

IPO Note – Sai Lifesciences Ltd.

A pricy bet, CRDMO poised for strategic growth.

10 December 2024

Sai Life Sciences (SLS) is a CRDMO specializing in end-to-end services for small molecule New Chemical Entities (NCEs). With research hubs in Watertown, US, and Manchester, UK, supported by cost-efficient facilities in India, SLS offers scalable solutions across the drug discovery, development, and manufacturing lifecycle. In FY24, SLS partnered with 280+ innovators, including 18 of the top 25 global firms, supporting 60+ drug discovery programs and 150+ CDMO products, including 38 tied to 28 commercial drugs.

Sai to benefit from strong sectoral tailwinds: The \$250 billion global CRDMO market, comprising \$90 billion in CROs and \$160 billion in CDMOs, is projected to grow at a 13% CAGR through FY27, with CROs growing at 10% and CDMOs at 14%. While global CDMO players shift focus to large molecules, Indian firms are capitalizing on the small molecule CRDMO gap, benefitted by cost-efficient manufacturing, increased FDI, and government initiatives like the PLI scheme. Additionally, the US's efforts to diversify from China present opportunities for India's CDMO sector. SLS leverages strategic locations near innovation hubs like Greater Boston and Manchester, accessing cutting-edge research, skilled talent, and 11% of global R&D spending, strengthening its role in the global pharma supply chain.

Fundamental strengths put Sai at an advantage: The company has a reactor capacity of ~524 kL and a portfolio of 38 products supporting 28 commercial drugs, including 7 blockbusters and 11 tied to Phase III trials. It also manages over 100 products in pre-clinical to Phase II stages, with 25% of late-phase and 35% of early-phase products being APIs, reflecting strong customer trust in its quality and regulatory compliance. Notably, 15 late-phase products were transferred from other facilities to SLS, showcasing its mid-lifecycle onboarding capability. In drug discovery and DMPK services, SLS has supported 140+ small molecule programs, resulting in 5 approved drugs and 40 IND filings as of FY24.

Key Risks: - 1) Ambiguity over US Biosecure Act may impact the pace of supply chain diversification. 2) Any regulatory action or failure to meet the certification standards may impact the revenues and customer relations.

Financials & valuation –

The company plans to raise Rs. 950 cr. out of which Rs. 720 cr. will be used in repayment of borrowings. We are confident on the industry growth with structural shift due to supply chain diversification by the US irrespective of passing of the Biosecure Act. The prospects of Sai Lifesciences are aligned to capture this opportunity & we recommend **SUBSCRIBING FOR LONG-TERM** to the IPO.

Key Financials/ Parameters	Mar-22	Mar-23	Mar-24	Jun-23	Jun-24
Operating Revenue (Rs. Crore)	869.6	1,271.1	1,465.2	642.3	675.3
EBITDA (Rs. Crore)	121.3	219.0	285.5	64.5	128.3
EBITDA Margins (%)	13.9%	17.2%	19.5%	10.0%	19.0%
Net Profit/ Loss	6.2	10.0	82.8	(12.92)	28.0
Net Worth (Rs. Crore)	878.6	888.1	975.1	875.8	1,045.6
Net Debt/ Equity (x)	0.84	0.80	0.75	0.82	0.73

Source: ABML Research, RHP, company presentation

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Rating	Subscribe for long-term
Issue Details	
Issue Opens	11-Dec-24
Issue Closes	13-Dec-24
Face Value (₹)	1
Price Band (₹)	522-549
Bid Lot	27
Issue Size at higher price band (₹ Cr)	3,042.62
Market cap @ upper price band (₹ cr)	11,418.62
Listing	NSE/BSE
BRLMs	Kotak Mahindra Capital, IIFL Capital, Jefferies, Morgan Stanley
Registrar	KFin Technologies Ltd

Shareholding Pattern (%)

	Pre-Issue	Post Issue
Promoter	41.82	35.24
Public	58.18	64.76

Issue Structure (In cr no. of shares)

Issue size	29.04
OFS	17.50
Break-up of net issue to public (%):	
QIB's portion	50%
Non-Institutional portion	15%
Retail Portion	35%

Source: ABML Research, RHP

Analyst Details

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