

CONCORD BIOTECH LIMITED

04-08-2023 to 08-08-2023

Industry: Pharmaceuticals

Price Band: ₹ 705 - 741

Recommendation: Subscribe with Risk

Post Implied Market Cap: ₹ 7,375 - 7,752 Cr

Key Data

Issue Size (₹ Cr)	1,498 - 1,551
Fresh (₹)	0
OFS (₹)	1,498 - 1,551
No of shares offered	2,09,25,652
Face Value (₹ /share)	1
Bid Lot	20

About the Company

Concord Biotech Limited (Concord) is a leading biopharma company based in India, recognized for its pivotal role in developing and manufacturing fermentation-based APIs in immunosuppressants and oncology. It has three manufacturing facilities in Gujarat, India, consisting of API manufacturing facilities in Dholka and Limbasi, and a formulation manufacturing facility in Valthera. With a market share of over 20% by volume in 2022, they supply APIs to more than 70 countries, including the US, Europe, Japan, and India. As of March 2023, Concord's fermentation capacity reached 1,250 m³, and they have expanded their formulation business to tap into emerging markets. With a strong presence in immunology, oncology, and anti-infectives therapeutic areas, they are well-prepared to take advantage of the anticipated growth in the industry. Concord is actively focused on expanding its API business, capitalizing on the projected 3.6% CAGR in the global fermentation-based API market from 2022 to 2026. The company is backed by a proficient and experienced management team.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-08-2023
Refunds/Unblocking ASBA Fund	14-08-2023
Credit of equity shares to DP A/c	17-08-2023
Trading commences	18-08-2023

Investment Rationale

- Established presence across the complex fermentation value chain:** Concord has established a strong presence across the entire fermentation value chain, encompassing R&D, patents, key starting materials, API and formulation manufacturing, as well as marketing and distribution of fermentation-based products. Over the last two decades, they have developed unique technical expertise in the fermentation process, leading to the successful development and commercialization of a diverse range of fermentation-based APIs. Their integrated business model enables them to capture opportunities in the fermentation segment by combining R&D and production capabilities, catering to customer-specific needs and fostering stronger relationships with clients.
- Diversifying Geographical Presence and Exploring New Formulations:** Concord's growth strategy for their formulations business encompasses expanding their geographical reach in India, emerging markets, and the United States. This expansion involves launching new dosage forms, such as injectables, in their recently established facility with capabilities for liquid vials, lyophilized vials, dry powder injections, and sterile powder lyophilization. Additionally, the company plans to diversify its formulation portfolio by focusing on formulations with higher growth potential, while also leveraging its API expertise to develop new formulations in the pipeline. This strategic approach aims to improve profitability and optimize their formulation manufacturing capacity, providing customized solutions to customers and enhancing their business profile.
- Experienced Promoters, management team supported by marquee investors:** Concord's management comprises a Promoter-led team supported by over 1,200 employees, including strong R&D, production, quality, regulatory compliance, and marketing teams. Their R&D, quality, and regulatory, and marketing teams consist of 148, 290, and 144 employees, respectively, as of March 31, 2023. Helix Investment Holdings Pte. Ltd, backed by Quadria Capital Fund L.P., and RARE Enterprises, an Indian asset management firm, hold 20% of their fully subscribed and paid-up Equity Share capital, providing capital sponsorship and professional expertise.
- Robust Manufacturing Facilities and Long-standing Customer Relations:** Concord operates three manufacturing facilities in Gujarat, India, with API manufacturing plants in Dholka and Limbasi consisting of 41 manufacturing blocks for various APIs. These facilities undergo periodic inspections by overseas regulators. In 2021, Concord launched the Limbasi facility to expand its capacity and cater to emerging and regulated markets, serving as a key API manufacturer. The company maintains long-standing relationships with major global generic pharmaceutical companies and has developed connections with 60 new customers during 2023. Concord's B2B model supplies APIs and formulations globally, while in India, they market critical care drugs under their own brands through a sales force model, reaching over 1,500 hospitals in 20 states and 5 union territories.

Shareholding (No. of shares)

Pre-Issue	10,46,16,204
Post Issue (Lower price band)	10,46,16,204
Post Issue (Higher price band)	10,46,16,204

Shareholding Pattern

	%
Promoters:	
Pre Issue	29.40%
Post Issue	29.40%
Promoters Group:	
Pre Issue	14.68%
Post Issue	14.68%
Public - Other Selling S/h:	
Pre Issue	20.00%
Post Issue	0.00%
Public - Others:	
Pre Issue	35.92%
Post Issue	55.92%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Dependency on imports for raw materials
- High Revenue Contribution from top ten customers
- Foreign Exchange Risk

Other Details

BRLMs: Kotak Mahindra Capital, Citigroup
Global, Jefferies India

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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MView

We believe Concord's prominent position as a global developer and manufacturer, boasting a substantial market share, and owing to its strong emphasis on R&D in Fermentation Technology and Chemical Process APIs offers investors an opportunity to invest in the full fermented value chain business. The company's two-decade-long expertise in fermentation processes ensures a competitive advantage and the ability to commercialize a wide spectrum of fermentation-based APIs. With long-standing relationships with key customers, expansion into injectables, and strategic growth plans in emerging markets and the United States, Concord's growth potential and diversification make it a compelling investment prospect. On valuation parse at upper band of ₹741/- the issue is asking for a market cap of ₹7,752 crore with the price to book value at around 6x and PE of 32x which looks slightly higher and expensive in the industry as on date, hence assuming current financials the issue appears to be fully priced-in discounting near term triggers. Investors should also consider the issue being a purely secondary (OFS) issue which is an exit route to Helix Investments, where in post issue concord Biotech is not receiving any funds for any growth capital. Hence we remain a bit cautious on the OFS IPO offers and advice only risk seeking investors to "SUBSCRIBE" to the IPO with a long term perspective while the ongoing optimistic market sentiments if investors get any listing gains over and above 25%, we also recommend allotted investors to book profits on the listing day.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2023	2022	2021
Equity Share Capital	10.46	9.51	9.51
Reserves	1279.54	1093.71	989.86
Net worth as stated	1290.00	1103.22	999.37
Revenue from Operations	853.17	712.93	616.94
Revenue Growth (%)	19.67%	15.56%	-
EBITDA	345.25	269.64	327.1
EBITDA Margin	40.47%	37.82%	53.02%
Net Profit	240.08	174.92	234.89
Net Profit Margin	28.14%	24.54%	38.07%
EPS	22.95	16.72	22.45

Source: RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Revenue from operations (As on 31st March 2023)	EPS	NAV	P/E	RONW
Concord Biotech Ltd	7752	1	853.17	22.95	123.3	32	20.06%
Divis Laboratories	99137.91	2	7,767.51	68.89	480.93	54.15	14.28%
Suven Pharmaceuticals Ltd	12481.32	1	1,340.33	16.16	68.18	30.08	23.70%
Laurus Labs Ltd	20142.85	2	6,040.55	14.69	75.16	23.7	19.68%
Shilpa Medicare Ltd	3096.66	1	1,050.11	-3.74	204.41	NA	NA

Source: RHP, Data as on 31st March 2023, Mcap as on 03/08/2023



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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