

Innova Captab Ltd.

Neutral

Issue Highlights

Issue Open	December 21, 2023
Issue Close	December 26, 2023
Issue Price	Rs 426 - Rs 448 Per share
Total Issue Size	Rs 570 Cr
Of which	
Fresh Issue	Rs 320 Cr
Offer For Sale	Rs 250 Cr
Face Value	Rs 10 Per share
Market Lot	33 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- ⇒ ICICI Securities Ltd
- ⇒ JM Financial Ltd

Registrar To The Offer

- ⇒ Kfin Technologies Ltd.

Research Analyst

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Key Highlights

- ❑ **Company background:** Innova Captab is an integrated pharmaceutical company with presence across the pharmaceuticals value chain including research and development, manufacturing, drug distribution and marketing and exports. Its businesses includes Contract Development and Manufacturing Organization (CDMO) business, domestic branded generics business and international branded generics business. As of June 2023, it has 133 CDMO customers, 600 products in diverse generics and developed network of 5,000 distributors and over 1,50,000 retail pharmacies. In addition, it exported branded generic products to 16 countries.
- ❑ **Growth in India CDMO segment:** Indian CDMO space has seen traction with big pharmaceutical companies preferring to outsource research & development as well as manufacturing activities. In order to move to asset light model, many of the pharmaceutical players have been outsourcing these activities. The segment caters to the domestic industry and exports to regulated as well as semi-regulated markets. It is characterized by high fragmentation and competition, with a large number of organized and unorganized players. The Indian CDMO market grew by 14% CAGR from FY18-23 and the growth pace is expected to continue for FY23-28E. The growth is expected to be driven by strong demand of outsourcing of development and manufacturing of new products by pharmaceutical companies, including both Indian and multinational/global companies.
- ❑ **Competitive strengths:** The company is well positioned to benefit from the growth of CDMO market by developing strong R&D and manufacturing operations for customers to support their domestic sales and exports to certain markets. It has established relationships with marquee CDMO customer base such as Cipla, Glenmark Pharmaceuticals, Wockhardt, Emcure Pharmaceuticals, Lupin etc. It aims to improve cost efficiencies and increase productivity through use of automation in process equipment as well as use of software in capacity and resource planning.
- ❑ **Strong Focus on R&D:** The company has a dedicated R&D laboratory and pilot equipment located at its manufacturing facility in Himachal Pradesh. It is well equipped with a suite of equipment for the development of solid oral and liquid dosage forms. It is critical to maintain a competitive positive address changing consumer trends and industry developments. The in-house R&D is used to develop different types of capsules, like tablets in capsules, tablets with pellets or powder in a capsule which offers efficient control of drug release.
- ❑ **Expansion plans:** The company is planning to construct new 2.4 Lakhs Sq.ft facility in Jammu which will include tablets, capsules, dry syrups and injections for a estimated cost of Rs 355.2 Cr. It aims to build additional business from existing customers by expanding the portfolio into new products and more complex dosages. It also plans to expand exports to developed markets like the UK and Canada and is currently working to obtain product approvals.
- ❑ **Financials:** Its revenue/PAT has grown at a CAGR of 50.2%/40.3% over FY21-23. Currently, it is trading at a P/E valuation of 31.6x FY23EPS and with RoCE/RoE of 22.6%/24.6%.
- ❑ **Key risks:** 1) Operates in a very regulated environment. 2) High dependency for raw material supplies from international markets. 3) Dependent on third party transportation and logistics service providers.

Research Team

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No

	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
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	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
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Name(s) with Signature(s) of RA(s).

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SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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