



IPO NOTE

INNOVA CAPTAB LIMITED

Rating:

SUBSCRIBE

(FOR LISTING GAIN AND LONG TERM)



ISSUE OFFER

| | |
|---------------------|--------------|
| Issue Opens on | DEC 21, 2023 |
| Issue Close on | DEC 26, 2023 |
| Total IPO size (cr) | 570.00 |
| Fresh issue (cr) | 320.00 |
| Offer For Sale (cr) | 250.00 |
| Price Band (INR) | 426-448 |
| Market Lot | 33 |
| Face Value (INR) | 10 |
| Retail Allocation | 35% |
| Listing On | NSE, BSE |

ISSUE BREAK-UP (%)

| | | |
|----------------|---|-----|
| QIB Portion |  | 50% |
| NIB Portion |  | 15% |
| Retail Portion |  | 35% |

SHAREHOLDING (No. of Shares)

| | |
|------------------|-------------------|
| Pre Issue | Post Issue |
| 50,082,072 | 57,224,929 |

INDICATIVE TIMETABLE

| | |
|------------------------------------|------------|
| Finalisation of Basis of Allotment | 27-12-2023 |
| Refunds/Unblocking ASBA Fund | 28-12-2023 |
| Credit of equity shares to DP A/c | 28-12-2023 |
| Trading commences | 29-12-2023 |

Innova Captab Limited is a pharmaceutical company in India with a presence across the pharmaceuticals value chain including research and development, manufacturing, drug distribution and marketing, and exports. It has three business segments (i) It provides manufacturing services to Indian pharmaceutical companies, (ii) a domestic branded generics business, and (iii) an international branded generics business.

OBJECTS OF THE ISSUE

- Repayment of certain outstanding loans of the Company.
- Funding the working capital requirements.
- Investment in the Subsidiary.

OUTLOOK & VALUATION

Innova Captab's strong position as a generic pharma manufacturer, coupled with well-established relationships with key CDMO clients, positions the company for continued growth. Its domestic and international branded generics businesses are also exhibiting rapid expansion. Innova Captab boasts highly efficient operations, a robust R&D facility, and a track record of consistent financial performance. However, competition remains a significant challenge to consider.

While the IPO valuation at 31.63x P/E might appear fully priced, recent strategic acquisitions, the upcoming new facility in Jammu, and continued R&D focus offer promising growth prospects.

Overall, Innova Captab's strong market position, growth potential, and focus on innovation make it a promising investment, despite the competitive landscape and premium valuation. Thus we recommend a subscribe rating for this IPO.



KEY MANAGERIAL PERSONNEL

01

Manoj Kumar Lohariwala

He has approximately 26 years of experience in the field of manufacturing and marketing of pharmaceutical products. Before being associated with the Company, he served as the vice-president - marketing with Pharmatech Health Care.

04

Gaurav Srivastava

Chief Financial Officer of the Company. He is an associate member of the Institute of Chartered Accountants of India. He has approximately 17 years of experience in the corporate finance sector.

02

Vinay Kumar Lohariwala

Managing Director on the Board of the Company. He has approximately 21 years of experience in the field of manufacturing and marketing of pharmaceutical products. Before being associated with the Company, he served as the vice-president - manufacturing with Pharmatech Health Care.

03

Jayant Vasudeo Rao

Whole-time Director on the Board of the Company. He has approximately 18 years of experience in the field of production management for pharmaceutical formulations. Before being associated with the Company, he was associated with Ebers Pharmaceuticals Limited, Prophyla Biologicals Private Limited and Lexicon Biotech (India) Limited



COMPANY PROFILE

- Innova Captab Limited has multiple business segments one of which is a contract development and manufacturing organization business and In Fiscal 2023 the company had 182 CDMO customers.
- The company has manufactured a diverse generics product portfolio of over 600 products and markets them under its brands in the Indian market through a developed network of approximately 5,000 distributors and stockists and over 150,000 retail pharmacies.
- In addition, during Fiscal 2023 and the three months ended June 30, 2023, it exported branded generic products to 20 and 16 countries, respectively.
- The company has two manufacturing facilities in Baddi, Himachal Pradesh along with a new facility it is planning in Jammu. It also has a dedicated R&D laboratory and pilot equipment located at its manufacturing facility in Baddi, Himachal Pradesh.
- Some of its key customers include Cipla Limited, Glenmark Pharmaceuticals Limited, Wockhardt Limited, Corona Remedies Private Limited, Emcure Pharmaceuticals Limited, Lupin Limited and many others.

COMPETITIVE STRENGTHS

- Leading presence and one of the fastest-growing CDMOs in the Indian pharmaceutical formulations market.
- Well-established relationships with its marquee CDMO customer base.
- Highly efficient operations, including its world-class manufacturing facilities and supply chain.
- Rapidly growing domestic and international export branded generics businesses.
- Strong R&D focus to build an increasingly complex product portfolio and attract and retain customers.
- Consistent financial performance.
- Experienced promoters and management team.

KEY STRATEGIES

- Expansion of its manufacturing capacities.
- Integration of the acquired Sharon business.
- Expand the wallet share of existing customers and develop new customers.
- Continued focus on R&D operation.
- Growing international export business.

KEY CONCERNS

- The Company operates in a highly competitive market.
- It is dependent on a limited number of contract development and manufacturing organization customers.
- Failure to comply with the quality requirements and technical specifications prescribed by the customers may lead to loss of business from such customers.
- Dependence on the import of raw materials from China, China SEZ, and Hong Kong.
- It is subject to risks associated with the rejection of supplied products.
- It operates in a highly regulated industry and any failure to comply with the existing and future regulatory requirements could adversely affect its business.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

| Name of the Company | EPS (Basic) | P/E | Total Income (ML) | NAV | RoNW (%) |
|---|-------------|-------|-------------------|--------|----------|
| Innova Captab Limited | 14.16 | - | 9,263.80 | 57.60 | 24.58% |
| Peer Group | | | | | |
| Torrent Pharmaceuticals Limited | 36.79 | 57.61 | 96,201.50 | 182.97 | 20.11% |
| Laurus Labs Limited | 14.69 | 25.53 | 60,405.50 | 74.92 | 19.74% |
| J. B. Chemicals and Pharmaceuticals Limited | 52.34 | 28.61 | 31,492.83 | 320.36 | 16.54% |
| NATCO Pharma Limited | 39.18 | 19.90 | 27,071.00 | 264.21 | 14.84% |
| Eris Lifesciences Limited | 28.07 | 33.01 | 16,851.49 | 160.85 | 17.10% |
| Indoco Remedies Limited | 15.44 | 22.74 | 16,686.11 | 111.58 | 13.83% |
| Suven Pharmaceuticals Limited | 16.16 | 37.13 | 13,403.29 | 68.16 | 23.70% |
| Ajanta Pharma Limited | 45.89 | 42.91 | 37,426.40 | 267.41 | 17.36% |
| Windlas Biotech Limited | 19.7 | 22.04 | 5,130.83 | 192.02 | 10.61% |

FINANCIALS (RESTATED CONSOLIDATED)

| PARTICULARS (RS. IN MILLIONS) | FY 2023 | FY 2022 | FY 2021 |
|--------------------------------|----------|----------|----------|
| Equity Share Capital | 480.00 | 120.00 | 120.00 |
| Other Equity | 2,285.06 | 1,966.06 | 1,328.21 |
| Net Worth | 2,765.06 | 2,086.06 | 1,448.21 |
| Total Borrowings | 1,341.77 | 673.52 | 60.00 |
| Revenue from Operations | 9,263.80 | 8,005.26 | 4,106.62 |
| EBITDA | 9,355.78 | 8,034.09 | 4,120.33 |
| Profit Before Tax | 917.95 | 857.20 | 463.44 |
| Net Profit for the year | 679.54 | 639.53 | 345.00 |



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