

## Subscribe for Long Term

### Issue Details

Price Band (Rs)	Rs.448 - 460
Face Value (Rs)	5
Issue Size (Rs)	401.54Cr
Issue Type	Book Building
Minimum lot	30 Shares
Issue Opens	August 04, 2021
Issue Closes	August 06, 2021
Listing on	BSE, NSE

### Indicative Timeline

#### On or before

Finalization of Basis of Allotment	August 11, 2021
Unblocking of Funds	August 12, 2021
Credit of shares to Demat Account	August 13, 2021
Listing on exchange	August 17, 2021

### Other Detail

Book Running Lead Managers	SBI Capital Markets Limited, DAM Capital Advisors Limited, IIFL Securities Limited
Registrar	Link Intime India Private Limited

## Windlas Biotech Ltd.

### Company Background

**Windlas Biotech Ltd. ("Windlas")** was incorporated on 19th February 2001. Windlas is amongst the top five players in the domestic pharmaceutical formulations contract development and manufacturing organization ("CDMO") industry in India in terms of revenue. Windlas currently owns and operate 4 manufacturing facilities located at Dehradun in Uttarakhand. As of March 31, 2021, their manufacturing facilities had an aggregate installed operating capacity of 7,063.83 million tablets/ capsules, 54.46 million pouch/ sachet and 61.08 million liquid bottles. As of March 31, 2021, Windlas had a network of over 703 stockists and distributors spread across 15 states in India.

### Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.165Cr and Offer for sale of Equity Shares aggregating upto Rs.236.54Cr.

### Issue Objectives

1. To purchase equipment required for capacity expansion of existing facility at Dehradun Plant IV.
2. To finance incremental working capital requirements of the company.
3. Repayment/prepayment of company's borrowings.
4. General corporate purposes.

### IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.448	Number of Shares at Rs.460	Issue Size <sup>^</sup> (Rs.Cr)
QIB	50%	44,12,551	43,64,512	200.77
Non-Institutional	15%	13,23,765	13,09,354	60.23
Retail	35%	30,88,786	30,55,158	140.54
<b>Total</b>		<b>88,25,103</b>	<b>87,29,024</b>	<b>401.54</b>

Source: Company RHP, ACMIIL Research, ^ Issue Size at Upper price band

### Outlook and Valuations

Windlass provides a comprehensive range of CDMO services ranging from product discovery, product development, licensing, and commercial manufacturing of generic products, including complex generics. In FY2020, they provided CDMO services to 7 of the top 10 Indian formulations pharmaceutical companies. The domestic formulations CDMO is projected to grow at a CAGR of approximately 14%. Further, the Government of India has approved the Production Linked Incentive ("PLI") scheme for pharmaceuticals for FY2021 to FY2029, which is expected to promote innovation for development of complex and high-tech products. With its superior product mix, established brand name, strong Relationships with Leading Pharma Companies, and adding capacities, we believe the company is well placed to capitalize on domestic opportunities. At the upper price band of Rs.460/-, stock is valued at 26.8x of FY21 Earnings of Rs.17.1(based on fully diluted post issue equity and adjustment of exceptional item of 22Cr). **We recommend to subscribe the issue from a long-term prospective.**

### Investment Rationale

#### CDMO in India with focus on the chronic therapeutic category

With increasing globalization and focus of large pharmaceutical players on cutting costs and optimizing operations, CDMOs have seen significant acceptance in the pharmaceutical industry internationally over the last few years. In particular, pharmaceutical companies

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are increasingly outsourcing development and manufacturing of new products, and as a result, the domestic formulations CDMO market has grown at a higher rate of approximately 13% compared to the growth rate of approximately 8.6% of the domestic formulations market (in terms of consumption) in the past 5 years. The chronic therapeutic category has been growing at a CAGR of approximately 10% between Fiscal 2016 and Fiscal 2020, and has outperformed overall domestic formulations market (in terms of consumption), which grew at a CAGR of approximately 8.6% during the same periods. In addition, the chronic segment typically provides for higher margins in comparison to the acute segment.

Company's number of products in the chronic segment (including sub-chronic) have increased from 554 in FY19 to 920 in FY21. Within the chronic segment, anti-diabetic, cardiovascular, neuro and respiratory therapies are expected to grow at a CAGR of approximately 20%, 12%, 12% and 10%, respectively, from Fiscal 2020 to Fiscal 2025. Majority of the therapies for the diseases in the chronic segment area involve multiple organs and systems, and are treated with 'multi-drug therapy' by physicians. Further, in the Indian market, particularly where 'multi-drug' therapy is required, very few CDMOs have the require specialized teams and rapid prototyping capabilities to develop and manufacture new such 'multi-drug'/ fixed dose combination products. Windlas has significant experience in developing and manufacturing such fixed dose combinations.

### Long-term relationships with Indian pharmaceutical companies

Windlas has developed relationships with leading Indian pharmaceutical companies. Their operational track record in successful delivery of products, responsiveness, dosage innovation, complex generic product development, quality and technical standards, turnaround times, and productivity has facilitated the strengthening of their customer base and helped them in expanding their product and service offerings as well as geographic reach. In FY2020, they provided CDMO services to 7 of the top 10 Indian formulations pharmaceutical companies.

Major Clientele		
Brinton Pharmaceuticals Ltd.,	Leeford Healthcare Ltd.,	Sanofi India Ltd.,
Cadila Healthcare Ltd/ Zydus Healthcare Ltd.,	Maa Durga Enterprises,	Sundyota Numandis Probioceticals Pvt Ltd.,
Emcure Pharmaceuticals Ltd.,	Medley Pharmaceuticals Ltd.,	Systopic Laboratories Pvt Ltd.,
Eris Lifesciences Ltd.,	Mega Lifescience Public Co Ltd.,	Talent India, USV Pvt Ltd.,
Hegde & Hegde Pharmaceutical LLP,	Panacea Biotec Ltd.,	Vestige Marketing Pvt Ltd.,
Intas Pharmaceuticals Ltd.,	Pfizer Ltd.,	Wallace Pharmaceuticals Pvt Ltd.,
Leeford Healthcare Ltd.,	Procter and Gamble Health Ltd.,	Win-Medicare Private Ltd.

Source: Company RHP, ACMIIL Research

### Foray into high growth injectables segment

The domestic injectables CDMO industry is expected to reach Rs.49 billion to Rs.53 billion by FY2025. Moreover, the injectables segment is expected to account for 12% to 13% of all the dosage forms in the domestic formulations market and 13.2% to 14.2% of the domestic formulations CDMO market in FY2025. Further, the margins for contract manufacturers in the injectables segment are more robust as there are fixed contracts for the development and manufacturing of the drugs and there are no selling and general costs for the contract manufacturers. Accordingly, Windlas proposes to utilize Rs.50 crore of their Net Proceeds towards capital expenditure for capacity expansion. Further, the business to business model also allows opportunity for scaling up operations as the players can specialize in particular molecule and have supply contracts with multiple injectables marketing players.

### Consistent track record of financial performance

In the last three years (FY19-21), The company's revenue and operating profit has grown at a CAGR of 18% and 19% respectively. They have received ICRA A (Stable) and ICRA A1 rating from ICRA. As of March 31, 2021, the Total Debt/ Equity ratio was 0.16, and ROCE was 20.23%. They have consistently experienced an improvement in their PAT margin from 4.65% in Fiscal 2019 to 8.70% in Fiscal 2021, on account of cost rationalization strategies, increased focus on complex generic products in the chronic therapeutic category.

## Financial Snapshot

Particulars (Rs. Million)	FY19	FY20	FY21
Equity share capital	64	64	64
Net worth	1,936	2,097	1,991
Net asset value per share	114	115	109
Debt to Equity Ratio	0.16	0.13	0.16
Revenue from Operations	3,073	3,288	4,276
EBITDA	384	414	547
EBITDA %	12.5%	12.6%	12.8%
Exceptional Items	488	-75	-215
Net Profit	638	162	155
Diluted EPS (Rs)	37.65	8.90	8.70
ROE	8.97%	8.04%	18.19%
ROCE	15.86%	12.04%	20.23%

Source: Company RHP, ACMIIL Research

## Comparison With Listed Peers

There are no listed companies in India in the same line of business as that of the Company.

## Risks and concerns

1. Customer Concentration: Top 10 customers Contributes 58% of revenues.
2. Failure to comply with quality standards and technical specification.

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