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**INNOVA CAPTAB LIMITED**

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**IPO NOTE**

*December 2023*

## ISSUE HIGHLIGHTS

- Innova Captab Limited (“Innova Captab”)** was incorporated on January 3, 2005. Innova Captab 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. Their 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.
- In Fiscal 2022, among Indian formulation CDMO players considered in the CRISIL Report, they recorded the 3<sup>rd</sup> highest operating revenue, the 2<sup>nd</sup> highest operating profit margin, the 3<sup>rd</sup> highest net profit margin and the 2<sup>nd</sup> highest return on capital employed.
- Company’s comprehensive CDMO formulation capabilities allow them to offer their customers multiple dosage forms, including oral solids, oral liquids, dry syrups and injectables, as well as more complex delivery forms such as modified and sustained release forms and tablets in capsules. They also have added products using new technologies like **nano technology**.
- In Fiscal 2023 and in the 3 months ended June 30, 2023, they had 182 and 133 CDMO customers, respectively.
- In Fiscal 2023 and in the 3 months ended June 30, 2023, they manufactured a diverse generics product portfolio of over 600 products and market them under their 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 3 months ended June 30, 2023, they exported branded generic products to 20 and 16 countries, respectively.
- Innova Captab has 2 manufacturing facilities in Baddi, Himachal Pradesh. They were ranked 3<sup>rd</sup> among their peers in terms of their finished tablet and capsule manufacturing capacity in India. They have a dedicated R&D laboratory and pilot equipment located at their manufacturing facility in Baddi. In addition, they are looking to establish a new R&D centre in Panchkula, Haryana.
- The company acquired Sharon pursuant to CIRP under the IBC and infused ₹195.40 crore into Sharon on June 26, 2023.

## BRIEF FINANCIAL DETAILS\*

(₹ IN Cr)

	As at Jun’30,	As at Mar’ 31,		
	2023 (03)	2023 (12)	2022 (12)	2021 (12)
Share Capital	48.00	48.00	12.00	12.00
Reserves	317.51	228.51	196.61	132.82
Net Worth	365.51	276.51	208.61	144.82
Revenue from Operations	233.24	926.38	800.53	410.66
Revenue Growth (%)	-	15.72%	94.94%	
EBITDA	32.42	122.85	98.90	55.86
EBITDA Margin (%)	13.90%	13.26%	12.35%	13.60%
Profit before Tax	24.60	91.80	85.72	46.34
Net Profit for the period	17.59	67.95	63.95	34.50
Net Profit Margin (%)	7.54%	7.34%	7.99%	8.40%
EPS – Basic & Diluted (₹)	3.67 <sup>^</sup>	14.16	13.32	7.19
RONW (%) as stated	5.98% <sup>^</sup>	24.58%	30.66%	23.83%
Net Asset Value (₹)	61.31	57.60	43.45	30.16

Source: RHP, \*Restated Consolidated, <sup>^</sup> not annualised; EPS and NAV on increased share capital

## Issue Details

**Fresh Issue of Equity Shares aggregating upto ₹320 Crore and Offer for Sale of 5,580,357 Equity Shares**

### Issue summary

**Issue size: ₹ 558 – 570 Cr**

**No. of shares: 13,092,094 – 12,723,214 Shares**

**Face value: ₹ 10/-**

**Price band: ₹ 426 - 448**

**Bid Lot: 33 Shares** and in multiple thereof

**Post Issue Implied Market Cap =**

**₹ 2,453 – 2,564 Cr**

**BRLMs: ICICI Securities, JM Financial**

**Registrar: KFin Technologies Ltd**

**Issue opens on: Thursday, 21<sup>st</sup> Dec’2023**

**Issue closes on: Tuesday, 26<sup>th</sup> Dec’2023**

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	27-12-2023
Refunds/Unblocking ASBA Fund	28-12-2023
Credit of equity shares to DP A/c	28-12-2023
Trading commences	29-12-2023

### Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	6,546,046	6,361,606	278.86	285.00	50%
NIB	1,963,815	1,908,483	83.66	85.50	15%
-NIB2	1,309,210	1,272,322	55.77	57.00	-
-NIB1	654,605	636,161	27.89	28.50	-
RET	4,582,233	4,453,125	195.20	199.50	35%
<b>Total</b>	<b>13,092,094</b>	<b>12,723,214</b>	<b>557.72</b>	<b>570.00</b>	<b>100%</b>

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2=NII Bid Above ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII - Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	33 Shares	462 Shares	2,244 Shares
Minimum Bid Lot Amount (₹)	₹ 14,784 <sup>^</sup>	₹ 2,06,976 <sup>^</sup>	₹ 10,05,312 <sup>^</sup>
Appl for 1x	1,34,943 Applications	1,377 Applications	2,754 Applications

### Listing: BSE & NSE

### Shareholding (No. of Shares)

Pre-issue	Post issue <sup>^</sup>	Post issue#
50,082,072	57,593,809	57,224,929

<sup>^</sup>@Lower price Band #@ Upper Price Band

### Shareholding (%)

	Pre-Issue	Post-Issue
Promoter	66.83%	51.67%
Promoters Group	0.02%	0.01%
Public – Other Selling S/h	28.98%	22.43%
Public - Others	4.17%	25.89%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The Company was incorporated as “Harun Health Care Private Limited”, on January 3, 2005. Manoj Kumar Lohariwala and Vinay Kumar Lohariwala are the promoters of the company. Currently, the promoters collectively hold 33,472,000 Equity Shares, representing 66.83% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors

**Manoj Kumar Lohariwala** is the Promoter, Chairman and Whole-time Director on the Board of the company. He has approximately 26 years of experience in the field of manufacturing and marketing of pharmaceutical products. Before being associated with the company, he served with Pharmatech Health Care.

**Vinay Kumar Lohariwala** is the Promoter and Managing Director on the Board of the company. He has approximately 21 years of experience in the field of manufacturing and marketing of pharmaceutical products. Before being associated with the company, he served with Pharmatech Health Care.

**Jayant Vasudeo Rao** is a Whole-time Director on the Board of the company. He has approximately 18 years of experience in the field of production management for pharmaceutical formulations. Before being associated with the company, he was associated with Ebers Pharmaceuticals Ltd, Prophyla Biologicals Pvt Ltd and Lexicon Biotech (India) Ltd, Scott-Edil Pharmacia Ltd and Brooks Laboratories Ltd.

**Archit Aggarwal** is a Non-Executive Director on the Board of the company. He has over 3 years of experience in marketing and manufacturing of jewellery. He currently serves with Jai Bhawani Industries.

**Shirish Gundopant Belapure** is a Non-Executive Independent Director on the Board of the company. He has approximately 26 years of experience in the pharmaceutical industry. Before being associated with the company, he served with Zydus Hospira Oncology Pvt Ltd, Zydus Lifesciences Ltd, The Fairdeal Corporation (Pvt) Ltd, Griffon Laboratoires Pvt Ltd and Cyanamid India Ltd.

**Sudhir Kumar Bassi** is a Non-Executive Independent Director on the Board of the company. He has approximately 31 years of experience in the field of investment banking and capital markets. He currently works with Khaitan & Co. In the past, he has served with Morgan Stanley India Co Pvt Ltd, JM Morgan Stanley Pvt Ltd.

**Priyanka Dixit Sibal** is a Non-Executive Independent Director on the Board of the company. She has approximately 11 years of experience in corporate commercial law and mergers and acquisitions. Before being associated with the company, she worked with law firms namely Trilegal and Cyril Amarchand Mangaldas. She also worked as general counsel and chief legal officer of Agarsha Investment Manager Pvt Ltd, which operates under the brand name ‘Lumis’, an alternative investment platform, based in India and overseas and currently, she is associated with Sirion Labs Pvt Ltd.

**Mahender Korthiwada** is a Non-Executive Independent Director on the Board of the company. He has approximately 29 years of experience in the pharmaceutical industry. Before being associated with the company, he served with Abbott Healthcare Pvt Ltd and with Natco Pharma Ltd.

**Gaurav Srivastava** is the Chief Financial Officer of the company. He has been associated with the company since August 12, 2023. He has approximately 17 years of experience in the corporate finance sector. Before being associated with the company, he served with Protiviti Consulting Pvt Ltd, KPMG Resource Centre Pvt Ltd, Ernst & Young Pvt Ltd, Accuracy India Pvt Ltd and Aaidea Solutions Pvt Ltd. He joined the company on August 12, 2023.

**Mukesh Kumar Singh** is the Deputy Chief Financial Officer of the company. He has been associated with the company since December 1, 2010.

**Neeharika Shukla** is the Company Secretary and Compliance Officer of the company. She has been associated with the company since May 9, 2022. She has approximately 5 years of experience.

## OBJECTS OF THE ISSUE

Objects	Amount (₹ Cr)
• Repayment and / or prepayment, in part or in full, of certain outstanding loans of the company	144.40
• Investment in the Subsidiary, UML, for repayment and / or prepayment in part or full of outstanding loans • availed by UML	23.60
• Funding the working capital requirements	72.00
• General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

## OFFER DETAILS

Fresh Issue	No. of Shares	WACA per Equity Share (₹)
Fresh Issue (₹ 320 Cr)	Upto 7,511,737 <sup>~</sup> - 7,142,857 <sup>^</sup> Equity Shares	-
<b>The Offer for Sale by:</b>	<b>Upto 5,580,357 Equity Shares</b>	
<b>The Promoter Selling Shareholders:</b>		
Manoj Kumar Lohariwala	Upto 1,953,125 Equity Shares	2.36
Vinay Kumar Lohariwala	Upto 1,953,125 Equity Shares	15.20
<b>The Other Selling Shareholder:</b>		
Gian Parkash Aggarwal	Upto 1,674,107 Equity Shares	2.50

(<sup>~</sup> at lower price band and <sup>^</sup> upper price band; ) WACA = Weighted Average Cost of Acquisition

## SHAREHOLDING PATTERN

Shareholders	Pre-offer		Fresh Issue and Offer for Sale Shares <sup>^</sup>	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	33,472,000	66.83%	3,906,250	29,565,750	51.67%
Promoters Group	8,000	0.02%	0	8,000	0.01%
<b>Total for Promoter and Promoter Group</b>	<b>33,480,000</b>	<b>66.85%</b>	<b>3,906,250</b>	<b>29,573,750</b>	<b>51.68%</b>
Public – Other Selling Shareholders	14,512,000	28.98%	1,674,107	12,837,893	22.43%
Public – Other	2,090,072	4.17%	7,142,857	14,813,286	25.89%
<b>Total for Public Shareholders</b>	<b>16,602,072</b>	<b>33.15%</b>	<b>8,816,964</b>	<b>27,651,179</b>	<b>48.32%</b>
<b>Total Equity Share Capital</b>	<b>50,082,072</b>	<b>100.00%</b>	<b>12,723,214</b>	<b>57,224,929</b>	<b>100.00%</b>

(<sup>^</sup> at upper price band)

### Details of Pre- IPO Placement of ₹ 80 Cr

The company has undertaken a Pre-IPO Placement of **2,082,072 Equity Shares**, aggregating to **₹ 80 crore** as under:

Date of Allotment	Name of the Entity	No. of CCPS allotted	No. of Equity Shares	Issue price (₹)	Amount (₹ Cr)
01-12-2023	UTI Multi Opportunities Fund-I	1,412,430	1,412,430	354	50.00
03-12-2023	360 One Special Opportunities Fund - Series 9	-	334,821	448	15.00
03-12-2023	360 One Special Opportunities Fund - Series 10	-	334,821	448	15.00
<b>Total</b>			<b>2,082,072</b>		<b>80.00</b>

## BUSINESS OVERVIEW

Innova Captab Limited (“**Innova Captab**”) 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. Their 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. In Fiscal 2022, among Indian formulation CDMO players considered in the CRISIL Report, they recorded the 3<sup>rd</sup> highest operating revenue, the 2<sup>nd</sup> highest operating profit margin, the 3<sup>rd</sup> highest net profit margin and the 2<sup>nd</sup> highest return on capital employed. In Fiscal 2023 and in the 3 months ended June 30, 2023, they had 182 and 133 CDMO customers, respectively. In Fiscal 2023 and in the 3 months ended June 30, 2023, they manufactured a diverse generics product portfolio of over 600 products and market them under their 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 3 months ended June 30, 2023, they exported branded generic products to 20 and 16 countries, respectively. Revenue from operations as per Restated Consolidated Financial Information has grown at a 50.19% CAGR from ₹410.66 crore in Fiscal 2021 to ₹926.38 crore in Fiscal 2023. Revenue from operations as per their Restated Consolidated Financial Information was ₹233.24 crore in the 3 months ended June 30, 2023. Revenue from operations on a pro forma consolidated basis was ₹1,118.60 crore in Fiscal 2023.

The foundation of the company is their in-house research and development (“**R&D**”). Their R&D operations help them attract and retain CDMO customers and grow their branded generic portfolio. They have a dedicated R&D laboratory and pilot equipment located at their manufacturing facility in Baddi, Himachal Pradesh, which is recognized by Department of Scientific and Industrial Research, Ministry of Science and Technology, GoI (“**DSIR**”). In addition, they are looking to establish a new R&D

centre in Panchkula, Haryana. Their manufacturing is undertaken at their 2 manufacturing facilities in Baddi, Himachal Pradesh along with a new facility they are planning in Jammu. Their facilities have good manufacturing practices (“GMP”) certifications from the Health and Family Welfare Department, Himachal Pradesh, in conformity with the format recommended by the World Health Organization (the “WHO”), and the certificate of GMP compliance from Food, Medicine and Health Care Administration and Control Authority, Ethiopia.

Company’s CDMO services and products include commercial large-scale manufacturing of generic products. They also enter into loan license agreements with their customers. Company’s comprehensive CDMO formulation capabilities allow them to offer their customers multiple dosage forms, including oral solids, oral liquids, dry syrups and injectables, as well as more complex delivery forms such as modified and sustained release forms and tablets in capsules. They also have added products using new technologies like **nano technology**. Their CDMO product portfolio spans across both acute and chronic therapeutic areas. They manufacture products across some of the key therapeutic areas identified by CRISIL Research, including cephalosporins, proton pump inhibitors, anticholinergic and heparin NSAIDs, analgesics and antipyretic, anticold and antiallergic, antiemetic, antidiabetic, antispasmodic, antifibrinolytic, cardiovascular, antioxidant and vitamins, anti-hyperuricemia and antigout, fluoroquinolone and macrolide, nootropics and neurotropic/neurotrophic, anti-ulcerative, antimalarial anxiolytic, anticonvulsant and antipsychotic, bladder and prostate disorders, antifungal, anthelmintic and antiviral anticholinergic and anti-asthmatic and bronchodilator and erectile dysfunction. Company’s number of CDMO products sold has grown by 131.43% from 1,066 in Fiscal 2021 to 2,467 in Fiscal 2023, on a restated consolidated basis. The number of CDMO products sold in the 3 months ended June 30, 2023, was 1,088 on a restated consolidated basis.

Revenue from the CDMO business on a restated consolidated basis has grown at a 35.36% CAGR from ₹370.87 crore in Fiscal 2021 to ₹679.56 crore in Fiscal 2023. Revenue from the CDMO business on a restated consolidated basis was ₹166.21 crore in the 3 months ended June 30, 2023.

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

Company’s products cover the following therapeutic areas:

Company’s products cover the following therapeutic areas:		
Cephalosporins	Proton Pump Inhibitor	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 Neurotonics / Neurotrophics	Antiulcerative
Antimalarial	Anxiolytic, Anticonvulsant and Antipsychotic	Bladder and Prostate Disorder
Antifungal, anthelmintic and Antiviral	Anticholinergic, Anti-Asthmatic and bronchodilator	Erectile Dysfunction

The company sells their domestic branded generic products through their pan-Indian network of distributors, stockists and pharmacies. Their generic drug products are also available online through various e-commerce pharmacy sites. During Fiscal 2021, Fiscal 2022 and Fiscal 2023 and during the 3 months ended June 30, 2023, revenue from their domestic branded generic business on a restated consolidated basis was nil, ₹37.05 crore, ₹166.16 crore and ₹42.25 crore, respectively.

Innova Captab also has an international branded generic product business focused on exports to emerging and semi-regulated international markets. They are expanding their international branded generics business to regulated markets like the United Kingdom, and Canada. In Fiscal 2023 and in the 3 months ended June 30, 2023, they exported branded generics to 20 and 16 countries, respectively. As on October 31, 2023, they have 200 active product registrations (and 20 registration subject to renewal) with international authorities and 218 fresh registration applications in process with international authorities. Revenue from the international branded generic business on a restated consolidated basis has grown at a 42.38% CAGR from ₹39.79 crore in Fiscal 2021 to ₹80.66 crore in Fiscal 2023. Revenue from the international branded generic business on a restated consolidated basis was ₹24.78 crore in the 3 months ended June 30, 2023.

As of October 31, 2023, Innova Captab employed a team of 29 scientists and engineers at their R&D laboratory. Their team includes professionals with experience ranging up to 27 years. Their R&D laboratory is equipped with a suite of equipment for the development of solid oral and liquid dosage forms.

In Fiscal 2022, they recorded 2<sup>nd</sup> highest fixed asset turnover ratio and returns on capital employed. They are planning to construct a new 240,916 sq. ft facility in Jammu, which will include tablets, capsules, dry syrups and injections.

## KEY CUSTOMERS

In the CDMO business, Innova Captab has developed relationships across the Indian pharmaceutical industry.

### The Key Customers:

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|--|---|
| <ul style="list-style-type: none"> <li>• Cipla Ltd,</li> <li>• Glenmark Pharmaceuticals Ltd,</li> <li>• Wockhardt Ltd,</li> <li>• Corona Remedies Pvt Ltd,</li> <li>• Emcure Pharmaceuticals Ltd,</li> <li>• Lupin Ltd,</li> <li>• Intas Pharmaceuticals Ltd,</li> <li>• Leeford Healthcare Ltd,</li> <li>• Medley Pharmaceuticals Ltd,</li> </ul> | <ul style="list-style-type: none"> <li>• Cachet Pharmaceuticals Ltd,</li> <li>• Eris Healthcare Pvt Ltd,</li> <li>• Indoco Remedies Ltd,</li> <li>• J. B. Chemicals and Pharmaceuticals Ltd,</li> <li>• Oaknet Healthcare Pvt Ltd,</li> <li>• Zuventus Healthcare Ltd,</li> <li>• Ajanta Pharma Ltd,</li> <li>• Mankind Pharma Ltd,</li> <li>• Smart Laboratories Pvt Ltd,</li> </ul> |
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## RECENT DEVELOPMENTS

The company acquired Sharon pursuant to CIRP under the IBC and infused ₹195.40 crore into Sharon on June 26, 2023, and Sharon is now a wholly owned subsidiary of Univentis Medicare Limited (“UML”) which is company’s direct subsidiary, as of June 30, 2023. Sharon is engaged in the business of manufacturing of intermediates and active pharmaceutical ingredients (“APIs”) as well as finished dosages. It also offers contract manufacturing services for pharmaceutical products. Sharon caters to both domestic as well as international markets including Canada, the United Kingdom, Europe, Australia and Central and South America. Sharon has manufacturing plants located in Dehradun, Uttarakhand and Taloja, Maharashtra. As of October 31, 2023, Sharon had 567 employees. The company had Nil revenue from Sharon on a restated consolidated basis in Fiscal 2021, Fiscal 2022 and Fiscal 2023 and for the 3 months ended June 30, 2023.

### Acquisition of Sharon Bio-Medicine Limited (“Sharon”)

Sharon is engaged in the business of manufacturing of intermediates and API as well as finished dosages. It also offers contract manufacturing services for pharmaceutical products. Sharon caters to both domestic as well as international markets including Canada, the United Kingdom, Europe, Australia and Central and South America. Sharon has manufacturing plants located in Dehradun, Uttarakhand and Taloja, Maharashtra. As of October 31, 2023, Sharon had 567 employees. The company had Nil revenue from Sharon on a restated consolidated basis, while Revenue from Sharon on a pro forma consolidated basis was ₹192.22 crore in Fiscal 2023.

Sharon engages in commercial manufacturing of generic products including (i) formulation generic products and (ii) APIs and intermediates for generic formulations. Sharon enters contract manufacturing agreements with its customers. Sharon offers its customers solid oral dosage forms, including tablets and capsules. Sharon also manufactures APIs and intermediates in key therapeutic areas including cardio-vascular, anti-fungal, anti-diabetic, muscle relaxant and antipsychotic. Their 3 API products are vertically integrated to formulations, which comprise Aripiprazole, Memantine Hydrochloride and Trazodone Hydrochloride. Sharon also has established Sa-ford, a sanctuary for research and development (“**Sa-Ford**” or the “**R&D Sanctuary**”), which is Sharon’s initiative towards building a contract research organization. Sa-Ford also offers services in the areas of chemistry.

## COMPANY BUSINESS

Innova Captab has 3 businesses: (i) CDMO services and products, (ii) domestic branded generics and (iii) international branded generics.

Company’s CDMO services and products include commercial large-scale manufacturing of generic products. They aim to deliver customized and efficacious generic products to their customers. Thereafter, they purchase APIs and other materials such as, excipients from third party suppliers domestically. In addition, they purchase certain APIs from third party international suppliers. After manufacturing, the focus shifts to packaging and then distribution and marketing.

Their comprehensive CDMO formulation capabilities allow them to offer their customers multiple dosage forms, including oral solids, oral liquids, dry syrups and injectables. Their CDMO agreements are typically long-term in nature where the validity of the contract usually ranges between 2 to 5 years, with the option of renewal on mutually agreed terms.

### Domestic Branded Generics

Company's domestic branded generics business consists of generic products, which are marketed, distributed, and promoted in India under their own brand names and manufactured by them. Their branded generics business consists of the development, manufacture, and distribution of generic formulation products, which are marketed and distributed in India.

<ul style="list-style-type: none"> <li>Cephalosporins</li> <li>NSAIDs, Analgesics and Antipyretic</li> <li>Antidiabetic</li> <li>Cardiovascular</li> <li>Fluoroquinolone and Macrolide</li> <li>Antimalarial</li> <li>Antifungal, anthelmintic and Antiviral</li> </ul>	<ul style="list-style-type: none"> <li>Proton Pump Inhibitor</li> <li>Anticold and Antiallergic</li> <li>Antispasmodic</li> <li>Antioxidant and Vitamins</li> <li>Nootropics and Neurotonics/Neurotrophics</li> <li>Anxiolytic, Anticonvulsant and Antipsychotic</li> <li>Anticholinergic, Anti-Asthmatic and bronchodilator</li> </ul>	<ul style="list-style-type: none"> <li>Anticholinergic and Heparin</li> <li>Antiemetic</li> <li>Antifibrinolytic</li> <li>Antihyperuricemia and Antigout</li> <li>Antilucerative</li> <li>Bladder and Prostate Disorder</li> <li>Erectile Dysfunction</li> </ul>
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### International Branded Generics

In Fiscal 2023 and in the 3 months ended June 30, 2023, the company exported branded generic products to 20 and 16 countries, respectively. They have focused their international branded generic product business on emerging and semi-regulated international markets. They are expanding their international branded generics business to regulated markets like the United Kingdom and Canada. As on October 31, 2023, they have 200 active product registrations (and 20 registration subject to renewal) with international authorities and 218 fresh registration applications in process with international authorities.

As of June 30, 2023, they had international accreditations in the markets, and in most of these markets their manufacturing facilities are audited by the applicable authority.

Accreditation Authority	Country	Status
Food, Medicine and Health Care Administration and Control Authority	Ethiopia	Audited
Tanzania Medicine and Medical Devices Authority	Tanzania	Renewal application made
National Drug Authority	Uganda	Audited
Medical Technology and Supplies (Drug Regulatory Authority)	Sri Lanka	Site Registered

## REVENUE FROM OPERATIONS

(₹ in Cr)

Particulars	For the period ended 30 June, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
<b>Revenue from Operations</b>				
- Sale of finished goods	217.49	829.83	745.25	383.49
- Sale of traded goods	14.56	91.21	49.01	23.36
- Sale of services	0.80	4.36	5.51	2.72
<b>Other Operating revenue</b>				
- Export incentives	0.30	0.70	0.52	1.01
- Scrap sales	0.09	0.29	0.23	0.09
<b>Total</b>	<b>233.24</b>	<b>926.38</b>	<b>800.53</b>	<b>410.66</b>

### The revenue from operations on a restated consolidated basis broken down by Business:

(₹ in Cr)

Business	3 months ended June 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (₹ Cr)	% of Revenue from operations	Amount (₹ Cr)	% of Revenue from operations	Amount (₹ Cr)	% of Revenue from operations	Amount (₹ Cr)	% of Revenue from operations
CDMO services and products*	166.21	71.26%	679.56	73.36%	686.69	85.78%	370.87	90.31%
Domestic branded generics	42.25	18.12%	166.16	17.94%	37.05	4.63%	0.00	0.00%
International branded generics	24.78	10.62%	80.66	8.71%	76.78	9.59%	39.79	9.69%
<b>Revenue from Operations</b>	<b>233.24</b>	<b>100.00%</b>	<b>926.38</b>	<b>100.00%</b>	<b>800.53</b>	<b>100.00%</b>	<b>410.66</b>	<b>100.00%</b>

\* Including incentives and scrap sales; The company had Nil revenue from Sharon on a restated consolidated basis in Fiscal 2021, Fiscal 2022 and Fiscal 2023 and for the 3 months ended June 30, 2023.

## MANUFACTURING UNITS

Innova Captab has 2 manufacturing facilities in Baddi, Himachal Pradesh. They were ranked 3<sup>rd</sup> among their peers in terms of their finished tablet and capsule manufacturing capacity in India. Their facilities are ISO 9001:2015 (quality management system) certified. Their facilities have GMP certifications from the Health and Family Welfare Department, Himachal Pradesh, in conformity with the format recommended by the WHO and Ethiopia.

The total installed capacity and aggregate manufacturing capacity utilization of the company and the Innova Partnership, on a combined basis (not including Sharon Bio-Medicine Ltd (“Sharon”)) for the periods indicated below:

(in Cr, save for percentages)

Facilities	As of, and for the 3 months ended, June 30,		As of, and for the year ended, March 31,					
	2023		2023		2022		2021	
	Installed Capacity	Capacity Utilization (%)	Installed Capacity	Capacity Utilization (%)	Installed Capacity	Capacity Utilization (%)	Installed Capacity	Capacity Utilization (%)
Tablets	204.79	46.72%	819.16	40.68%	555.67	54.61%	423.93	66.49%
Capsules	61.81	65.98%	247.25	55.49%	204.82	52.04%	159.12	60.03%
Ointments	0.57	66.49%	2.28	63.22%	2.28	56.33%	2.28	76.11%
Dry Powder Injection	1.51	72.29%	6.05	74.01%	6.05	77.27%	6.05	59.13%
Dry Syrup	1.34	65.35%	5.36	52.77%	5.36	53.22%	5.36	30.18%
Liquid Orals	1.78	84.17%	7.10	86.70%	7.10	89.90%	7.10	37.15%

## COMPETITIVE STRENGTHS

- **Leading presence and one of the fastest growing CDMOs in the Indian pharmaceutical formulations market**

The Indian CDMO space has seen traction in the recent times with big pharmaceutical companies preferring to outsource R&D as well as manufacturing activities. Many of the pharmaceutical players in order to move to asset light model have been outsourcing these activities. The Indian CDMO market has grown at a rate of 14% CAGR in the last 5 years from Fiscal 2018 to Fiscal 2023, and this trend to continue over the next 5 years from Fiscal 2023 to Fiscal 2028 with the Indian CDMO market projected to grow at approximately a 12-14% CAGR over the next 5 years. Innova Captab has positioned to benefit from the growth in the CDMO market by developing strong R&D and manufacturing operations for their customers to support their domestic sales and exports to certain markets.

- **Well established relationships with the marquee CDMO customer base**

In the CDMO business, Innova Captab has developed strong relationships across the Indian pharmaceutical industry. In Fiscal 2023, they had 182 CDMO customers.

The information about customers to which they have provided CDMO services and products on a restated consolidated basis:

(in ₹ Cr, except percentages and customers)

Particulars	3 months ended June 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
<b>Number of CDMO customers</b>	<b>119</b>	<b>174</b>	<b>182</b>	<b>133</b>
<b>Revenue from CDMO customers</b>	<b>370.87</b>	<b>686.69</b>	<b>679.56</b>	<b>166.21</b>
Revenue from CDMO customers with relationship of 10 years or more	152.77	244.11	238.83	59.39
Revenue from CDMO customers with relationship between 5 and 10 years	184.83	358.60	333.17	88.83
Revenue from CDMO customers with relationship of under 5 years	33.27	83.98	107.56	17.99

The increasing use of outsourcing by pharmaceutical companies has created opportunities for the company to build more strategic relationships with their customers. They typically enter into long-term CDMO agreements ranging mostly between 2 to 5 years with their customers resulting in predictable and stable cash flows.

- **Highly efficient operations, including the world class manufacturing facilities and supply chain**

Innova Captab has 2 manufacturing facilities in Baddi, Himachal Pradesh. Their facilities produce tablets, capsules, dry syrups, dry powder injections, ointments and liquid orals. They were ranked 3<sup>rd</sup> among their peers in terms of their finished tablet and capsule manufacturing capacity in India.



The company continuously aims to improve cost-efficiencies and increase productivity in their operations through use of automation in process equipment as well as use of software in capacity and resource planning. They recorded 2<sup>nd</sup> highest fixed asset turnover ratio and returns on capital employed. They have made significant investments in quality management systems. In addition, they source some of their raw materials internationally. They seek to maintain high service standards by sourcing most of their API and other materials from a small core of suppliers with reputations for quality products.

- ***Rapidly growing domestic and international export branded generics businesses***

Company's branded generics business consists of the development, manufacture and distribution of generic formulation products, which are marketed and distributed in India. Their domestic and international export branded generics businesses have been growing rapidly.

Most of the Indian pharmaceutical market consists of generic medicines. Branded generics which are generic copies of the original drug with a new brand name and which are sold through various marketing and sales channels. Branded generic products are generic medicines or drugs for which the patents have expired and are typically used as a substitute for more expensive branded generic medicines in order to offer affordable medicines to patients by the retailers and pharmacies. As of Fiscal 2023, branded generics contributed to 95% of the overall generics industry in India. The company has developed a diversified branded generics product portfolio. In Fiscal 2023 and in the 3 months ended June 30, 2023, they exported branded generics to 20 and 16 countries, respectively. Currently, they have a strong pipeline of over 36 in-process product dossiers for exports.

- ***Strong R&D focus to build an increasingly complex product portfolio and attract and retain customers***

The company has a dedicated R&D laboratory and pilot equipment located at their manufacturing facility in Baddi, Himachal Pradesh. In addition, they are looking to establish a new R&D centre in Panchkula, Haryana.

Complex generic products are hybrid drugs whose authorization depends partly on the results of the tests on the reference medicine and partly on new data from clinical trials and are expected to have same clinical effect and safety profile as the branded drugs. Complex generic drugs and 'value-added generics' enable the manufacturers and marketeers to provide a differentiated product to the market with improved safety, efficacy and cost.

- ***Consistent financial performance***

Innova Captab has demonstrated strong growth in terms of revenues and profitability. In Fiscal 2022, among Indian formulation CDMO players, Innova Captab recorded the 3<sup>rd</sup> highest operating revenue, the 2<sup>nd</sup> highest operating profit margin and the 3<sup>rd</sup> highest net profit margin. Their long-term bank facilities have been rated CARE A- (Negative) and the short-term bank facilities have been rated CARE A2+. In Fiscal 2022, among Indian formulation CDMO players, they recorded second highest fixed asset turnover ratio and returns on capital employed. (Source: CRISIL Report, October 2023).

- ***Experienced promoters and management team***

The company is led by a qualified and experienced management team that has the expertise and vision to manage and grow their business. In addition to their Promoters, their senior management team is also very experienced in the pharmaceutical industry. The knowledge and experience of their Promoters, along with senior management, and their team of dedicated personnel provide them with a significant competitive advantage as they seek to expand into new products, grow their existing markets and enter new geographic markets. Their employee base was over 1,560 employees as of October 31, 2023 (not including Sharon).

## **KEY BUSINESS STRATEGIES**

- ***Expansion of the manufacturing capacities***

By expanding the manufacturing capacity, the company will be able to expand their product offering in both their CDMO and their branded generic businesses. Accordingly, they are planning to construct a new 240,916 sq. ft facility in Jammu, which will include tablets, capsules, dry syrups, and injections. The estimated total project cost for this new manufacturing facility at Jammu is ₹355.17 crore. The company has also acquired the necessary land to build this new facility. They anticipate benefitting from the New Central Sector Scheme for Industrial Development of Jammu & Kashmir through this upcoming manufacturing facility in Jammu. Under this scheme, the Govt offers companies registered under the scheme a capital investment incentive, a capital interest incentive, a goods and service tax incentive and a working capital interest incentive.

- ***Integration of the acquired Sharon business***

Innova Captab acquired Sharon pursuant to CIRP under the IBC. Sharon is engaged in the business of manufacturing of intermediates and APIs and also offers contract manufacturing services for pharmaceutical products. Sharon caters to both

domestic as well as international markets. Through the integration process, they are aiming to achieve backward integration of Sharon's API business, add a dimension of toxicology business to their business value chain, enhance access to regulated international markets, and increase their international business markets and customers.

- **Expand the wallet share of existing customers and develop new customers**

The company aims to increase the formulations manufactured for their existing customers through them by leveraging their inhouse R&D and large-scale manufacturing capabilities. Further, they aim to build additional business from their existing customers by the expansion of their portfolio into new products and more complex dosages as well as the expansion of their manufacturing capacities. The company had 239 customers in aggregate in Fiscal 2021, Fiscal 2022 and Fiscal 2023, on a restated consolidated basis, and they have enjoyed business relationships of more than 5 years with 45.19% of these customers. They added 95 customers in aggregate in Fiscal 2021, Fiscal 2022 and Fiscal 2023, on a restated consolidated basis.

- **Continued focus on the R&D operations**

In Fiscal 2024, Innova Captab has 72 new therapeutic generic products in the development stage and expect that 30 new generic products will be commercialized in Fiscal 2024. Currently, they have 218 fresh registration applications in process with international authorities. Further, they had begun preliminary research on over 15 formulations that had gone (or are going) off patent.

- **Growing the international export business**

Innova Captab has focused their international branded generic business on emerging and semi-regulated international markets. They are expanding their international branded generics business to regulated markets like the United Kingdom and Canada. As on October 31, 2023, they have 200 active product registrations (and 20 registrations subject to renewal) with international authorities and 218 fresh registration applications in process with international authorities.

- **Expanding the domestic branded generics business**

The company marketed their domestic branded generics business through a developed network of approximately 5,000 distributors and stockists and over 150,000 retail pharmacies across India. They aim to grow their pan-Indian network to include more retailers and expand their geographic reach. Currently, as of October 31, 2023, they had 287 marketing representatives, and they look to further expand their team during Fiscal 2024. In addition, they plan to expand their target-based incentive schemes to boost sales from their distributors and they also aim to attract new retailers by continuous engagement.

- **Growth through strategic acquisitions**

The company will look to capitalize on the growth in the pharmaceuticals market in India by pursuing strategic acquisitions with a focus on backward integration or expansion of capabilities in terms of capacity or products. or desired competencies as well as having the profitability metrics that fit in with their business philosophy. They also will look for opportunities to acquire businesses to add additional pharmaceutical, chemistry or technological competencies or to expand their product portfolio into new brands, new dosage capabilities or enter therapeutic segments where they are currently not present.

## COMPETITION

The company's competition includes full-service pharmaceutical outsourcing, CDMO companies; contract manufacturers focusing on a limited number of dosage forms; contract manufacturers providing multiple dosage forms; and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity.

Category	Key Competitors
Indian CDMO segment	Acme formulation Pvt Ltd, Akums Drugs and Pharmaceuticals Ltd, Synokem Pharmaceuticals Ltd, Theon Pharmaceuticals Ltd, Tirupati Medicare Ltd and Windlas Biotech Ltd
domestic branded generics	Abbott Healthcare Ltd, Cipla Ltd and Alkem Laboratories Ltd

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2023)

Name of the Company	Consolidated / Standalone	Face Value	Closing price as at Nov'21, 2023	Revenue from Operations (₹ in Cr)	EPS		NAV	P/E	RoNW (%)
					Basic	Diluted			
Innova Captab Ltd	Consolidated	10	[ • ]	926.38	14.16	14.16	57.60	[ • ]	24.58%
Torrent Pharmaceuticals Ltd	Consolidated	5	2,119.65	9,620.15	36.79	36.79	182.97	57.61	20.11%
Laurus Labs Ltd	Consolidated	2	373.70	6,040.55	14.69	14.64	74.92	25.53	19.74%
Ajanta Pharma Ltd	Consolidated	2	1,969.15	3,742.64	45.89	45.89	267.41	42.91	17.36%
J. B. Chemicals and Pharmaceuticals Ltd	Consolidated	2	1,497.30	3,149.28	53.00	52.34	320.36	28.61	16.54%

Name of the Company	Consolidated / Standalone	Face Value	Closing price as at Nov'21, 2023)	Revenue from Operations (₹ in Cr)	EPS		NAV	P/E	RoNW (%)
					Basic	Diluted			
NATCO Pharma Ltd	Consolidated	2	779.55	2,707.10	39.18	39.18	264.21	19.90	14.84%
Eris Lifesciences Ltd	Consolidated	1	926.70	1,685.15	28.10	28.07	160.85	33.01	17.10%
Indoco Remedies Ltd	Consolidated	2	350.70	1,668.61	15.44	15.42	111.58	22.74	13.83%
Suven Pharmaceuticals Ltd	Consolidated	1	600.05	1,340.33	16.16	16.16	68.16	37.13	23.70%
Windlas Biotech Ltd	Consolidated	5	434.25	513.08	19.70	19.70	192.02	22.04	10.61%

Source: RHP

### Comparison of key financial and operational performance indicators of the Company and the listed peers

Metric	As at the financial year ended March 31, 2022									
	Innova Captab	Torrent Pharmaceuticals	Laurus Labs	Ajanta Pharma	J. B. Chemicals & Pharma	NATCO Pharma	Eris Lifesciences	Indoco Remedies	Suven Pharmaceuticals	Windlas Biotech
Revenue from Operations (₹ Cr)	926.38	9,620.15	6,040.55	3,742.64	3,149.28	2,707.10	1,685.15	1,668.61	1,340.33	513.08
EBITDA (₹ Cr)	122.85	2,887.19	1,598.19	881.89	705.69	1,040.20	547.90	288.43	612.90	70.19
EBITDA Margin (%)	13.26%	30.01%	26.46%	23.56%	22.41%	38.42%	32.51%	17.29%	45.73%	13.68%
Debt- Equity Ratio	0.85	0.85	0.49	0.00	0.22	0.03	0.37	0.31	0.04	0.00
Return on Equity (%)	24.58%	20.09%	19.68%	17.35%	16.53%	14.68%	16.85%	13.83%	23.70%	10.60%
Profit for the year (₹ in Cr)	67.95	1,245.23	796.64	587.98	410.01	715.30	374.16	142.25	411.29	42.63
PAT Margin (%)	7.34%	12.94%	13.19%	15.71%	13.02%	26.42%	22.20%	8.53%	30.69%	8.31%
Return on Capital Employed (%)	22.61%	35.93%	22.11%	22.21%	35.86%	18.07%	51.39%	17.88%	32.44%	14.41%
Fixed Asset Turnover Ratio	5.37	1.14	1.69	2.30	1.68	1.11	0.76	2.15	1.65	4.35
Return on Net Worth (%)	24.58%	20.11%	19.74%	17.36%	16.54%	14.84%	17.10%	13.83%	23.70%	10.61%

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