

## SAI LIFE SCIENCES LTD

11-12-2024 - 13-12-2024

Industry: CRDMO

Price Band: ₹522 - 549

Recommendation: Subscribe with Risk

Post Implied Market Cap: - ₹10,904 - ₹11,419Cr

### Key Data

Issue Size (₹ Cr)	2,940 - 3,043
Fresh (₹)	950
OFS (₹)	2,093
No. of shares offered	56,316,167 - 55,421,123
Face Value (₹ /share)	1
Bid Lot	27

### About the Company

Sai Life Sciences is a rapidly growing contract research, development, and manufacturing organization (CRDMO) that serves global pharmaceutical innovators and biotech firms. Specializing in small molecule new chemical entities (NCEs), it provides comprehensive services across drug discovery, development, and manufacturing. With integrated capabilities in contract research (CRO) and contract development and manufacturing (CDMO), Sai Life Sciences is among the fastest-growing Indian CRDMOs in revenue and EBITDA CAGR from FY2022 to FY2024.

### Investment Rationales

- **One of the largest integrated Indian CRDMOs in terms of revenue from operations for the Financial Year 2024, acting as a one-stop platform for discovery, development and manufacturing:** Sai Life Sciences is a leading integrated CRDMO, offering end-to-end services across drug discovery, development, and manufacturing. Leveraging early-stage engagement with clients, the company supports them throughout their drug development journey. As of September 30, 2024, its CDMO portfolio includes 50 late-phase or commercial products, with 34 undergoing in-house process development before entering Phase III trials. For FY 2024, 75.19% of its chemistry services revenue was derived from customers also using its biology and/or DMPK services, showcasing its comprehensive and integrated offerings.
- **CDMO platform with a diverse mix of commercial and under-development molecules:** Sai Life Sciences excels in complex chemistry and advanced production technologies, enabling it to cater to diverse client needs, including HPAPIs, peptide APIs, contrast agents, and building blocks for RNA-based therapeutics. As of September 30, 2024, its development and manufacturing portfolio includes 38 products contributing to 28 commercial drugs, including 7 blockbuster drugs (annual sales > \$1 billion in FY 2023) and 12 APIs in Phase III trials. Additionally, the company has 120 products in development across pre-clinical and early-phase clinical stages.
- **Fast-growing, integrated Discovery capabilities with focus on biology, chemistry and DMPK services:** Sai Life Sciences' Discovery business grew at a robust CAGR of ~34.77% from FY 2022 to FY 2024. The company added 230 new customers between FY 2019 and FY 2024 and served over 200 customers annually in FY 2022, FY 2023, and FY 2024. Its integrated drug discovery approach, co-locating biology, chemistry, and DMPK services at the Unit II Hyderabad Facility and the Greater Boston Facility, enhances time and cost efficiencies. The Boston facility contributed to onboarding 8 new drug discovery customers. The company's 1,092 scientific staff, primarily with advanced degrees, support diverse therapeutic areas like oncology and CNS. Additionally, Sai Life Sciences established a dedicated R&D center for a major client, staffed with 90 professionals as of September 30, 2024.
- **Long-standing relationship with a diverse base of existing and new customers:** As of September 30, 2024, Sai Life Sciences had a highly diversified customer base, with no single customer contributing more than 8% of its revenue. The company serves global pharmaceutical and biotechnology firms, including 18 of the top 25 pharmaceutical companies by revenue in CY 2023, doubling its presence among these top players since FY 2019. Sai has signed Master Services Agreements (MSAs) with 8 pharmaceutical companies, facilitating the flow of early-phase products into its portfolio and enabling opportunities to "follow the molecule" through development stages. The company also actively caters to mid-sized and small pharmaceutical firms, broadening its customer reach.

- **Continue to drive operational excellence initiatives to improve profitability and return metrics:** Sai Life Sciences leverages technology-enabled processes and new-age tools to enhance operational efficiency and service delivery. Its "Digital, Analytics and Automation" initiative integrates paperless data acquisition, predictive analytics, and science-based modeling to improve lead times and customer experience. The company also runs the "SaiGo" operations excellence program, which has driven a "Shopfloor Transformation Initiative" across R&D and manufacturing since 2019. To optimize operational effectiveness, it employs end-to-end planning systems and regularly updates its governance framework, aligning annual operating plans with granular targets at quarterly, monthly, and weekly levels.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	16-12-2024
Refunds/Unblocking ASBA Fund	17-12-2024
Credit of equity shares to DP A/c	17-12-2024
Trading commences	18-12-2024

### Shareholding (No. of shares)

Pre-Issue	190,685,340
Post Issue (Lower price band)	208,884,573
Post Issue (Higher price band)	207,989,529

### Shareholding Pattern

<b>Promoter:</b>	
Pre Issue	41.82%
Post Issue	35.24%
<b>Public- Others:</b>	
Pre Issue	58.18%
Post Issue	64.76%

### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

### Other Details

**BRLMs:** Kotak Mahindra Capital, IIFL Capital Services, Jefferies India, Morgan Stanley India.

**Registrar:** KFin Technologies Ltd.

**Listing:** BSE & NSE

### Research Analyst

**Rajan Shinde**  
rajan.shinde@mehtagroup.in  
022-61507142

### Risk

- High government regulation industry.
- High revenue dependency on biotechnology customer, whose funding is sensitive to market fluctuations.

### MView

We believe Sai Life Sciences Ltd IPO brings investors an opportunity to invest in a leading integrated CRDMO with end-to-end capabilities across drug discovery, development, and manufacturing. We think the company's diversified and global customer base, including 18 of the top 25 pharmaceutical firms, demonstrates strong market positioning and trust among top-tier clients. We also believe Sai's robust Discovery business, growing at a CAGR of ~34.77% (FY 2022-24), highlights its capability to meet evolving client needs across complex therapeutic areas like oncology and CNS. Its cutting-edge technology, operational excellence initiatives like "SaiGo," and strategic Master Service Agreements enhance efficiency, customer retention, and scalability. We also think the company's ability to "follow the molecule" from early stages to commercialization underscores its value proposition. Leveraging a growing portfolio of 7 blockbuster drugs and a pipeline of 120 early-stage products, Sai Life Sciences is strategically positioned for sustained growth. By looking at the financials company shown good growth in revenues from operations in FY 2023 & FY 2024 increased by 40%/20% while profits seen a substantial surge by 60% and 729% due to strategic decision of doing capital expense of investing in new technology and new areas to become a global player which results in winning disproportionate business and increase in operating leverage in FY 2023 and FY 2024. On valuation parse at the upper band of ₹ 549/-, the issue is asking for a Market Cap of ₹ 11419 cr. Based on annualised FY 2025 earnings and fully diluted post - IPO paid-up capital, the company is asking a PE of 203.82x which seems very expensively priced discounting all the near term growth trajectory. We believe the shift of global dynamics due to China plus one and Biosecure act could bring significant opportunities for Indian CDMO players in the coming future. Hence, with all attributes we recommend only risk taking investors to "SUBSCRIBE" the Sai Life Sciences Ltd IPO with risk.



## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept 30th		As at March' 31		
	2024 (6)	2023 (6)	2024 (12)	2023 (12)	2022 (12)
Equity Share Capital	18.88	18.02	18.05	18.01	17.94
Net Worth	1,044.75	874.99	974.34	887.29	877.76
Total Borrowings	764.49	679.20	710.16	699.23	751.32
Revenue from Operations	675.29	642.34	1,465.18	1,217.14	869.59
Revenue Growth (%)	5.13	-	20.38	39.97	-
EBITDA	139.5	71.86	300.12	182.23	131.06
EBITDA Margin (%) as stated	20.66%	11.19%	20.48%	14.97%	15.07%
Net Profit for the Period	28.01	-12.92	82.81	9.99	6.23
Net Profit Margin (%)	4.15%	-2.01%	5.65%	0.82%	0.72%
EPS	1.5	-0.71%	4.57	0.55	0.35
RONW (%)	2.68%	-1.48%	8.50%	1.13%	0.71%
Net Asset Value (₹) as stated	55.93	48.37	53.83	49.18	48.90
ROCE (%)	3.90%	1.23%	10.26%	5.13%	3.21%

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Revenue from Operations (₹ in Cr)	Mcap (₹ in Cr)	FV	EPS	NAV (₹ Per Share)	P/B	P/E	RoNW (%)
Sai Life Sciences Ltd	1,465.18	11,419	1	2.69	331.83	1.7	203.8	8.50%
Divi's Laboratories	7,845.00	1,57,768	2	60.27	511.21	11.4	85.9	11.79%
Suven Pharmaceuticals	1,051.35	32,902	1	11.80	94.04	16.6	135.0	14.64%
Syngene International	3,488.60	35,534	10	12.71	105.91	8.1	77.1	11.98%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 10-12-2024

Sai Life Sciences Ltd, EPS/PE,PB, NAV calculated on annualised basis post money



# MSEARCH

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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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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: [info@mehtagroup.in](mailto:info@mehtagroup.in), Website: [www.mehtagroup.in](http://www.mehtagroup.in)

Compliance Officer: Prakash Joshi

Email Id: [compliance@mehtagroup.in](mailto:compliance@mehtagroup.in)

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: [help.kyc@mehtagroup.in](mailto:help.kyc@mehtagroup.in) Phone: + 91 22 61507154