart Laboratories Private Limited. Their branded generics business consists of the development, manufacture and distribution of generic formulation products, which are marketed and distributed in India under their own brand names through online and offline channels. Company sells domestic branded generic products through their Pan-Indian network of 5000 distributors and stockiest and 150,000 pharmacies. They also have an international branded generic product business focused on exports to emerging and semi-regulated international markets. During Fiscal 2023 and the three months ended June 30, 2023, they exported branded generic products to 20 and 16 countries, respectively. They are also expanding their international branded generics business to regulated markets like the United Kingdom, and Canada. As on October 31, 2023, they have 200 active product registrations (and 20 registration subject to renewal) with international authorities and 218 fresh registration applications in process with international authorities.

Company has their own in-house research and development ("R&D"). Their R&D operations helps them to attract and retain CDMO customers and grow branded generic portfolio. They have a dedicated R&D laboratory and pilot equipment located at their manufacturing facility in Baddi, Himachal Pradesh, which is recognized by Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India ("DSIR"). Additionally, they are looking to establish a new R&D center in Panchkula, Haryana. They have employed a team of 29 scientists and engineers at their R&D laboratory. Their team includes professionals with experience ranging up to 27 years. Their R&D laboratory is equipped with a suite of equipment for the development of solid oral and liquid dosage forms which includes rapid mixer granulator/fluid bed processor /compression machine and auto coater. In addition, the analytical lab is also equipped with high pressure liquid chromatography ("HPLC"), ultraviolet and dissolution apparatuses, Karl Fischer moisture analyzers, sonicators, disintegration testers, thermal stability units and fume hoods.

#### Investment Rational and Recommendation: -

**At the upper price band of Rs. 448 the issue is valued at a P/E multiple 36.45x its Q1FY24 post issue annualized EPS of 12.29 and 37.74x its FY23 post issue annualized EPS of 11.87, compared to the industry average P/E multiple of 32.17, which makes the issue expensive. We recommend investors to "SUBSCRIBE FOR LISTING GAINS" to the issue for the following reasons: -**

**1) While CRISIL Research Report mentions that the Indian CDMO space has seen traction in the recent times with big pharmaceutical companies preferring to outsource R&D as well as manufacturing activities, the same generates very low margins.**

Type of Issue	Fresh Issue up to 71,42,857 Equity Shares aggregating up to Rs. 320 Crores Offer for sale up to 55,80,357 Equity Shares aggregating up to Rs. 250 Crores
Issue size	Rs. 570 Crores
Price Band	Rs. 426-Rs. 448 (FV- Rs. 10)
Bid lot/ Bid Size	33 shares/ Rs. 14,784
Issue structure	QIB-50% HNI-15% Retail- 35%
Post issue equity shares	5,72,24,929 equity shares
Promoters and Promoter Group Public	Pre-Issue-66.85%   Post-Issue- 51.68% Pre-Issue-33.15%   Post-Issue- 48.32%
Post issue implied market cap	Rs. 2563.67 Crores
BRLMs	ICICI Securities Limited, JM Financial Limited
Registrar to the issue	KFin Technologies Limited

#### Financial Summary (Restated Consolidated) (₹Crore)

Particulars	Q1FY24	FY23	FY22	FY21
Revenue from Operations	233.24	926.38	800.53	410.66
Gross Profit	66.7	234.82	182.62	99.97
GPM(%)	28.60%	25.35%	22.81%	24.34%
EBIDTA	31.31	113.65	96.02	54.49
EBIDTA(%)	13.42%	12.27%	11.99%	13.27%
Profit	17.59	67.954	63.953	34.5
PAT Margin(%)	10.49%	7.34%	7.99%	8.40%
EPS	3.67	14.16	13.32	7.19
Net Debt	358.50	216.31	195.74	33.13
Debt-Equity Ratio	1.21	0.85	0.95	0.31
Debt/Profit	25.12*	3.46	3.1	1.31
Net Debt/EBIDTA Ratio	11.06*	1.76	1.98	0.59
Return on Equity	4.81%*	24.58%	30.66%	23.82%
Capital Employed	789.77	494.23	389.64	189.40
ROCE	3.75%*	22.61%	23.46%	26.54%
Fixed Asset Turnover	0.72*	5.37	5.1	4.88
Net Worth	294.26	276.46	208.56	144.77
RoNW	5.98%*	24.58%	30.66%	23.83%
NAV per share	61.31	57.6	43.45	30.16

Source: Red Herring Prospectus (RHP), \*not annualized



2) Company has recorded the third highest operating revenue, the second highest operating profit margin, the third highest net profit margin and the second highest return on capital employed among its peer set given in CRISIL report.

3) Company has a marquee CDMO customer base.

4) Sufficient manufacturing capacity to provide customers with large volumes and satisfy their requirements.

5) Diversified branded generics product portfolio.

6) Company's products have strong brand recognition coupled with their long-term relationships and ongoing active engagements with their distributors which in turn has helped them expand their product offerings and geographic reach.

7) Plan to construct a new 240,916 sq. ft facility in Jammu, which will include tablets, capsules, dry syrups and injections and they will also get the benefit from New Central Sector Scheme for Industrial Development of Jammu & Kashmir.

### Objects of the issue

Offer for sale up to 55,80,357 Equity Shares aggregating up to Rs. 250 Crores

Name Of The Selling Shareholder	Type	No. Of Shares Offered In IPO At Upper Price Band	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN Rs)
Manoj Kumar Lohariwala	PROMOTER	Up to 1,953,125 Equity Shares Aggregating Up to Rs. 87.5 Crores	2.36
Vinay Kumar Lohariwala	PROMOTER	Up to 1,953,125 Equity Shares Aggregating Up to Rs. 87.5 Crores	15.2
Gian Parkash Aggarwal	OTHER	Up to 1,674,107 Equity Shares aggregating up to Rs. 75 Crores	2.5

### Fresh Issue

Fresh Issue up to 71,42,857 Equity Shares aggregating up to Rs. 320 Crores

Company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment and / or prepayment in part or in full, of certain outstanding loans of the Company;
2. Investment in the Subsidiary, UML, for repayment and / or prepayment in part or full of outstanding loans availed by UML;
3. Funding the working capital requirements;
4. General corporate purposes

### Shareholding pattern

Particulars	Pre - Offer Equity Share capital		Post - Offer Equity Share capital	
	No. of Equity Shares	% of total shareholding	No. of Equity Shares	% of total shareholding
<b>Promoter and Promoter Group</b>				
Manoj Kumar Lohariwala	19036000	38.01%	17082875	29.85%
Vinay Kumar Lohariwala	14436000	28.82%	12482875	21.81%
Vandana Lohariwal	4000	0.01%	4000	0.01%
Chhavi Lohariwala	4000	0.01%	4000	0.01%
<b>Total</b>	<b>33480000</b>	<b>66.85%</b>	<b>29573750</b>	<b>51.68%</b>
<b>Public</b>				
Gian Parkash Aggarwal	14512000	28.98%	12837893	22.43%
Public	2090072	4.17%	14813286	25.89%
<b>Total</b>	<b>16602072</b>	<b>33.15%</b>	<b>27651179.14</b>	<b>48.32%</b>

Source: Red Herring Prospectus (RHP)



## Product Portfolio and Customer Base

			Restated Consolidated Financial Information				Three months ended June 30, 2023	
Business Area	Fiscal 2021		Fiscal 2022		Fiscal 2023		Rs. Crores	% of revenue from operations
	Rs. Crores	% of revenue from operations	Rs. Crores	% of revenue from operations	Rs. Crores	% of revenue from operations		
CDMO services and products *	370.87	90.31%	686.69	85.78%	679.56	73.36%	166.21	71.26%
Domestic branded generics	0	0.00%	37.051	4.63%	166.16	17.94%	42.253	18.12%
International branded generics	39.791	9.69%	76.781	9.59%	80.663	8.71%	24.78	10.62%
Sharon	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Revenue from Operations	410.66	100.00%	800.53	100.00%	926.38	100.00%	233.24	100.00%

\*Including incentives and scrap sales

## Customer Base and Revenue Concentration

Year	Revenue from top 20 customers	Percentage contribution of top 20 customers to revenue from operations from CDMO Business	Revenue from top 10 customers	Percentage contribution of top 10 customers to revenue from operations from CDMO Business	Revenue from largest customer	Percentage contribution of largest customer to revenue from operations from CDMO Business
Three months ended June 30, 2023	136.641	82.21%	113.663	68.39%	36.537	21.98%
Fiscal 2023	475.806	70.02%	382.54	56.29%	100.104	14.73%
Fiscal 2022	419.122	61.03%	334.118	48.66%	77.071	11.22%
Fiscal 2021	238.093	64.20%	202.201	54.52%	58.07	15.66%

Particulars	Fiscal 2021	Fiscal 2022	Fiscal 2023	Three months ended June 30, 2023
Number of CDMO customers ( 1 )	119	174	182	133
Revenue from CDMO customers ( 1 ) (In Rs. Crores)	370.87	686.69	679.56	166.21
Revenue from CDMO customers with relationship of 10 years or more ( 1 ) (In Rs. Crores)	152.77	244.11	238.83	59.391
Revenue from CDMO customers with relationship between 5 and 10 years ( 1 ) (In Rs. Crores)	184.83	358.60	333.17	88.83
Revenue from CDMO customers with relationship of under 5 years ( 1 ) (In Rs. Crores)	33.27	83.979	107.56	17.989



(1) CDMO relationship period is measured by number of years in which an invoiced order has been placed with them. The base date for the number of years of a relationship has been taken as June 30, 2023.

Source: Red Herring Prospectus (RHP)

### Capacity Utilization

Facilities (in crores)	As of March 31st, 2021		As of March 31st, 2022		As of March 31st, 2022	
	Annual Installed Capacity	Capacity Utilization (%)	Annual Installed Capacity	Utilization (%) Capacity	Annual Installed Capacity	Capacity Utilization (%)
Tablets	423.93	66.49%	555.67	54.61%	819.16	40.68%
Capsules	159.12	60.03%	204.82	52.04%	247.25	55.49%
Ointments	2.28	76.11%	2.28	56.33%	2.28	63.22%
Dry Powder Injection	6.04	59.13%	6.04	77.27%	6.04	74.01%
Dry Syrup	5.35	30.18%	5.35	53.22%	5.35	52.77%
Liquid Orals	7.09	37.15%	7.09	89.90%	7.09	86.70%

### Acquisition

Innova Captab Limited acquired Sharon pursuant to CIRP under the IBC. In accordance with the terms of the resolution plan approved by the NCLT, company infused Rs. 195.40 Crores into Sharon on June 26, 2023, and Sharon is now a wholly owned subsidiary of UML as of June 30, 2023. Sharon is engaged in the business of manufacturing of intermediates and active pharmaceutical ingredients ("APIs") as well as finished dosages. It also offers contract manufacturing services for pharmaceutical products. Sharon caters to both domestic as well as international markets including Canada, the United Kingdom, Europe, Australia and Central and South America. Sharon has manufacturing plants located in Dehradun, Uttarakhand and Taloja, Maharashtra. As of October 31, 2023, Sharon had 567 employees. Revenue from Sharon on a pro forma consolidated basis was Rs. 192.21 Crores in Fiscal 2023.

### Peer Comparison

Name of the company	Face value (per share)	Closing price on November 21, 2023 (per share)	Revenue from Operations (in Rs. Crores) (FY23)	EPS		NAV (per share)	P / E	Return on Net Worth (%)
				Basic	Diluted			
Innova Captab Limited	10	NA	926.38	14.2	14.16	57.6	31.63	24.58%
Torrent Pharmaceuticals Limited	5	2,119.65	9,620.15	36.8	36.79	182.97	57.6	20.11%
Laurus Labs Limited	2	373.7	6,040.55	14.7	14.64	74.92	25.5	19.74%
Ajanta Pharma Limited	2	1,969.15	3,742.64	45.9	45.89	267.41	42.9	17.36%
J. B. Chemicals and Pharmaceuticals Limited	2	1,497.30	3,149.28	53	52.34	320.36	28.6	16.54%
NATCO Pharma Limited	2	779.55	2,707.10	39.2	39.18	264.21	19.9	14.84%
Eris Lifesciences Limited	1	926.7	1,685.15	28.1	28.07	160.85	33	17.10%
Indoco Remedies Limited	2	350.7	1,668.61	15.4	15.42	111.58	22.7	13.83%
Suven Pharmaceuticals Limited	1	600.05	1,340.33	16.2	16.16	68.16	37.1	23.70%
Windlas Biotech Limited	5	434.25	513.08	19.7	19.7	192.02	22	10.61%

The following table sets forth the key players across the Indian CDMO industry for the Fiscal 2023

Company Name	Date of Incorporation	Registered office location
Acme Formulation Private Limited	2004	Himachal Pradesh
Akums Drugs and Pharmaceuticals Ltd	2004	Delhi
Innova Captab Limited	2005	Mumbai
Synokem Pharmaceuticals Limited	1983	Delhi
Theon Pharmaceuticals Limited	2005	Chandigarh
Tirupati Medicare Ltd	2005	Delhi



Windlas Biotech Ltd

2001

Dehradun

Source: Red Herring Prospectus (RHP)

### Competitive Strengths

- 1) Leading presence and one of the fastest growing CDMOs in the Indian pharmaceutical formulations market.
- 2) Well established relationships with their marquee CDMO customer base.
- 3) Highly efficient operations, including world class manufacturing facilities and supply chain.
- 4) Rapidly growing domestic and international export branded generics businesses.
- 5) Strong R&D focus to build an increasingly complex product portfolio and attract and retain customers.

Source: Red Herring Prospectus (RHP)

### Growth Strategies

- 1) Expansion of their manufacturing capacities
- 2) Expand the wallet share of existing customers and develop new customers.
- 3) Continued focus on R&D operations.
- 4) Growing international export business.
- 5) Expanding their domestic branded generics business.
- 6) Growth through strategic acquisitions.

Source: Red Herring Prospectus (RHP)

### Key Risks

- 1) Company operates in a highly competitive. They compete to provide outsourced pharmaceutical manufacturing services or CDMO services and products, particularly for formulations, to pharmaceutical companies in India and other jurisdictions. In addition, the branded generic products compete with generic products of other suppliers in India and other jurisdictions.
- 2) Company depends on a limited number of contract development and manufacturing organization ("CDMO") customers. Any reduction in the number of CDMO customers and adverse developments or inability to enter into or maintain relationships with these CDMO customers could have an adverse effect on the business, results of operations and financial condition.
- 3) If the company fails to comply with the quality requirements and technical specifications prescribed by their customers it may lead to loss of business from such customers and could negatively impact the business, results of operations and financial condition, including cancellation of existing and future orders which may expose them to warranty claims.
- 4) Company is dependent on China, China SEZ and Hong Kong for their raw material supplies which exposes them to political, economic and social conditions in greater China.
- 5) Being a capital intensive business any insufficient cash flows from their operations or inability to borrow to meet their working capital requirements may materially and adversely affect business and results of operations.
- 6) Company is required to transfer, obtain, renew or maintain statutory and regulatory permits, licenses and approvals connected with Sharon's business that became a wholly owned subsidiary of UML as of June 30, 2023, and any delay or inability in transferring, renewing or maintaining such permits, licenses and approvals could adversely affect business, results of operations and financial condition.

Source: Red Herring Prospectus (RHP)



#### Disclosure under SEBI Research Analyst Regulations 2014:

Sr.no.	Particulars	Yes/No
1)	Research Analyst or his/her relative's or Ajcon Global Services Limited financial interest in the subject company(ies):	No
2)	Research Analyst or his/her relative or Ajcon Global Services Limited actual/beneficial ownership of 1% or more securities of the subject company (ies) at the end of the month immediately preceding the date of publication of the Research report	No
3)	Research Analyst or his/her relative or Ajcon Global Services Limited has any other material conflict of interest at the time of publication of the Research Report	No
4)	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5)	Ajcon Global Services Limited has received any compensation from the subject company in the past twelve months	No
6)	Ajcon Global Services Limited has received any compensation for investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
7)	Ajcon Global Services Limited has received any compensation for products or services other than investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
8)	Ajcon Global Services Limited has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9)	Ajcon Global Services Limited has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10)	Research Analyst or Ajcon Global Services Limited has been engaged in market making activity for the subject company(ies)	No

#### Disclaimer

Investment 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.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited is a fully integrated stock broking, investment banking, merchant banking, corporate advisory, commodity and currency broking Company. It may therefore have commercial relationship for the above said services with the Company covered in this Report. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or



to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

It is confirmed that Aadesh Gosalia or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

### **Analyst Certification**

I, Aadesh Gosalia, research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

### **For research related queries contact:**

Mr. Aadesh Gosalia- Research Analyst at [research@ajcon.net](mailto:research@ajcon.net)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: [www.ajcononline.com](http://www.ajcononline.com)

### **Registered and Corporate office**

408 - (4<sup>th</sup> Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062