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Issue Detail	
Price Band (Rs)	Rs. 705 – 741
Face Value (Rs)	1.00
Issue Size (Rs)	1,551 Cr
Issue Type	Book Building
Minimum lot	20 Shares
Issue Opens	August 04, 2023
Issue Closes	August 08, 2023
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	August 11, 2023
Unblocking of Funds	August 14, 2023
Credit of shares to Demat Account	August 17, 2023
Listing on exchange	August 18, 2023

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited and Jefferies India Private Limited.
Registrar	Link Intime India Private Limited.

IPO Shareholding (%)		
Category	Pre-Issue	Post-Issue
Promoters	44.08%	44.08%
Public	55.92%	55.92%
Total	100.00%	100.00%

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Concord Biotech Limited

Company Background

Concord Biotech Limited (CONCORD) was incorporated on November 23, 1984. Concord is an India-based biopharma company and one of the leading global developers and manufacturers of select fermentation-based APIs across immune suppressants and oncology in terms of market share, based on volume in 2022, supplying to over 70 countries including regulated markets, such as the United States, Europe and Japan, and India. Concord is amongst the few companies globally that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities. The Company has two API manufacturing units and one finished formulation unit, all located near Ahmedabad, Gujarat, India.

Issue Details

Offer for Sale of up to 20,925,652 Equity shares

Issue Objectives

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges and;
- Carry out the Offer for Sale of up to 20,925,652 Equity Shares by the Selling Shareholder.

(Note: The company will not receive any proceeds from the Offer.)

IPO Share Issue Structure

Category	Allocation	Number of Shares at Rs. 741	Value at upper band (Rs. in Cr.)
QIB (Institutional)	50%	1,04,57,825	774.92
Non Institutional	15%	31,37,348	232.48
Retail	35%	73,20,479	542.45
Employee*		10,000	0.67
Total	-	2,09,25,652	1,551.00

Note: Employee Discount Rs.70 Per share

Source: Company RHP, ACMIIL Research

Outlook and Valuation

Concord Biotech Limited is an India-based R&D-driven biopharma company. The company manufactures Active Pharmaceutical Ingredients (API) through fermentation & semi-synthetic process and finished formulations. It started with a single product and has grown to become a wide-spectrum solution provider. Concord is working with global pharmaceutical companies for its fermentation and semi-synthetic complex niche API's in the area of Immunosuppressant, Oncology, Antibacterial and Antifungal segments. At the upper price band of Rs.741/-, stock is priced at 32.28x its FY23 EPS. We recommend subscribing to the issue from a long term perspective.

Company & Business Overview

Concord has an established presence in these therapeutic areas and are well- poised to benefit from the industry growth tailwinds. As of March 31, 2023, they had 6 fermentation-based immunosuppressant APIs including tacrolimus, mycophenolate mofetil, mycophenolate sodium, cyclosporine, sirolimus and pimecrolimus. As of June 30, 2023, Concord had a portfolio of 57 brands and 77 products manufactured by them, including 23 APIs and 53 formulations. In addition, as of March 31, 2023, they had 80 out-licensed formulation which they distributed in India under their brands.

In India, they market a portfolio of 27 brands across immunosuppressants, nephrology drugs and anti-infective drugs for critical care. They have a presence across 20 states and 5 union territories in India, through their sales team. They also have a B2B contract development manufacturing organization (“CDMO”) business where they supply immunosuppressants to the Indian market.

Concord had over 200 customers in over 70 countries as of March 31, 2023, for both their APIs and formulations. They have entered into long-term supply agreements with some of their customers. Their API customers include Intas Pharmaceuticals Ltd and Glenmark Pharmaceuticals Ltd. In India, their formulations are provided primarily under a B2B model through 1,500 government and corporate hospitals.

Concord is amongst the few companies globally that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities. Fermentation is a challenging process as it involves working with microbial strains and culture, controlling multiple process parameters, and performing various purification steps. Small modifications to the process may lead to relatively large variances in the outputs. The global small-molecule fermentation-based API market was valued at ₹ 925 billion in 2022. The market is expected to reach approximately ₹ 1,186 billion in 2026, representing a CAGR of 3.6% from 2022 to 2026. Growth of the fermentation-based API market is expected to be driven primarily by the therapeutic areas of immunology, oncology and anti-infectives.

They aim to continue to grow their immunosuppressant API portfolio, which will remain one of the key contributors to their API business in the near future.

In addition to their immunosuppressant API portfolio, they aim to increase the sales of their APIs across other therapeutic areas, especially the following:

A) Anti-infective APIs: The Anti-infective APIs includes -

1. Anti-bacterial APIs: Concord offers 5 anti-bacterial APIs, including mupirocin, mupirocin calcium, vancomycin hydrochloride and teicoplanin.
2. Anti-fungal APIs: Concord offers 3 anti-fungal APIs, including anidulafungin, micafungin sodium and caspofungin.

B) Oncology drug APIs: Concord offers 6 oncology drug APIs, including temsirolimus, everolimus, romidepsin, mitomycin, dactinomycin and midostaurin.

Concord has invested significantly in capacity expansion in recent years. With their increased capacities, they are in the process of scaling up their API production to serve more customers.

To capitalize on the benefits of backward integration, they entered into the formulations segment in 2016. In India, they market a portfolio of 27 brands across immunosuppressants, nephrology drugs and anti-infective drugs for critical care. They have a presence across 20 states and 5 union territories in India, through their sales team. They also have a B2B contract development manufacturing organization (“CDMO”) business where they supply immunosuppressants to the Indian market.

Their immunosuppressant formulations are manufactured in facilities inspected or accredited by overseas regulators, such as the USFDA, and distributed to the United States and countries in Asia, Africa, and Latin America on a B2B basis, primarily through arrangements with distributors.

Currently, they had 77 approved products for formulations. In addition, they have obtained 4 ANDA approvals for 6 products from the USFDA for formulations. Their R&D team is working on developing new formulations for which they expect to apply for ANDA approvals from the USFDA.

Concord has a Promoter-led professional and experienced management team. Sudhir Vaid, one of their Promoters and the Chairman and the Managing Director of the Board has been playing a crucial role in building their technology capabilities, scaling up their manufacturing facilities and developing their R&D division. Ankur Vaid, one of their Promoters, the Joint Managing Director and the Chief Executive Officer, has over 15 years of experience in the pharmaceutical industry. He has been involved in the development of the research and development division of the company and contributed to the market strategy of the company.

Concord has a focus on sustainability in their operations in terms of environmental impact and occupational health and safety, and have instituted environment, health and safety and governance systems. Their environmental conservation efforts are centred around optimizing energy consumption, reducing waste, and utilizing clean energy in business operations, especially with respect to waste management in compliance with applicable environmental laws.

Revenue Contribution Based On Geography

Particulars (Rs. in Cr.)	For the Year Ended March 31,					
	2021		2022		2023	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
Domestic	252.65	40.95%	337.41	47.33%	432.13	50.65%
- India	252.65	40.95%	337.41	47.33%	432.13	50.65%
Export	364.29	59.05%	375.52	52.67%	421.03	49.35%
- USA	159.79	25.90%	131.45	18.44%	147.25	17.26%
- Rest of the World	204.5	33.15%	244.07	34.23%	273.78	32.09%
Total for Revenue from Operations	616.94	100.00%	712.93	100.00%	853.17	100.00%

Source: Company RHP, ACMIIL Research

Manufacturing Facilities

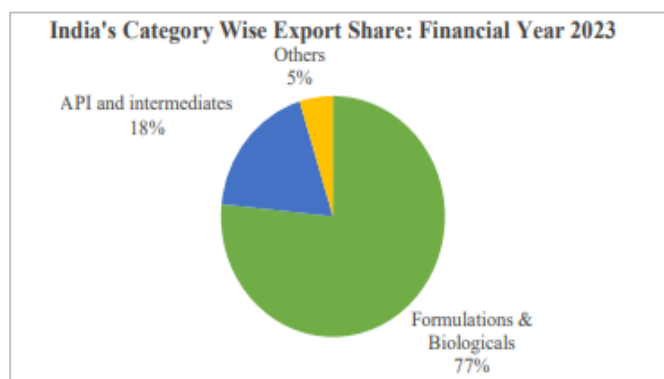
As of March 31, 2023, Concord had 3 manufacturing facilities in the state of Gujarat, India, comprising API manufacturing facilities in Dholka and Limbasi and a formulation manufacturing facility in Valthera, which were commercialized in 2000, 2021 and 2016, respectively. The total annual installed fermentation capacity for APIs was 1,250 m³, as of March 31, 2023. They have a total of 41 manufacturing blocks and 387 reactors in the Dholka and Limbasi facilities, which allows them the flexibility in plant configuration to cater to customer demands. Their Dholka facility has been subject to inspections by overseas regulators, including USFDA, Government of Upper Bavaria, Germany, PMDA of Japan and MFDS of Korea, on a periodic basis since 2005.

In addition to the regulatory inspections, their Dholka facility has been subject to audits by their customers with regard to adherence to their specifications and standards since 2005. They intend for the Limbasi facility to cater to major regulated markets, subject to receipt of approvals from the regulatory authorities in these markets. Their products that are sold across all their markets are manufactured according to their standards that are uniform across all facilities.

Industry Overview

India's Healthcare Market Dynamics India's domestic healthcare market is growing rapidly and is projected to grow at a CAGR of 8% to 10% from 2023 to 2026. In addition to improving private insurance coverage and greater willingness to spend on healthcare, government policies provide catalytic stimuli. These policies include the Ayushman Bharat Program, the Ayushman Bharat Health Infrastructure Mission, and the Pradhan Mantri Bhartiya Janaushadi Pariyojana.

India is a crucial supplier of generic drugs, supplying to address almost 40% of the total U.S. generic drug (formulation) demand and approximately 25% of the total drug demand in the United Kingdom. According to the Indian Brand Equity Foundation ("IBEF"), India also accounts for 60% of global vaccine production, contributing 70% of the WHO's demand. This success can be attributed to the advanced capabilities in formulation manufacturing, the capability to meet global standards and governmental support. According to the Ministry of Commerce & Industry, while India's formulations are expected to grow, and they accounted for approximately 77% of the pharmaceutical export share in the Financial Year 2023, there are opportunities to address bottlenecks in raw material (active pharmaceutical ingredients ("APIs")) and key starting materials ("KSMs") manufacturing and expand its current share of approximately 18% in the pharmaceutical exports in the Financial Year 2023.



Source: Company RHP, ACMIIL Research

Note: Others include Ayush, Herbal Products, and Surgicals

Challenges facing India's API and KSM sector include high dependence on China for raw materials, inadequate infrastructure in select areas such as fermentation and delays in land acquisition and environmental clearance. However, several factors, such as regulatory policies, provide stimulus to the API segment in India.

Sourcing Shift from China to India

To replicate the success of India's finished dosage form in the API market, it is critical to decrease India's dependence on Chinese imports.

PLI Scheme

In addition, the Department of Pharmaceuticals of India announced its first Production Linked Incentive scheme ("PLI Scheme") in July 2020, with incentives worth INR 69 billion to boost domestic manufacturing of identified KSMs, drug intermediates, and APIs to attract significant investments in the sector and to reduce India's import dependence in critical APIs. The scheme aims to reduce India's dependence on China for raw materials and produce crucial antibiotics, anti-HIV drugs, vitamins, and drugs for cardiovascular diseases. According to Invest India, the total outlay for the PLI Scheme is INR 150 billion and will benefit 55 approved beneficiaries focusing on pharmaceutical drugs, APIs, and intermediates. As of March 2023, four pharmaceutical companies have received approval under PLI scheme for target segment 1 (Key Fermentation Based KSMs/Drug Intermediates), six companies under target segment 2 (Fermentation Based Niche KSMs/Drug Intermediates/APIs), six under target segment 3 (Key Chemical Synthesis Based KSMs/Drug Intermediates) and 35 under target segment 4 (Other Chemical Synthesis Based KSMs/Drug Intermediates/APIs). Besides APIs, the Government of India has also been giving separate PLI approvals to pharma companies that are involved in manufacturing finished formulations.

Competitive Strengths

Established presence across the complex fermentation value chain

The fermentation value chain encompasses aspects such as R&D, patents, key starting materials, API and formulation manufacturing, as well as marketing and distribution of fermentation-based products. Concord has established capabilities across the fermentation value chain. In addition, they have honed their capabilities across the fermentation value chain, which they leveraged to build a track record across multiple products in various therapeutic areas.

Over the last 2 decades since 2001, Concord has been able to build difficult-to-replicate technical expertise in the fermentation process, which has enabled them to develop and commercialize a wide spectrum of fermentation-based APIs.

Their business model aims to capture opportunities within the fermentation segment across APIs, formulations and other adjacencies, by combining their R&D and production capabilities. Their integration of R&D, patents, key starting materials, API and formulations manufacturing and marketing and distribution allow them to cater to their customers' specific requirements and provide them with customized solutions. Their ability to do so further enhances their business profile and strengthens their customer relationships.

Global leadership in immunosuppressant APIs along with a wide spectrum of complex fermentation-based APIs across multiple therapeutic areas

Concord is one of the leading global developers and manufacturers of select fermentation-based APIs across immune suppressants and commanded a market share of over 20% by volume in 2022 across identified fermentation-based API products. As of March 31, 2023, they had 6 fermentation-based immunosuppressant APIs. As of 2022, more than 90% of the approved and commonly prescribed small-molecule organ transplant drugs were fermentation-based. The global demand for immunosuppressant APIs is expected to increase, driven by the growth of the immune suppressant formulation markets. In particular, the growth is expected to be driven by organ transplantation becoming more common, where patients would need to take immune suppressants for the rest of their lives. In addition to immune suppressants, Concord manufactures fermentation-based APIs for the therapeutic areas of anti-bacterials, anti-fungals and oncology. As of March 31, 2023, they had a portfolio of 5, 3 and 6 commercialized fermentation-based anti-bacterial, anti-fungal and oncology drug APIs, respectively.

Scaled manufacturing facilities with a consistent regulatory compliance track record and supported by strong R&D capabilities

Concord has 3 manufacturing facilities in the state of Gujarat, India. The API manufacturing facilities in Dholka and Limbasi are divided into a total of 41 manufacturing blocks to process different classes of APIs. Their manufacturing facilities have been subject to inspections by overseas regulators on a periodic basis. In 2021, they launched the manufacturing facility at Limbasi for capacity expansion. They intend for the Limbasi facility to cater to major emerging and regulated markets, subject to inspections from regulatory authorities in these markets, allowing them to serve these markets with key APIs manufactured across 2 manufacturing facilities. They are currently one of the companies approved by the GoI to receive incentives under the PLI Scheme. Through their continuous R&D initiatives, they optimize their production processes.

Diversified global customer base with long-standing relationships with key customers

Concord has established long-standing relationships with certain key customers, including leading global generic pharmaceutical companies. As of March 31, 2023, Concord had relationships with Intas Pharmaceuticals Ltd and Glenmark Pharmaceuticals Ltd, 2 of their Top-10 customers for around 11 years and 18 years, respectively. A majority of their customers are from regulated markets. In addition, they have developed relationships with 60 new customers during the financial years 2023. Their APIs are provided under a B2B model to pharmaceutical companies globally. For the formulations business as well, they operate through a B2B model across United States and emerging markets under arrangements with distributors.

In India, they market immunosuppressant, nephrology and anti-infectives drugs for critical care, which they market under their own brands and through their sales force model. As of March 31, 2023, they offered formulations across 20 states and 5 union territories in India, covering over 1,500 government and corporate hospitals.

Experienced Promoters, management team supported by marquee investors

Concord is managed by a Promoter-led management team. Their professional management team is supported by over 1,200 employees, including strong R&D, production, quality and regulatory compliance and marketing teams. As of March 31, 2023, they had 148, 290 and 144 employees in their R&D, quality and regulatory, and marketing teams, respectively.

Helix Investment Holdings Pte. Ltd, which is backed by Quadria Capital Fund L.P., a healthcare-focused private equity fund in Asia, and other co-investors, holds 20% of their fully subscribed and paid-up Equity Share capital. They are also backed by RARE Enterprises, which is an Indian asset management firm with investments across biotechnology, healthcare, and other sectors. They benefit from the capital sponsorship and professional expertise of their investors.

Financial track record of rapid growth, consistent profitability with healthy cash flows and strong shareholder returns

Concord has been able to maintain a high profit margin because of their niche and complex product portfolio. Their cash conversion ratio, defined as the net cash flow from operating activities by EBITDA, was 51%, 76.95% and 71.25%, respectively, for the financial years 2021, 2022 and 2023. Their Return on Capital Employed was 28.54%, 20.55% and 24.27% and Return on Equity was 26.55%, 16.64% and 20.06% for the Financial Years 2021, 2022 and 2023, respectively.

Key Business Strategies

Continue to increase the API market share and further develop the portfolio of complex and niche APIs with high growth potential

Concord strives to capitalize their leadership position in the field of fermentation-based APIs across these therapeutic areas and continue to grow the API business by:

- Increasing the wallet share from existing API customers; Concord not only intends to increase the sales of API products to existing customers, but also focus on cross-selling other API products to these customers.
- Marketing the existing APIs to new customers: With increased manufacturing capacities, they have the ability to serve additional customers with their existing API portfolio.
- Expanding the API portfolio: Leveraging the technical expertise they have accumulated over the years they will continue to focus on developing niche and complex fermentation-based products with high growth potential to ensure profitability and strengthen market leadership.

Increase the presence of the existing formulations and expand into new formulations

Concord intends to pursue growth opportunities for their formulations in India, emerging markets, and the United States. They plan to grow their business by expanding geographic reach, launching newer dosage forms, and expanding their formulation portfolio with a focus on improving their profitability as well as utilizing their formulation manufacturing capacity more efficiently.

Expanding the geographic reach:

- **India:** Concord has been focusing on growing their presence in India through their own sales force as well as through their distribution network with their own brands. As of March 31, 2023, they offered formulations through their sales team to over 1,500 government and corporate hospitals in India, and they plan to continue to increase supplies to hospitals and governmental institutions.
- **Emerging markets:** They plan to expand their portfolio of registrations and approvals across the emerging markets. Currently, they had 77 approved products including in emerging market countries and are in the process of filing new dossiers across emerging markets, including Mexico, Brazil and Indonesia.
- **United States:** They plan to expand their formulation business in the United States by increasing sales of existing products as well as launching new products. Currently they had 4 ANDA approvals for 6 products from the USFDA for formulations and in addition aim to make ANDA filings in the United States in the future.
- **Launching new dosage forms:** Their existing formulations are primarily oral solids and oral liquids. They are expanding their formulation manufacturing facility to include a new section for injectables. The injectable facility is designed to have the capability to manufacture delivery forms such as liquid vials and lyophilized vials, dry powder injections and sterile powder lyophilization. They intend to use this facility to serve customers in India and emerging markets.

- **Expanding the formulation portfolio:** They intend to expand into new formulations that have relatively higher growth potential and continually calibrate their product mix to improve profitability. They plan to leverage their API capabilities to continue to develop new formulations. They have certain formulations in the pipeline at various stages of development.

Improve cost management and operational efficiencies

Concord plans to enhance their profitability by continuing to improve their cost management and operational efficiencies, including:

- **Process efficiency:** They strive to improve the production process to optimize their processes and achieve higher yields with the support of their R&D team.
- **Scale efficiency:** They seek to leverage economies of scale through capacity expansion. They aim to increase capacity utilization, which can reduce fixed overheads per product, increase profitability and improve the operating leverage.
- **Product mix:** They intend to focus on high-value, low-volume products within their product portfolio. They also seek to benefit from optimizing their product selection strategy.

Grow the CDMO Business

Concord leverages their R&D capabilities and experience to offer CDMO services for (i) APIs in the area of fermentation and semi-synthesis; and (ii) formulations. They have completed 2 CDMO projects and have 1 additional CDMO project in progress. Due to the existing technical expertise and the operating standards and protocols that adhere to global standards, large contract development and manufacturing service providers in India are positioned to benefit from the growing demands for CDMO services.

Their established fermentation platform, strong R&D and manufacturing capabilities, track record in the global markets, accreditations and long-standing relationships with pharmaceutical companies will provide them with opportunities to participate in development and manufacturing of generic and innovator drugs, including NCEs.

Financial Snapshot (Consolidated)

Particulars (Rs. in Cr.)	As at Mar' 31,		
	2021	2022	2023
Share Capital	9.51	9.51	10.46
Reserves	989.86	1,093.71	1,279.54
Net Worth	999.37	1,103.22	1,290.00
Revenue from Operations	616.94	712.93	853.17
Revenue Growth (%)	-	15.56%	19.67%
EBITDA	327.1	269.64	345.25
EBITDA Margin (%)	53.02%	37.82%	40.47%
Profit before Tax	312.72	237.52	322.01
Net Profit for the period	234.89	174.93	240.08
Net Profit Margin (%) as stated	38.07%	24.54%	28.14%
EPS - Basic & Diluted (Rs.)	22.45	16.72	22.95
RONW (%) as stated	26.55%	16.64%	20.06%
Net Asset Value (Rs.) as stated	95.53	105.45	123.31
ROE (%)	26.55%	16.64%	20.06%
ROCE (%) as stated	28.54%	20.55%	24.27%

Source: Company RHP, ACMIL Research

Comparison with Listed Peers as on 31st March 2023:

Name of the Company	Consolidated /Standalone	Face Value	Total Revenue from Operation for Fiscal 2023 (₹ in Cr)	EPS		NAV	P/E	RoNW (%)
				Basic	Diluted			
Concord Biotech Ltd	Consolidated	1	853.17	22.95	22.95	123.31	32.28	20.06%
Divi's Laboratories Ltd	Consolidated	2	7,767.51	68.69	68.69	480.93	54.15	14.28%
Suven Pharmaceuticals Ltd	Consolidated	1	1,340.33	16.16	16.16	68.18	30.08	23.70%
Laurus Labs Ltd	Consolidated	2	6,040.55	14.69	14.64	75.16	23.70	19.68%
Shilpa Medicare Ltd	Consolidated	1	1,050.11	(3.74)	(3.74)	204.41	NA	NA

Source: Company RHP, ACMIIL Research,

Risks and concerns

- Any delay, interruption or reduction in the supply of their raw materials or the transportation of raw materials or products may adversely impact the pricing and supply of their products and have an adverse effect on their business.
- The company depend on a limited number of customers for a substantial portion of their revenues. Any significant reduction in demand for their products from such customers may adversely affect their business and results of operations.
- Pricing pressure from customers may affect their ability to maintain or increase their product prices and, in turn, their revenue from product sales, gross margin and profitability, which may adversely affect their business, financial condition and results of operations.
- Any disruption, slowdown or shutdown in company's manufacturing or R&D's operations could adversely affect their business.

Asit C. Mehta

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