



## Company Overview

Sai Life Sciences is a rapidly growing, innovation-focused contract research, development, and manufacturing organization (CRDMO) offering comprehensive end-to-end services across the drug discovery, development, and manufacturing value chain. It supports global pharmaceutical innovators and biotechnology firms with small molecule new chemical entities (NCEs). It is the first India-headquartered company to join the Pharmaceutical Supply Chain Initiative (PSCI). The company provides both discovery/contract research (CRO) and chemistry, manufacturing, and control (CMC)/contract development and manufacturing organization (CDMO) services. Its CMO offerings include integrated discovery capabilities spanning biology, chemistry, and drug metabolism and pharmacokinetics (DMPK). Meanwhile, its CDMO services encompass a full range of capabilities to assist customers in developing and scaling up the production of active pharmaceutical ingredients (APIs) and intermediates for clinical and commercial phase supplies. Sai Life Sciences stands out as one of the few CRDMOs with a unique delivery model. It operates research laboratories for discovery and development close to international innovation hubs in Watertown, United States, and Manchester, United Kingdom. These are complemented by large-scale research laboratories and manufacturing facilities in cost-efficient locations in India. The company has supported over 280 pharmaceutical innovators and 230 biotechnology firms, including 18 of the top 25 global pharmaceutical companies in regulated markets such as the United States, the United Kingdom, Europe, and Japan. Its services are delivered through globally accredited manufacturing and R&D facilities, supported by a highly skilled workforce of scientists, engineers, and other professionals. The manufacturing facilities have received regulatory approvals from prominent agencies, including the United States Food and Drug Administration (USFDA), Japan's Pharmaceuticals and Medical Devices Agency (PMDA), and India's Central Drugs Standard Control Organization (CDSCO). Sai Life Sciences prioritizes high standards of health, safety, and environmental practices (HSE) across all its facilities. This includes robust fire protection systems, effective effluent and waste management practices, and containment systems that ensure the safe handling of chemicals in closed ecosystems. These measures minimize exposure to employees and the environment while ensuring the safety and sustainability of operations.

## Objects of the issue

The net proceeds of the fresh issue are proposed to be utilised in the following manner:

- ⇒ Repayment/prepayment, in full or part, of all or certain outstanding borrowings availed by the company; and
- ⇒ General corporate purposes.

## Investment Rationale

### Advanced R&D infrastructure with strong regulatory compliance and global reach

Sai Life Sciences has developed a fully integrated CRDMO platform, leveraging global talent and unique capabilities. It stands out as the only CRDMO among its listed peers that can conduct development activities close to its customers and transfer technology for manufacturing back to India. The company is strategically located near innovation clusters, with its Greater Boston and Manchester facilities offering access to the latest research trends, a skilled global workforce, and collaboration opportunities. Meanwhile, its Indian facilities provide a cost-competitive advantage for large-scale drug discovery, development, and commercial production. Its R&D team's process innovations reduced costs by over 70% while enhancing yields. The company operates four main manufacturing facilities, each serving a distinct role in drug discovery, development, and manufacturing while adhering to rigorous safety, quality, and regulatory standards. The Unit IV Bidar facility in India is the primary manufacturing site, while the Unit II Hyderabad facility hosts an integrated R&D campus for discovery research, CMC process development, and clinical manufacturing. The Greater Boston facility houses an exploratory biology laboratory with advanced cellular and biochemical analysis platforms, and the Manchester facility, recognized as a 'Centre of Excellence' in process chemistry, is equipped with modern laboratories. The company's facilities have received multiple regulatory approvals and comply with stringent customer-defined quality standards. These facilities also feature flexible setups, including large-scale reactors for high-volume products and specialized areas for complex drug development pipelines that involve smaller quantities with intricate chemical processes.

## Issue Details

Offer Period	11 <sup>th</sup> Dec 2024 - 13 <sup>th</sup> Dec 2024
Price Band	Rs. 522 to Rs. 549
Bid Lot	27
Listing	BSE & NSE
Issue Size (no. of shares in mn)	55.4
Issue Size (Rs. in bn)	30.4
Face Value (Rs.)	1

## Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Kotak Mahindra Capital Company Ltd., IIFL Capital Services Ltd., Jefferies India Private Ltd., Morgan Stanley India Company Private Ltd.
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	42	20
Public	58	80
<b>Total</b>	<b>100</b>	<b>100</b>

(Assuming issue subscribed at higher band)

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# Sai Life Sciences Limited

## Comprehensive CDMO platform drives innovation and growth

Sai Life Sciences offers comprehensive development and manufacturing services across the value chain for intermediates and active pharmaceutical ingredients (APIs). In the recent quarter, its portfolio included 38 products, supporting the production of 28 commercial drugs, including seven blockbuster drugs (with annual sales exceeding USD 1 billion in FY23) and 12 products linked to 11 APIs in Phase III clinical trials or beyond. The company's diverse pipeline features 120 products at various development stages, including pre-clinical, Phase I, and Phase II trials. Its expertise in complex chemistry, advanced synthetic approaches, cutting-edge production technologies, and thorough analytical testing enables it to cater to a wide range of customer needs. These range from conventional small molecules to highly potent oncology APIs (HPAPIs), peptide APIs, contrast agents, and building blocks for oligonucleotides and RNA-based therapeutics. The company's technical prowess was demonstrated through an early-stage, intricate carbohydrate chemistry project awarded by a top 25 global pharmaceutical company. The Unit IV facility in Bidar has received regulatory approvals from the USFDA, Japan's PMDA, and COFEPRIS Mexico and has undergone over 250 customer audits. The company prioritizes environmental, health, and safety standards in its manufacturing practices, embedding these values into its operations and culture.

## Valuation

Sai Life Sciences is a dedicated, fully integrated, and innovator-focused contract research, development, and manufacturing organization (CRDMO). The company offers comprehensive services across the value chain of drug discovery, development, and manufacturing for small-molecule new chemical entities, catering to global pharmaceutical innovators and biotechnology firms. It possesses capabilities in both discovery/contract research and chemistry, manufacturing, and control (CMC)/contract development and manufacturing organization (CDMO) services. The global small molecule CRDMO industry is projected to reach USD 159 billion by 2028, driven by increased outsourcing of R&D by pharmaceutical and biotech companies, sustained demand for small molecules, and rising demand for cost-efficient drugs. India's CRDMO market, among the fastest-growing in the Asia-Pacific region from 2018 to 2023, is expected to expand at a 14% CAGR between 2023 and 2028. Sai Life Sciences boasts a diverse portfolio, including 38 products supporting 28 commercial drugs and 12 products linked to 11 APIs in Phase III clinical trials or beyond. Some of its facilities have secured regulatory approvals from authorities such as the USFDA, Japan's PMDA, and Mexico's COFEPRIS. Strategically located facilities within and outside India enable access to cutting-edge research, a skilled global workforce, and cost-effective large-scale operations. On the financial front, the company's PAT margin improved significantly from 0.72% in FY22 to 5.65% in FY24, while revenue and EBITDA grew at a CAGR of 29.8% and 53.4%, respectively, during the same period. **The issue is priced at a P/E of 121.2x at the upper price band based on FY24 earnings. While the valuation appears high, the company's strong performance and favorable industry trends make it a promising opportunity for medium to long-term investors. Therefore, we recommend a "SUBSCRIBE" rating for this issue.**

## Key Risks

- ⇒ The company's financial performance depends on its ability to secure business from biotechnology customers who face the risk of decreased funding, which could lead to potential business closures and pharmaceutical customers who may face a slight chance of shutdown in challenging economic climates. As a result, the company will be subject to risks, uncertainties, and trends affecting its customers in these industries.
- ⇒ The company generated nearly 98% of its total revenue from customers outside India through contract research, development, and manufacturing activities during FY24. Conducting business internationally involves various risks, such as regulatory changes, trade barriers, government restrictions, and competition. Any operational delays or financial burdens may impact the company's business and operational results.
- ⇒ The company conducts animal testing, currently limited to rats and mice, in compliance with laws such as the Prevention of Cruelty to Animals Act, 1960, and the guidelines set by the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC). Future expansion to primates could lead to protests, reputational damage, or operational disruptions, impacting its business. While no issues have arisen in recent years, potential negative attention could affect the company's financial results.

# Sai Life Sciences Limited

## Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>Revenue</b>				
Revenue from Operations	8,696	12,171	14,652	6,753
<b>Total Revenue</b>	<b>8,696</b>	<b>12,171</b>	<b>14,652</b>	<b>6,753</b>
<b>Expenses</b>				
Cost of material, chemicals & reagents consumed	2,696	4,272	4,233	1,824
Changes in inventories of work-in-progress	(28)	(46)	224	-52
Employee benefits expense	3,090	4,173	4,949	2,651
Other expenses	1,726	2,123	2,391	1,047
<b>Total Operating Expenses</b>	<b>7,483</b>	<b>10,522</b>	<b>11,797</b>	<b>5,470</b>
<b>EBITDA</b>	<b>1,213</b>	<b>1,649</b>	<b>2,855</b>	<b>1,283</b>
Depreciation and Amortization expense	902	994	1,194	670
Other income	281	280	291	181
<b>EBIT</b>	<b>593</b>	<b>935</b>	<b>1,951</b>	<b>794</b>
Finance costs	496	771	859	422
<b>PBT</b>	<b>97</b>	<b>164</b>	<b>1,092</b>	<b>373</b>
Tax expense				
(i) Current tax	94	100	78	0
(ii) Deferred tax	(60)	(36)	187	92
<b>Total tax</b>	<b>35</b>	<b>64</b>	<b>264</b>	<b>92</b>
<b>PAT</b>	<b>62</b>	<b>100</b>	<b>828</b>	<b>280</b>
<b>Diluted EPS</b>	<b>0.3</b>	<b>0.6</b>	<b>4.5</b>	<b>1.5</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	1,049	2,194	2,631	1,014
Cash flow from investing activities	(1,037)	(1,018)	(1,924)	(1,076)
Cash flow from financing activities	719	(2,006)	(953)	248
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>731</b>	<b>(830)</b>	<b>(246)</b>	<b>186</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>406</b>	<b>1,158</b>	<b>355</b>	<b>120</b>
<b>Cash and cash equivalents at the end of the period*</b>	<b>1,158</b>	<b>355</b>	<b>120</b>	<b>296</b>

(\*Cash and cash equivalent includes book overdraft in bank accounts.)

Source: RHP, BP Equities Research

# Sai Life Sciences Limited

## Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7,429	7,776	9,264	9,618
Right of use assets	2,211	2,479	2,397	2,544
Capital work in progress	1,887	1,510	1,069	1,520
Intangible assets	81	114	138	121
<b>Financial assets</b>				
(i) Investments	0	19	19	19
(ii) Other financial assets	31	27	41	36
Deferred tax assets	57	81	131	148
Non-current tax assets (net)	138	77	133	169
Other non-current assets	355	145	109	247
<b>Total Non-Current Asset</b>	<b>12,189</b>	<b>12,227</b>	<b>13,300</b>	<b>14,422</b>
<b>Current assets</b>				
Inventories	1,269	1,395	874	1,059
<b>Financial Assets</b>				
(i) Trade receivables	2,429	2,841	2,562	2,295
(ii) Cash and cash equivalents	1,159	699	237	490
(iii) Bank balances other than (ii) above	144	164	1,351	1,346
(iv) Other financial assets	1,444	1,785	795	830
Other current assets	3,009	2,756	3,632	4,325
<b>Total Current Asset</b>	<b>9,454</b>	<b>9,640</b>	<b>9,451</b>	<b>10,346</b>
<b>Total Assets</b>	<b>21,642</b>	<b>21,866</b>	<b>22,751</b>	<b>24,768</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	179	180	181	189
Other equity	8,606	8,701	9,571	10,267
<b>Total Equity</b>	<b>8,786</b>	<b>8,881</b>	<b>9,751</b>	<b>10,456</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
(i) Borrowings	2,972	2,610	2,772	2,903
(ii) Lease liabilities	1,896	1,958	1,757	1,727
(iii) Other financial liabilities	28	37	13	26
Provisions	189	167	195	227
Deferred tax liabilities (net)	626	625	863	967
<b>Total Non-Current Liabilities</b>	<b>5,711</b>	<b>5,397</b>	<b>5,601</b>	<b>5,850</b>
<b>Current Liabilities</b>				
<b>Financial liabilities</b>				
(i) Borrowings	4,541	4,383	4,329	4,742
(ii) Lease Liabilities	246	373	418	550
(iii) Trade payables	1,992	2,089	1,994	2,132
(iv) Other financial liabilities	94	228	318	594
Other current liabilities	188	409	257	348
Provisions	59	72	84	96
Current tax liabilities (net)	26	34	0	0
<b>Total Current Liabilities</b>	<b>7,146</b>	<b>7,589</b>	<b>7,399</b>	<b>8,463</b>
<b>Total Equity and Liabilities</b>	<b>21,642</b>	<b>21,866</b>	<b>22,751</b>	<b>24,768</b>

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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