IPO Note

Windlas Biotech Limited

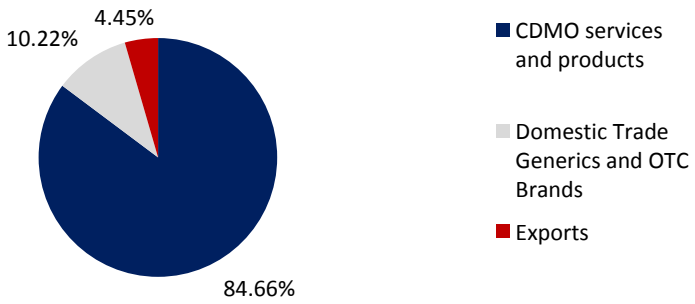
Issue Details

Issue Size	Rs. 395 Crore – Rs. 402 Crore	**Price Band:**	Rs.448 – Rs.460
IPO Date:	04th Aug 2021 to 06th Aug 2021	**Offer Ratio:**	QIB: 50%, NII: 15%, Retail: 35%
Bid Lot:	30 Equity Shares and in multiples thereof		

Company Profile

Windlas Biotech Limited is amongst the top five players in the domestic pharmaceutical formulations contract development and manufacturing organization ("CDMO") industry in India in terms of revenue (Source: CRISIL Report). With over two decades of experience in manufacturing both solid and liquid pharmaceutical dosage forms and significant experience in providing specialized capabilities, including, high potency, controlled substances and low-solubility, the company provides a comprehensive range of CDMO services ranging from product discovery, product development, licensing and commercial manufacturing of generic products, including complex generics, in compliance with current Good Manufacturing Practices ("GMP") with a focus on improved safety, efficacy and cost. In Fiscal 2020, their market share was approximately 1.5% in terms of revenue in the domestic formulations CDMO industry (Source: CRISIL Report). In addition to providing services and products in the CDMO market, they also sell their own branded products in the trade generics and OTC markets as well as export generic products to several countries. The company has three distinct strategic business verticals ("SBVs"): (i) CDMO Services and Products; (ii) Domestic Trade Generics and over-the-counter ("OTC") Brands; and (iii) Exports.

Revenue Breakup for FY 2021



The company currently owns and operates four manufacturing facilities located at Dehradun in Uttarakhand. As of March 31, 2021, their manufacturing facilities had an aggregate installed operating capacity of 7,063.83 million tablets/ capsules, 54.46 million pouch/ sachet and 61.08 million liquid bottles. In addition, they have recently received a license to manufacture certain APIs at their Dehradun Plant – I, which will help the company with backward integration. The company is led by professional and experienced Promoters and a senior management team with significant expertise in the pharmaceutical industry. Their Promoter, and Whole-time Director, Ashok Kumar Windlass, has over 20 years of experience in the manufacturing and pharmaceutical business in India, while Hitesh Windlass, Promoter and Managing Director, helped with regards to the strategic, corporate and technical operations, and Manoj Kumar Windlass, Promoter and Joint Managing Director, helped in the commercial operations of the Company.

Competitive Strengths

- Leading CDMO in India with a focus on the chronic therapeutic category
- Innovative portfolio of complex generic products supported by robust R&D capabilities
- Efficient and quality compliant manufacturing facilities with significant entry barriers
- Long-term relationships with Indian pharmaceutical companies
- Consistent track record of financial performance
- Experienced Promoters and senior management with a professional and technically qualified team

Object of the Offer

(in Rs. Million)

Particulars	Amount[1]
Purchase of equipment required for (i) capacity expansion of their existing facility at the Dehradun Plant – IV; and (ii) addition of injectables dosage capability at their existing facility at Dehradun Plant – II	500.00
Funding incremental working capital requirements of the Company	475.62
Repayment/pre-payment of certain of their borrowings	200.00
General Corporate Purposes[1]	[●]

(1) To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Net Proceeds.

Financials (Restated Consolidated)

Particulars (Rs. In Million)	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019 (Proforma)
Equity Share Capital	64.11	64.11	64.11
Other Equity	1,927.08	2,032.48	1,871.74
Net Worth	1,991.22	2,096.59	1,935.85
Total Borrowings	313.16	274.31	299.12
Revenue from Operations	4,276.02	3,288.52	3,072.67
EBITDA	545.19	340.00	377.41
Profit Before Tax	217.40	246.68	761.15
Net Profit for the year	155.70	162.13	638.22

Comparison with peers

There are no listed companies in India that engage in a business similar to that of the company. Hence, it is not possible to provide an industry comparison in relation to the Company

Key Risk Factors

- The company depends on the success of its relationships with its CDMO customers, including leading Indian pharmaceutical companies and multinational companies. Any adverse developments or inability to enter into or maintain such relationships could have an adverse effect on their business, results of operations and financial condition.
- They are subject to strict technical specifications, quality requirements, regular inspections and audits by their CDMO customers including leading Indian pharmaceutical companies. Any failure to comply with the quality standards and technical specifications prescribed by such customers may lead to loss of business from such customers and could negatively impact company's reputation, business prospects and results of operations, including cancellation of existing and future orders which may expose the company to warranty claims.
- Their operations are dependent on research and development ("R&D"), and their inability to identify and understand evolving industry trends, technological advancements, customer preferences, regulatory change and innovate new products to meet their customers' demands may adversely affect the business.
- The continuing impact of the COVID-19 pandemic, or any future pandemic or widespread public health emergency could materially and adversely impact the business and operations and it may be significant and continue to have an adverse effect on the business, operations and future financial performance.
- The pharmaceutical market is subject to extensive regulation and failures to comply with the existing and future regulatory requirements in any pharmaceutical market could adversely affect their business in that market, results of operations and financial condition.
- They propose to enter into the manufacture of injectables, which will be a new business for the Company and if they are unable to establish themselves in this business segment, their business condition, results of operations and cash flows may be adversely affected.
- Company's CDMO agreements impose several contractual obligations upon them. If they are unable to meet these contractual obligations and/ or their customers perceive any deficiency in their service they may face legal liabilities and consequent damage to their reputation which may in-turn adversely impact the business, financial condition and results of operations.

- The business is working capital intensive. If they experience insufficient cash flows from operations or are unable to borrow to meet their working capital requirements, it may materially and adversely affect the business and results of operations.
- The company has undertaken certain corporate actions in the past, pursuant to which their consolidated financial statements for Fiscals 2019, 2020 and 2021 are not comparable to each other and any future financial results that they may prepare.
- Their operations are subject to environmental and workers' health and safety laws and regulations. They may have to incur material costs to comply with these regulations or suffer material liabilities or damages in the event of an incidence or non-compliance of environment and other similar laws and regulations which may have a material adverse effect on the reputation, business, financial condition and results of operations.
- Their manufacturing facilities are concentrated in a single region. Any inability to operate and grow the business in this particular region may have an adverse effect on the business, financial condition, results of operations, cash flows and future business prospects.
- Any failure of the third parties, on whom the company relies for clinical trials, in performing their obligations and complying with regulatory standards could result in a delay in receiving regulatory approval and adversely affect their business, financial condition and results of operations.
- They are required to obtain, renew or maintain statutory and regulatory permits, licenses and approvals to operate their business, and any delay or inability in obtaining, renewing or maintaining such permits, licenses and approvals could result in an adverse effect on the results of operations.
- The company is subject to risks associated with rejection of supplied products, and consequential claims and associated product liability costs due to defects in their products, which could generate adverse publicity or adversely affect their business, results of operations or financial condition.
- If any of their products or products they manufacture for their customers cause, or are perceived to cause, severe side effects, their reputation, revenues and profitability could be adversely affected.
- They derive a significant portion of their revenue from the sale of products in certain therapeutic areas. Their business, results of operations and financial condition may be adversely affected if any of the products in such therapeutic areas do not perform as expected.
- There are outstanding litigation proceedings against the Company and Directors. Any adverse outcome in such proceedings may have an adverse impact on their reputation, business, financial condition, results of operations and cash flows.
- One of Company's Independent Directors was previously appearing on the list of disqualified directors.
- The company intends to utilise a portion of the Net Proceeds for funding its capital expenditure requirements. It is yet to place orders for such capital expenditure requirements.
- They rely on their distributors and stockists for the sale and distribution of their products. A termination of their sales arrangements or if their distributors and stockists do not effectively sell or market their products, their business, results of operations and financial condition may adversely affect.
- The company is dependent on third-parties for certain operations, such as, transportation of raw materials, delivery of their finished products and hazardous waste management.
- The report issued under the Companies (Auditor's Report) Order, 2016 ("CARO"), on company's historical audited financial statements contain statements on certain matters.
- They face foreign exchange risks that could adversely affect their results of operations as a portion of their revenue and expenditure is denominated in foreign currencies.
- Certain of their business transactions in the Domestic Trade Generics and OTC Brands SBV are entered into with government or government-funded entities in India and any change in the government policies, practices or focus may adversely affect their business, cash flows and results of operations.
- The company has in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.
- After the completion of the Offer, the Promoters will continue to collectively hold substantial shareholding in the Company.
- Certain of their corporate records are not traceable or have discrepancies. The company cannot assure that regulatory proceedings or actions will not be initiated against them in the future and they will not be subject to any penalty imposed by the competent regulatory authority in this regard.

(Please refer the entire list of risk factors given in section II (page 19 onwards) given in RHP)

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