

Senores Pharmaceuticals Ltd.

Company Overview:

Senores Pharmaceuticals Ltd (SPL) is global research driven pharmaceutical company engaged in developing and manufacturing of diverse range of specialty, underpenetrated and complex pharmaceutical products across different therapeutic area and dosage forms. SPL also operates in the critical care injectables segment. The Company has establishing itself as a preferred partner to customers. The company is predominantly operating in Regulated markets of US, Canada & UK and has further built presence across 43 countries in Emerging Markets. SPL has launched 55 products and has successfully commercialized 16 Active Pharmaceutical Ingredient (APIs) as of Sep'24.

Key Highlights:

1. USFDA compliant manufacturing facility: The company manufacturers products for the regulated markets through its US Food & Drug Administration (USFDA) approved oral solid dosage facility in Atlanta, USA. US FDA approval certifies the quality of manufacturing facility and processes for its consumption in stringent Regulated Market thus demonstrating its commitment in maintaining quality standards. The approval not only ensures compliance with stringent regulatory standards but also enhances the credibility and market reach and thus further positioning SPL favorably against competitors and helps in providing a distinct competitive advantage.

2. Niche product portfolio: SPL's product selection strategy is to target the development and manufacturing of specialty, niche and difficult to manufacture complex products. The complex products face lower competition thus probability of price erosion is low. This strategy has helped the company grow rapidly in the regulated markets in a short period of time from its first product launch in Apr'20. The company has received 19 ANDA approvals and has commercialized 21 products in US and Canadian markets till Sep'24. Currently there are 45 products under pipeline.

3. Long term agreements with marquee pharmaceutical companies: The company has entered into long term agreements with major pharma companies operating in regulated markets for a period ranging between 5-7 years. SPL partners with global pharma companies when the identified product reaches advanced stages of development and enters into in-licensing and transfer pricing agreements. Through this process, the company has created long-term agreements with Lannett Company Inc., Prasco LLC, Jubilant Cadista Pharmaceuticals Inc., Sun Pharmaceuticals Industries Limited, Cintex Services LLC and Dr. Reddy's Laboratories Inc. etc. SPL also have well established CDMO relationships which helps to optimize the production capacity.

4. Presence in the Emerging Markets: SPL also has a presence in Emerging Markets and is currently marketing their products in 43 countries with specific focus on Latin America, Africa, Commonwealth of Independent States, South-East Asia and Middle East regions. The company has adopted a product identification and launch strategy, where it identifies complex products which are widely sold in the regulated markets and have patent protection in the US but are not available in Emerging markets. By launching these complex and specialty products the company benefits from lower competition in the emerging markets.

Valuation: The company is valued at FY24 P/E and EV/EBITDA multiples of 57.2x and 36.8x, respectively, based on the upper price band on the post-issue capital. The Company has delivered a robust Revenue/EBITDA/PAT CAGR of 289.1%/361.6%/474.5% between FY22 and FY24 to Rs 215 cr/ Rs 42 cr/ Rs 31 respectively. Compared with its close peers, the issue seems fairly valued across different valuation and financial parameters. We recommend investors to subscribe the issue at the Cut-Off price for long term investment perspective.

Issue Details

Date of Opening	20 th December 2024
Date of Closing	24 th December 2024
Price Band (Rs)	372 – 391
Offer for sale (shares)	21,00,000
Fresh Issue (Rs cr)	500
Issue Size (Rs cr)	578 – 582
No. of shares	1,55,40,860 – 1,48,87,724
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	1,737 – 1,801
BRLMs	Equirus Capital Pvt. Ltd, Ambit Pvt. Ltd, Nuvama Wealth Management Ltd.
Registrar	Link Intime India Pvt Ltd
Bid Lot	38 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue

	Estimated utilization from net proceeds (Rs cr)
Investment in Havix (subsidiary) to fund the capex requirements for setting up a manufacturing facility for the production of sterile injections in the Atlanta Facility	107.0
Re-payment or pre-payment in full or in part of certain borrowings availed by the company	73.5
Investment in Havix (subsidiary) for re-payment/pre-payment in full or in part, of certain borrowings availed by the subsidiary	20.2
Funding working capital requirements of the company	43.3
Investment in subsidiaries – SPI and Ratnatris to fund the working capital requirements	59.5
Funding inorganic growth through acquisition & other strategic initiatives and general corporate purposes [^]	-
Total proceeds from fresh issue	500.0

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with RoC. The amount utilized for Funding inorganic growth through acquisition & other strategic initiatives and general corporate purposes shall not exceed 35% of the Gross Proceeds. (Refer page 125 of RHP for more details)

Shareholding Pattern

Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,21,76,079	66.7
Public & Others	1,10,89,786	33.3
Total	3,32,65,865	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,10,76,079	45.8
Public & Others	2,49,77,510	54.2
Total	4,60,53,589	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	1HFY25
Revenue from operation	14.2	35.3	214.5	181.0
EBITDA	2.0	12.7	41.6	44.6
PAT	1.0	8.4	31.5	23.5
EBITDA Margin (%)	13.8	35.9	19.4	24.6
PAT Margin (%)	7.0	23.9	14.7	13.0
ROE (%)	2.7	18.5	15.4	-
ROCE (%)	3.4	13.7	7.6	-
PE (x)*	1,312.5	154.2	41.4	-

Source: RHP, SSL Research

*Pre-issue based on upper price band

Risk Factors

- Marketing partner & distributor risk:** The company typically enters into long term marketing agreements for a period ranging between 5-7 years with marketing partners or distributors in the Regulated markets which results in predictable and stable cash flows. However, there is no assurance that arrangements with partners or distributors will not decline in the future. Further, in the event of any breakthroughs in the development or invention of alternative products, SPL may be exposed to the risk of products being substituted. Any loss of marketing partners or distributors, or a reduction in demand for products or inability to maintain and acquire new partners may have an adverse effect on the business, result of operations and financial conditions.
- Regulatory risk:** The company operates in a highly regulated industry. Its products and manufacturing processes are subject to stringent quality standards and specifications levied by customers and regulatory bodies like the US Food & Drug Administration (USFDA), Health Canada, etc. Any failure to comply with the stringent quality norms levied by the customers or regulators may have an adverse effect on the business, result of operations and financial conditions.
- Geographical concentration risk:** The company derives a significant portion of its revenue from the American markets. As of FY23/FY24/1HFY25, the company derived 74.6%/66.6%/59.8% of its revenue from US markets respectively. SPL's revenue from US markets may decline in the event of increased competition, regulatory action, pricing pressures, and fluctuations in the demand. Additionally, any changes in trade policies or decline in demand from the American market may have an adverse effect on the business, result of operations and financial conditions.

Growth Strategy

- Enhance market presence in North America and other Regulated Markets.
- Launch products in US with New Drug Application (NDA) approvals.
- Expand into newer regulated and emerging market geographies.
- Build strategic alliances for CDMO/CMO business in regulated markets.
- Pursue integrated approach by enhancing capabilities for backward integration.
- Pursue inorganic growth through synergistic acquisitions.

Geographical Presence – Regulated & Semi-Regulated Markets



Our Track Record

21
Commercialized Products

19
ANDAs

4
CGT Designations

6
Filed ANDAs

45
Pipeline Products

Geographical Presence – Emerging Markets



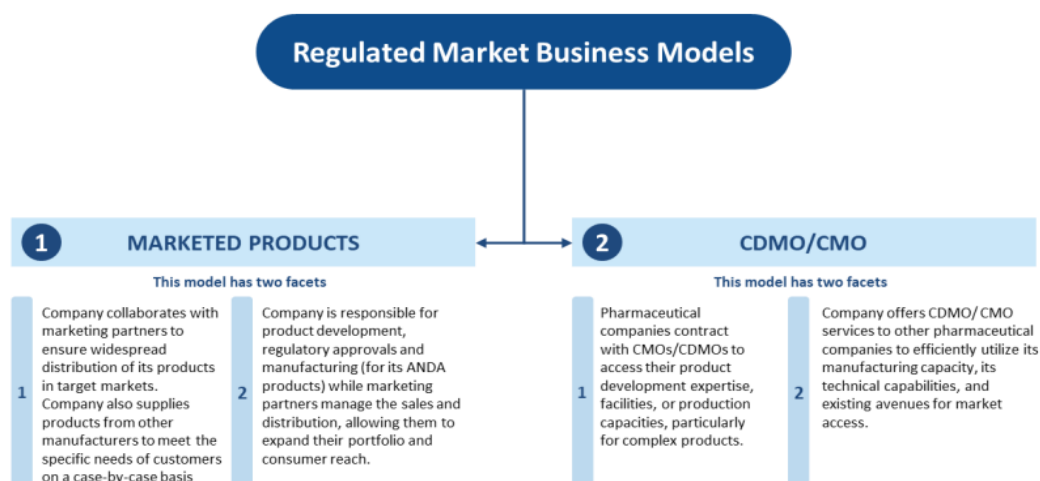
Our Track Record

43
Countries

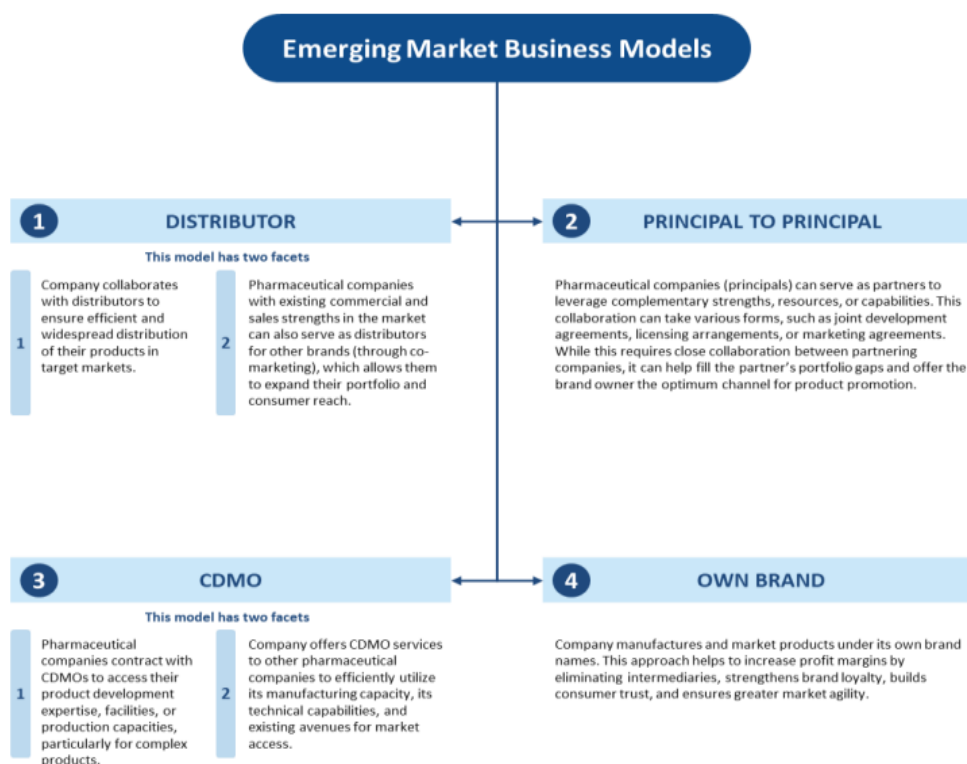
205
Product Registrations

406
Product
Applications Filed

Business Model - Regulated Markets



Business Model – Emerging Markets



Revenue Mix – Segment Wise

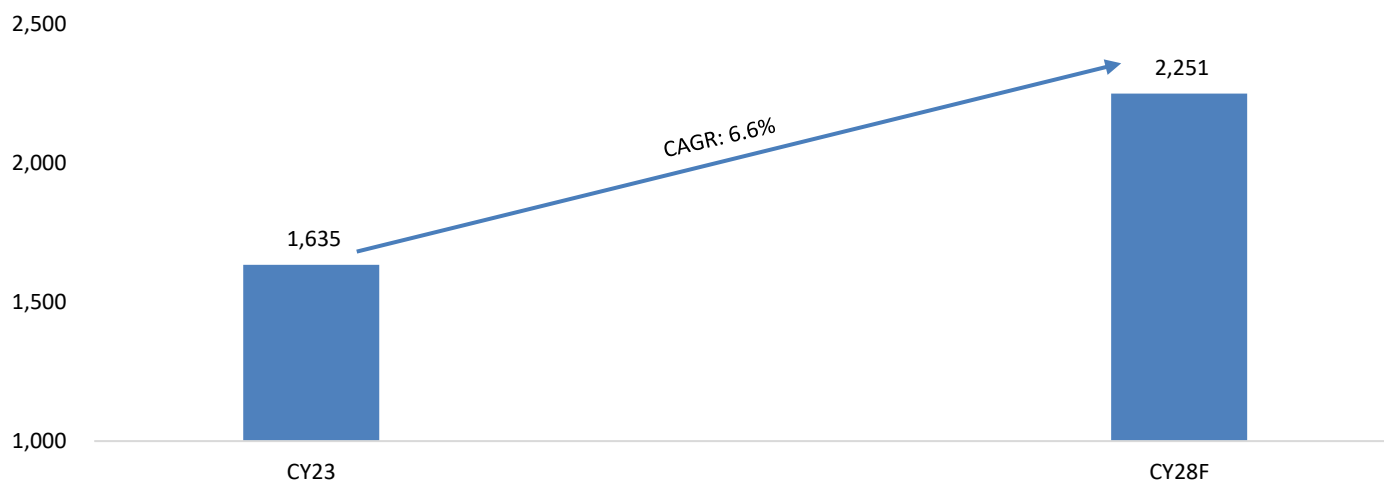
Particulars	FY22		FY23		FY24		1HFY25	
	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue
Regulated Markets	0.9	6.3	20.7	58.7	145.2	67.7	110.4	61.0
Emerging Markets	-	-	-	-	44.2	20.6	58.6	32.4
Active Pharmaceutical Ingredients (API)	-	-	2.0	5.6	13.9	6.5	6.2	3.4
Critical Care Injectables	-	-	1.7	4.8	5.7	2.7	2.6	1.5
Other	13.3	93.7	10.9	30.9	5.6	2.6	3.3	1.8
Total	14.2	100.0	35.3	100.0	214.5	100.0	181.0	100.0

Source: RHP, SSL Research

Industry Overview

The **Global Pharmaceutical Market** stood at USD 1.6 trillion in CY23 and is projected to grow at a CAGR of ~6.6% between CY23-CY28F to reach USD 2.3 trillion by CY28F. Spending on pharmaceutical products has grown in tandem with overall healthcare spending particularly driven by an increase in chronic disease cases, the growth of the senior population, trends in self-medication, the availability of cost-effective generics, and the overall affordability of drugs compared to other available clinical alternatives. Going forward, the growth in the global pharmaceutical market will likely be driven by aging population, disease burden, growing trends in self-medication, increasing consumer awareness, rising demand from developing nations and increasing incidence of chronic diseases.

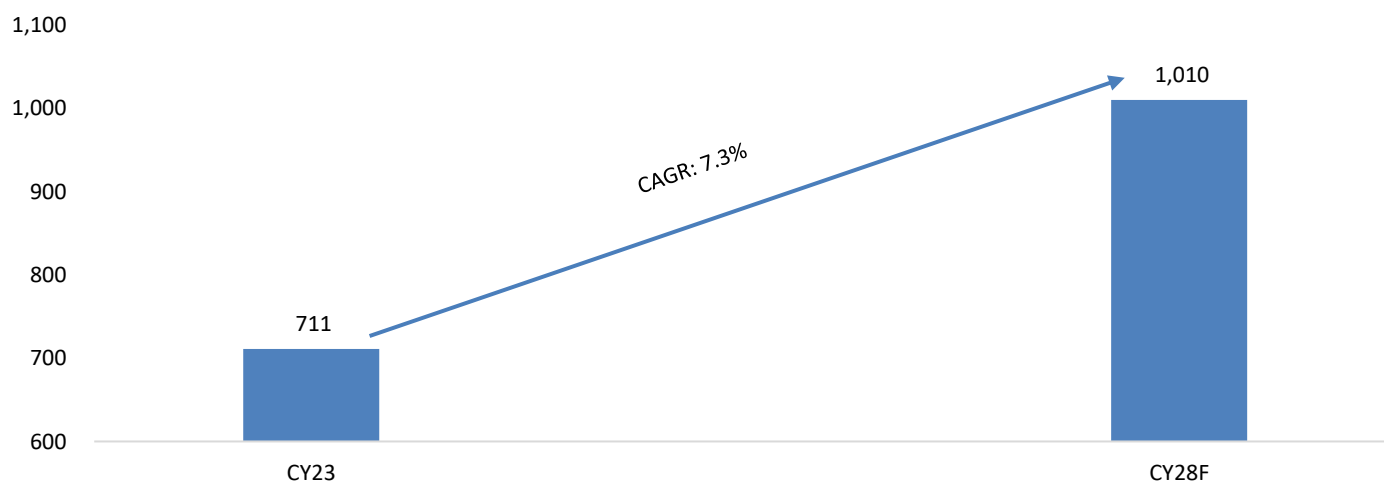
Global Pharmaceutical Market (USD bn)



Source: RHP, SSL Research

The **US Pharmaceutical Market** was valued at USD 711 bn in CY23 and accounted for ~43% of the global market, ~56% of the regulated market and ~91% of the North American market. The market has grown at a CAGR of ~7.6% between CY18-CY23 driven by robust healthcare infrastructure, state-of-the-art healthcare facilities, integration of advanced technology and significant investments in R&D. Going forward, the market is expected to grow at a CAGR of ~7.3% between CY23-CY28F and to reach USD 1,010 bn by CY28F.

US Pharmaceutical Market (USD bn)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY22	FY23	FY24
Revenue from Operations	14	35	215
YoY growth (%)	-	149.4%	507.1%
Cost Of Revenues (incl. Stock Adj.)	8	13	106
Gross Profit	6	23	108
Gross margin (%)	43.3%	63.9%	50.5%
Employee Cost	3	5	35
Other Operating Expenses	1	5	31
EBITDA	2	13	42
EBITDA margin (%)	13.8%	35.9%	19.4%
Other Income	-	4	3
Interest Exp.	1	2	9
Depreciation	1	2	10
PBT	1	12	25
Exceptional item/Extraordinary item	-	-	-
Tax	-	4	(8)
PAT	1	8	31
PAT margin (%)	7.0%	23.9%	14.7%
EPS	0.3	2.5	9.5

BALANCE SHEET			
Particulars (Rs cr)	FY22	FY23	FY24
Assets			
Net Block	5	6	152
Capital WIP	-	8	18
Goodwill	-	-	38
Intangible Assets	1	20	36
Intangible Assets under development	8	26	79
Right of use assets	-	2	9
Other Non-current Assets	17	18	38
Current Assets			
Inventories	3	3	37
Trade receivables	20	22	112
Cash and Bank Balances	3	-	13
Other Current Assets	1	26	88
Total Current Assets	27	51	251
Current Liabilities & Provisions			
Trade payables	7	14	113
Other current liabilities	1	7	17
Short-term provisions	-	-	1
Total Current Liabilities	8	21	131
Net Current Assets	19	31	120
Total Assets	51	110	491
Liabilities			
Share Capital	9	10	31
Reserves and Surplus	28	36	174
Total Shareholders' Funds	37	45	204
Minority Interest	-	-	27
Total Debt	14	61	248
Long Term Provisions	-	-	1
Lease Liabilities	1	2	9
Net Deferred Tax Liability	-	2	-
Total Liabilities	51	110	491

Cashflows (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(10)	(1)	(20)
Cash flow from Investing Activities	(24)	(48)	(55)
Cash flow from Financing Activities	36	46	87
Free Cash Flow	(21)	(48)	(72)

RATIOS			
	FY22	FY23	FY24
Profitability (%)			
Return on Assets	1.7	6.4	5.1
Return on Capital Employed	3.4	13.7	7.6
Return on Equity	2.7	18.5	15.4
Margin Analysis (%)			
Gross Margin	43.3	63.9	50.5
EBITDA Margin	13.8	35.9	19.4
Net Profit Margin	7.0	23.9	14.7
Short-Term Liquidity			
Current Ratio (x)	3.5	2.5	1.9
Quick Ratio (x)	3.1	2.3	1.6
Avg. Days Sales Outstanding	506	228	191
Avg. Days Inventory Outstanding	77	32	64
Avg. Days Payables	184	140	192
Fixed asset turnover (x)	2.5	4.9	1.3
Debt-service coverage (x)	0.1	0.2	0.1
Long-Term Solvency			
Total Debt / Equity (x)	0.4	1.3	1.2
Interest Coverage Ratio (x)	3.0	6.8	3.6
Valuation Ratios			
EV/EBITDA (x)	672.0	107.4	36.9
P/E (x)	1,312.5	154.2	41.4
P/B (x)	35.5	28.6	6.4
EV/Sales (x)	92.6	38.5	7.2

Source: RHP, SSL Research

Peer Comparison

Particulars (Rs cr)	Senores Pharmaceuticals Ltd.	Ajanta Pharma Ltd.	Alembic Pharmaceuticals Ltd.	Caplin Point Laboratories Ltd.	Gland Pharma Ltd.	Strides Pharma Science Ltd.
CMP	391.0	2,865.6	1,054.0	2,408.8	1,775.0	698.9
Sales	214.5	4,208.7	6,228.6	1,694.1	5,664.7	4,051.1
EBITDA	41.6	1,171.9	933.4	551.4	1,333.1	783.0
Net Profit	32.7	816.2	615.8	461.4	772.5	(148.5)
Mkt Cap.	1,800.7	35,794.2	20,717.8	18,309.7	29,243.4	6,441.3
Enterprise Value	1,528.8	35,666.2	21,028.0	18,171.3	29,206.1	8,694.8
EBITDA Margin (%)	19.4	27.8	15.0	32.6	23.5	19.3
Net Margin (%)	15.2	19.4	9.9	27.2	13.6	-
P/E (x)	57.2	44.2	33.6	40.0	37.8	-
EV/EBITDA (x)	36.8	30.4	22.5	33.0	21.9	11.1
RoE (%)	15.4	22.9	12.8	19.9	8.9	-
RoCE (%)	7.6	31.4	13.1	24.4	12.8	12.4
EV/Sales	7.1	8.5	3.4	10.7	5.2	2.1

The data is based on FY24 financial data.

For Senores Pharmaceuticals Limited the Market cap, PE(x), and EV/EBITDA (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 19th December, 2024.

Source: RHP, SSL Research

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