

Innova Captab Limited

Issue Detail	
Price Band (Rs.)	Rs.426 – Rs.448
Face Value (Rs.)	10.00
Issue Size (Rs.)	570 Cr.
Issue Type	Book Built Issue IPO
Lot Size	33 Shares
Issue Opens	December 21, 2023
Issue Closes	December 26, 2023
Listing on	BSE & NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	December 27, 2023
Unblocking of Funds	December 28, 2023
Credit of shares to Demat Account	December 28, 2023
Listing on exchange	December 29, 2023

Other Detail	
Book Running Lead Managers	ICICI Securities Limited JM Financial Limited
Registrar	Kfin Technologies Limited

IPO Shareholding (%)		
Category	Pre-Issue	Post-Issue
Promoters	66.85%	51.68%
Public	33.15%	48.32%
Total	100.00%	100.00%

Distribution Team
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Retail Research
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Company Background

Innova Captab Limited (ICL) was Incorporated in January 2005, is a pharmaceutical company operating in three business segments. It is an integrated pharmaceutical company in India with a presence across the pharmaceuticals value chain including research and development, manufacturing, drug distribution and marketing and exports. The business includes (i) a contract development and manufacturing organization (“CDMO”) business providing manufacturing services to Indian pharmaceutical companies, (ii) a domestic branded generics business and (iii) an international branded generics business. The company has a dedicated R&D laboratory and pilot equipment located at manufacturing facility in Baddi, Himachal Pradesh, which is recognized by Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India (“DSIR”). As of October 31, 2023, the company has 200 active product registrations and 20 registrations pending renewal with international authorities. In addition, 218 new registration applications are being processed with international authorities.

Issue Details

The issue size is Rs. 570 Cr. which comprises of Fresh Issue of upto Rs 320 Cr. and Offer for Sale of Equity Shares aggregating upto Rs.250 Cr.

Issue Objectives

The company will achieve:

1. Repayment and/or prepayment in part or in full, of certain outstanding loans of the Company;
2. Investment in the Subsidiary, UML, for repayment and / or prepayment in part or full of outstanding loans availed by UML;
3. Funding the working capital requirements; and
4. General corporate purposes

IPO Share Issue Structure

Category	Allocation	Number of Shares	Value at upper price band (Rs. in Cr.)
QIB (Institutional)	50%	63,61,607	285.00
Non Institutional	15%	19,08,482	85.50
Retail	35%	44,53,125	199.50
Total	100%	1,27,23,214	570.00

Source: Company RHP, ACMIIL Research

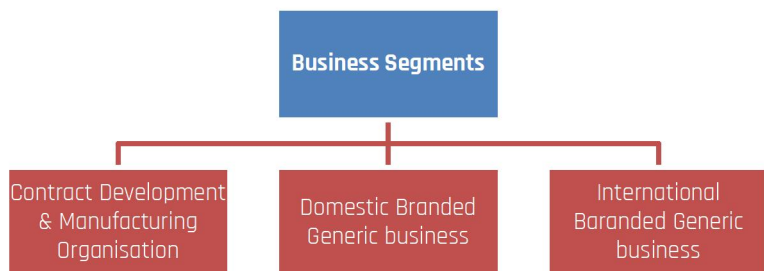
Outlook

Innova Captab Limited is Positioned to Benefit from the Growth in the CDMO Market by Developing Strong R&D and Manufacturing Operations. It has developed Strong Relationships across the Indian Pharmaceutical Industry & revenue from CDMO Services and Products has Historically been Derived from a Diverse Customer Base. The company is maintaining a high standard of quality for Products is Critical to Brand and continued Growth which witness positive outlook for the future. At the upper price band of Rs. 448 /-, stock has valued at PE multiple of 31.64 of its FY23 Diluted EPS.

Company Overview

ICL is an integrated pharmaceutical company specializing in branded generic products for the domestic and international markets.

Segments



Key Customers



Source: Company RHP, ACMIL Research

In Fiscal 2022, among Indian formulation CDMO players, ICL recorded the third highest operating revenue, the second highest operating profit margin, the third highest net profit margin and the second highest return on capital employed. In Fiscal 2023 and in the three months ended June 30, 2023, it had 182 and 133 CDMO customers, respectively. In Fiscal 2023 and in the three months ended June 30, 2023, the company manufactured a diverse generics product portfolio of over 600 products and market them under its own brands in the Indian market through a developed network of approximately 5,000 distributors and Stockists and over 150,000 retail pharmacies. In addition, during Fiscal 2023 and the three months ended June 30, 2023, it exported branded generic products to 20 and 16 countries, respectively.

Product Offerings

ICL's CDMO services and products include commercial large-scale manufacturing of generic products. It also enters into loan license agreements with customers. Its comprehensive CDMO formulation capabilities allow company to offer its customers multiple dosage forms, including oral solids, oral liquids, dry syrups and injectable, as well as more complex delivery forms such as modified and sustained release forms and tablets in capsules. The company also has added products using new technologies like Nano technology. Its CDMO product portfolio spans across both acute and chronic therapeutic areas.

The company manufacture products across some of the key therapeutic areas, including cephalosporin, proton pump inhibitors, anticholinergic and heparin NSAIDs, analgesics and antipyretic, anticold and antiallergic, antiemetic, antidiabetic, antispasmodic, antifibrinolytic, cardiovascular, antioxidant and vitamins, antihyperuricemia and antigout, fluoroquinolone and macrolide, nootropics and neurotrophic/neurotrophic, antiulcerative, antimalarial anxiolytic, anticonvulsant and antipsychotic, bladder and prostate disorders, antifungal, anthelmintic and antiviral anticholinergic and anti-asthmatic and bronchodilator and erectile dysfunction. (Source: CRISIL Report, October 2023).

Its branded generics business consists of the development, manufacture and distribution of generic formulation products, which are marketed and distributed in India under its own brand names through online and offline channels. ICL's branded generic products are generic medicines for which the patents have expired, that are sold directly to its distributors, Stockists and retailers. It has developed a diversified branded generics product portfolio including tablets, capsules, dry syrups, dry powder injection, ointments and liquid orals.

The company sells its domestic branded generic products through Pan-Indian network of distributors, Stockists and pharmacies. Its generic drug products are also available online through various e-commerce pharmacy sites. The company also has an international branded generic product business focused on exports to emerging and semi-regulated international markets. It is expanding international branded generics business to regulated markets like the United Kingdom, and Canada.

Competitive Strengths



Source: Company RHP, ACMIIL Research

Key Business Strategies



Source: Company RHP, ACMIIL Research

Financial Snapshot (Consolidated)

Particulars (Rs in Mn.)	FY21	FY22	FY23	June 30, 2023
Revenue from Operations	4106.62	8005.26	9263.80	2332.43
EBITDA	558.57	989.03	1228.45	324.24
EBITDA Margin	13.60%	12.35%	13.26%	13.90%
PAT	345	639.53	679.54	175.93
PAT Margin (%)	8.40%	7.99%	7.34%	7.54%
EPS	7.19	13.32	14.16	3.67
Debt-Equity Ratio	0.31	0.95	0.85	1.21
ROE %	23.82%	30.66%	24.58%	4.81%*
ROCE %	26.54%	23.46%	22.61%	3.75%*

Note: * Not annualised

Source: Company RHP, ACMIIL Research

Comparison with Peers

Name of the company	Face value	Revenue from operations (in Mn)	Diluted EPS (Rs.)	P/E	RoNW (%)
Innova Captab Limited	10	9,263.80	14.16	31.64	24.58%
Torrent Pharmaceuticals Limited	5	96,201.50	36.79	57.61	20.11%
Laurus Labs Limited	2	60,405.50	14.64	25.53	19.74%
Ajanta Pharma Limited	2	37,426.40	45.89	42.91	17.36%
J. B. Chemicals and Pharmaceuticals Limited	2	31,492.83	52.34	28.61	16.54%
NATCO Pharma Limited	2	27,071.00	39.18	19.9	14.84%
Eris Lifesciences Limited	1	16,851.49	28.07	33.01	17.10%
Indoco Remedies Limited	2	16,686.11	15.42	22.74	13.83%
Suven Pharmaceuticals Limited	1	13,403.29	16.16	37.13	23.70%
Windlas Biotech Limited	5	5,130.83	19.7	22.04	10.61%

Source: Company RHP, ACMIIL Research

Risks and concerns

- The company operate in a market that is highly competitive. They compete to provide outsourced pharmaceutical manufacturing services or CDMO services and products, particularly for formulations, to pharmaceutical companies in India and other jurisdictions. In addition, branded generic products compete with generic products of other suppliers in India and other jurisdictions.
- Dependence on China, China SEZ and Hong Kong for raw material supplies exposes to political, economic and social conditions in greater China.

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