



IPO Details	
<b>Opening Date</b>	Mar 09, 2023
<b>Closing Date</b>	Mar 14, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1600 Shares
<b>Issue Price</b>	₹ 71 to 73 per share
<b>Issue Size</b>	68,62,400 Equity Shares
<b>Application Amount</b>	₹ 1,16,800

IPO Objective	
Working Capital Requirements	
General Corporate Purposes	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,38,11,358	80.28
Public	33,92,129	19.72

Promoter of the Company	
1	Mr. Hemal Vasantrai Mehta
2	Mr. Sachin Vasantrai Mehta

Competitive Strengths	
1	Customer-centric and order-driven business model.
2	Wide range of product offerings.
3	Contract manufacturing facility arrangements.
4	Strong distribution, marketing, and sales network.
5	Diversified business operations

Company Background	
○	Company was incorporated on July 23, 2008 in Mumbai, Maharashtra.
○	Company's core business is Specialty Chemicals & Intermediates for Pharma, agro chemicals, Coating, paints, adhesive and various other industries.
○	Company is also into API manufacturing and are also into specialty chemicals imports & exports as well as supply of same to the actual users.
○	Company operates both in domestic and international markets.
○	Company's Management is planning to have its own state of the art manufacturing facility at Mahad along with its mini manufacturing facility at Wada Area, Formulation GMP unit at Tarapur, Maharashtra.
○	As on Nov 30, 2022, Company had 43 employees on its payroll.

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Sep-22
<b>Total Assets</b>	9,926.02	13,752.18	16,402.22
<b>Net Assets</b>	2,250.75	2,977.53	5,108.79
<b>Total Borrowings</b>	2,977.09	3,059.24	4,940.51
<b>Total Revenue</b>	19,372.80	35,755.89	19,589.87
<b>Profit After Tax</b>	267.12	530.36	360.70

Tentative Timeline	
<b>Opening Date</b>	Mar 9, 2023
<b>Closing Date</b>	Mar 14, 2023
<b>Basis of Allotment</b>	Mar 17, 2023
<b>Initiation of Refunds</b>	Mar 20, 2023
<b>Credit of Shares to Demat</b>	Mar 21, 2023
<b>Listing Date</b>	Mar 22, 2023



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## Company Overview

Company was formed in Maharashtra in the year 2008. Company's core business is Specialty Chemicals & Intermediates for Pharma, Agro chemicals, Coating, paints, adhesive and various other industries. Company is also into Active Pharmaceuticals Ingredients manufacturing which company outsource to a manufacturer at their toll manufacturing facility, Company is also into specialty chemicals imports & exports as well as supply of same to the actual users. Company is also involved in Contract Manufacturing, Outsource & Supply of Generic Pharma formulation and medicines to healthcare institution, Government, NGO and Hospitals. Company operates both in domestic and international markets. Management is planning for business expansion by having its own state of the art manufacturing facility at Mahad along with its mini manufacturing facility at Wada Area, Formulation GMP unit at Tarapur, Maharashtra. It also plans to develop distributor network & logistic facility in Mumbai, Delhi, Chennai, Hyderabad and Ahmedabad. Company has 50 pharma formulations which are supplied under the brand name in the form of tablets, ointment, capsules, and injectable. Management has made separate division – Vimax Healthcare to focus on Branding of Pharmaceutical Formulation and medicines.

## Analysis

Being in operations since 2008, the company has a decent track record. Company's core business is Specialty Chemicals & Intermediates. Specialty chemicals & its Intermediates have wide application in sectors like pharma, Agro chemicals, performance chemicals, resins, paint, food, adhesive and various other Industries. Company typically enters contract manufacturing agreements for periods ranging from one to three years with the manufacturer of Pharma products.

Company have launched wide products range in pharma formulation such as Setdown, Pulmo relief, Fix Pollen, Flupimac and many more as well as have established goodwill for quality products and have regular clients for the same. Further company also supplies generic pharmaceutical formulation as Make to order for bulk supply to the Hospital, Health Centre of Corporate, Municipality and exports.

**COMPANY'S BUSINESS VERTICALS & PRODUCTS:**

<b>Specialty Chemicals, Intermediates &amp; API</b>	<b>Pharma and Formulation Generics and Bulk supply</b>	<b>Pharma and Formulation - Ethical and own branding Domestic</b>
Manufacturing, Imports of speciality chemicals & exports, as well as outsource & Supply of Specialty chemical, bulk drugs and API for domestic and international clients in Pharma, agro chemicals, Paints, resins & various industry.	Sourcing, supply and make to order outsource of Pharma and formulation products to supply Institution, wholesale, hospital and health care centres of NGO and Government organization.	Vimac Healthcare as division for Ethical Pharma products ranges Manufactures under contract manufacturing facility & vendors Own sales and distribution networks.

Company currently manufactures, market and sell different therapeutic segments like Analgesics, Antipyretic, Neurotronic, Antibiotics (Cephalosporins, Carbapenems and Beta Lactum range) Anti Diabetics, Antifungal, Multivitamins and Steroids and SCs products like Dyes & Pigments, Polymers & additives, Water Chemicals, Textile Chemicals & Surfactants. Company plans to Introduce Cardiac First Aid Kit, Heart Kit, and New Drug Delivery System (Mouth dissolving strips) for treatment of cold and cough and for treatment of Thyroid. Curcumin Logingis for the treatment of Cancer, Psoriasis, Heartkit-"4", Heart kit-LD.

Company have exported to countries like Saudi Arabia, Qatar, Uzbekistan, Bangladesh, Ghana, Georgia, Taiwan, Sultanate of Oman, (Muscat) Dubai, (UAE) & UK. Further, company has a product pipeline ready for exports in countries like South East Asia, Middle East & North Africa (MENA Region).

Company's top clients include Cipla, Larsen & Toubro (Aeronautical division), Berger, Gujarat Insecticides, Huntsman, Navin Flourine Industries, Insecticides India Limited, Isia (Asia) Agrochemicals Private Limited, SRF Limited, Clean Science and Technology Private Limited, Songwon Speciality Chemicals-India Private Limited to name a few. Company's Top 5 and Top 10 customers is stated below:

<b>Particulars</b>	<b>Revenues</b>							
	<b>FY 2021-22</b>	<b>%</b>	<b>FY 2020-21</b>	<b>%</b>	<b>FY 2019-20</b>	<b>%</b>	<b>FY 2018-19</b>	<b>%</b>
Top 5 Customers	9,219.00	23.78	2,687.65	13.90	8,054.19	54.43	7,036.44	50.57
Top 10 Customers	1,122.30	31.31	4,366.27	22.58	9,040.19	61.09	8,379.80	60.23



Company's Top 5 and Top 10 Suppliers is stated below:

Particulars	Purchases / Cost of Goods							
	FY 2021-22	%	FY 2020-21	%	FY 2019-20	%	FY 2018-19	%
Top 5 Suppliers	5,915.00	16.46	3,377.00	18.33	7,871.97	<b>54.73</b>	5,823.78	43.84
Top 10 Suppliers	9,113.00	25.38	5,331.00	28.94	9,058.04	62.98	6,669.09	50.20

To conclude, the company has a decent track record. There are a lot of big and small players making it a very highly competitive market. However, healthy growth can be seen in the company's revenue. Company offers a wide range of products and seems to have the ability to adapt as per the demands of the customers.



## Industry Charts

Exhibit 1: Indian Pharmaceutical Market (US\$ Billion)

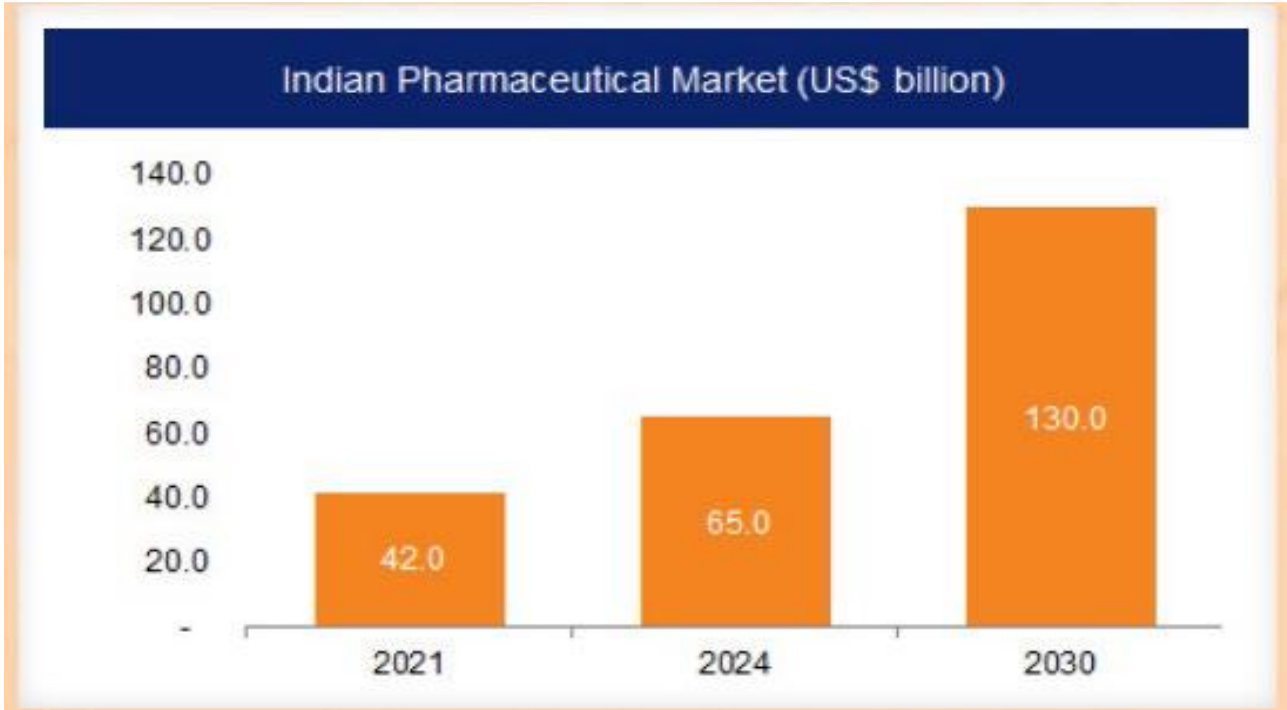


Exhibit 2: Indian Pharmaceutical Market

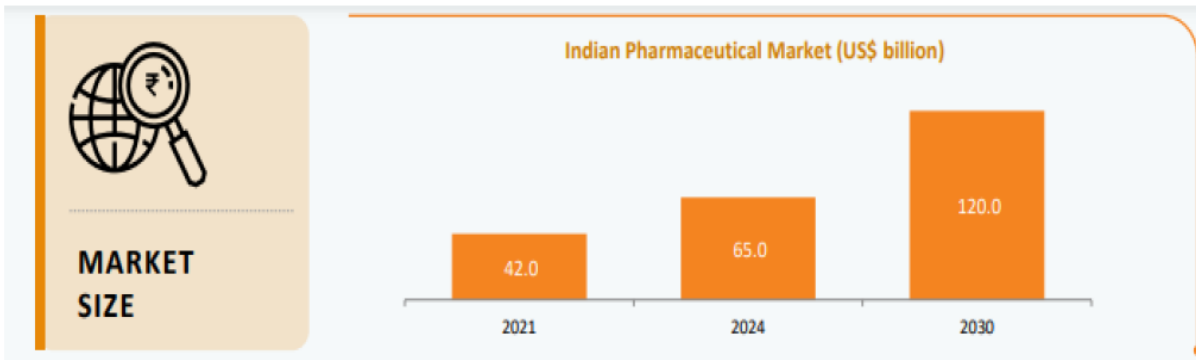
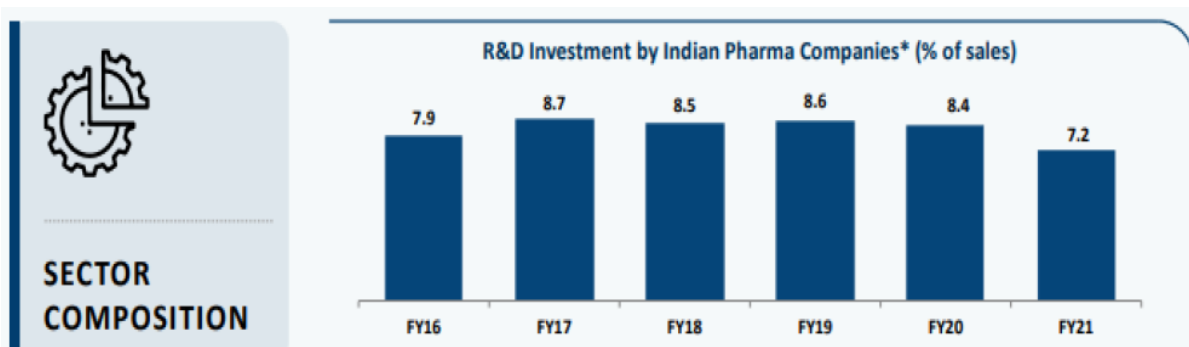


Exhibit 3: R&D Investment by Indian Pharma Companies \*(% of sales)



Source- (ibef and prospectus)



## Investment Overview

### Pharmaceutical Industry

India is the largest provider of generic drugs globally and is known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is currently ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% since the past nine years. Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing, biosimilars, and biologics are some of the major segments of the Indian pharma industry. India has the most number of pharmaceutical manufacturing facilities that are in compliance with the US Food and Drug Administration (USFDA) and has 500 API producers that make for around 8% of the worldwide API market. Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK. The domestic pharmaceutical industry includes a network of 3,000 drug companies and ~10,500 manufacturing units. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. India is rightfully known as the "pharmacy of the world" due to the low cost and high quality of its medicines.

### **Market Size**

According to the Indian Economic Survey 2021, the domestic market is expected to grow 3x in the next decade. India's domestic pharmaceutical market stood at US\$ 42 billion in 2021 and is likely to reach US\$ 65 billion by 2024 and further expand to reach US\$ 120-130 billion by 2030. India's biotechnology industry comprises biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics. The Indian biotechnology industry was valued at US\$ 70.2 billion in 2020 and is expected to reach US\$ 150 billion by 2025. India's medical devices market stood at US\$ 10.36 billion in FY20. The market is expected to increase at a CAGR of 37% from 2020 to 2025 to reach US\$ 50 billion. As of August 2021, CARE





Ratings expect India's pharmaceutical business to develop at an annual rate of ~11% over the next two years to reach more than US\$ 60 billion in value.

In the global pharmaceuticals sector, India is a significant and rising player. India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand. The Indian pharmaceutical sector is worth US\$ 42 billion worldwide. In August 2021, the Indian pharmaceutical market increased at 17.7% annually, up from 13.7% in July 2020. According to India Ratings & Research, the Indian pharmaceutical market revenue is expected to be over 12% Y-o-Y in FY22.

### **Exports**

India is the 12th largest exporter of medical goods in the world. Indian drugs are exported to more than 200 countries in the world, with US being the key market. Generic drugs account for 20% of the global export in terms of volume, making the country the largest provider of generic medicines globally. Indian drug & pharmaceutical exports stood at US\$ 24.60 billion in FY22 and US\$ 24.44 billion in FY21. Indian drug & pharmaceutical exports stood at US\$ 2,119.08 million in June 2022.

### **Source:**

[https://www.researchgate.net/publication/352490326\\_A\\_Study\\_and\\_Overview\\_of\\_the\\_Mobile\\_App\\_Development\\_Industry](https://www.researchgate.net/publication/352490326_A_Study_and_Overview_of_the_Mobile_App_Development_Industry)

<https://static.investindia.gov.in/s3fs-public/2022-11/ev-doing-business-in-india.pdf>

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1883839>[https://www.meity.gov.in/writereaddata/files/MeitY\\_AR\\_English\\_2021-22.pdf](https://www.meity.gov.in/writereaddata/files/MeitY_AR_English_2021-22.pdf)





## **Addressable Market for Sudarshan Pharma Industries Limited**

Currently company has a presence in 5 states – Maharashtra, West Bengal, Chhattisgarh, Uttar Pradesh (UP) and Gujarat. Company have exported to countries like Saudi Arabia, Qatar, Uzbekistan, Bangladesh, Ghana, Georgia, Taiwan, Sultanate of Oman, (Muscat) Dubai, (UAE) & UK. Further, company has a product pipeline ready for exports in countries like South East Asia, Middle East & North Africa (MENA Region).

## **Competition**

Company operates in the Chemical and pharmaceutical sector which faces competition from domestic as well as international players. Competition emerges from both organized and unorganized sector including private and public companies. The primary competitive factors consist of quality, technology, prompt delivery, price, size of product portfolio and customer service. Company's competitors also may obtain other regulatory approvals for their products more rapidly than they may obtain approval for their products, which could result in company's competitors establishing a stronger market position before they are able to enter the market. Many of the companies against which they are competing, or against which they may compete in the future, have significantly greater financial resources and expertise in research and development, manufacturing, obtaining regulatory approvals and marketing approved products than they do. Moreover, as Company seek to diversify into new geographical areas globally, Company may face competition from local companies, multinational corporations and companies from other emerging markets operating in such markets.



## Peer Analysis

The following companies are listed as its peer in the company's prospectus. A summary on the key financial parameters of these companies is given in the table below –

<b>Company</b>	<b>Sudarshan Pharma Industries Limited</b>	<b>ERIS Lifesciences Limited</b>	<b>Aarti Drugs Limited</b>	<b>Sigachi Industries Limited</b>
Net Profit (INR Cr)	5.30	406.11	205.04	40.04
EBITDA (INR Cr)	10.97	511.12	343.92	55.67
Return on Capital Employed	27.70%	21.53%	22.92%	21.35%
Return on Equity	17.80%	21.28%	19.78%	16.73%
EPS# (INR)	4.23	29.89	22.07	14.89
P/E* (Times)	17.24	21.44	20.07	15.93

\* PE is calculated on post IPO Basis

#EPS is based on post-IPO



## Promoters' Profile and Management Analysis

### Mr. Hemal Vasantrai Mehta



- Mr. Hemal Vasantrai Mehta is the Promoter and Managing Director of the Company.
- He is a Diploma Holder in Chemical Engineering from Pune University (Maharashtra) completed in 1998.
- He has more than 14 years of experience in Sourcing and Supply of Specialty chemicals, Intermediates, API, Bulk Drugs & entered into Pharmaceuticals in the last 2 years.
- He primarily looks after the overall business operations of the Company.

### Mr. Sachin Vasantrai Mehta



- Mr. Sachin Vasantrai Mehta is the Promoter and Joint-Managing Director of the Company.
- He is holding a Diploma in Exports & Import Management from Indian Merchant Chambers, Mumbai.
- He has more than 14 years of experience in Chemical Industry and import and Export.
- Since 2008, he has been involved in sourcing of Specialty Chemicals, Intermediates & Basic Solvents from Korea, Taiwan, China and Japan for the Company.



### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Hemal Vasantrai Mehta**, aged 45 years, is Diploma Holder in Chemical Engineering from Pune University (Maharashtra) completed in 1998. He has more than 14 years of experience in Sourcing and Supply of Specialty chemicals, Intermediates, API, Bulk Drugs & entered into Pharmaceuticals in the last 2 years. Currently, he is the head of functions of Marketing, Business Development and Customer relationship management. He is also into Corporate Development & New Business Ventures to achieve the growth & business plans of the Company. Further, he is responsible for entering into trade alliances & partnership arrangement with leading API manufacturers for purchase of all kinds of Chemicals on a regular basis from Company.

**Mr. Sachin Vasantrai Mehta**, aged 38 years, He is holding a Diploma in Exports & Import Management from Indian Merchant Chambers, Mumbai. He has more than 14 years of experience in Chemical Industry and import and Export. Since 2008, he has been involved in sourcing of Specialty Chemicals, Intermediates & Basic Solvents from Korea, Taiwan, China and Japan for the Company. In 2008, under his leadership the Company developed new products of Specialty intermediates through Organic Research. In 2014, under his leadership the Company entered the export markets of Countries like Myanmar, Uzbekistan, Somalia, Ghana, Cambodia, and Latin America & African for all finished formulations. Currently, he is the heading discovery of new chemical entities, exports & chemicals supply and trading business of the companies.

To conclude, the company's individual promoters have good experience in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.



**Financial Snapshot**

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
<b>Profit and Loss</b>			
Revenue from operations	19,335.03	35,709.46	19,549.16
Other income	37.77	46.43	40.71
Total Revenue	19,372.80	35,755.89	19,589.87
Expenses	18,618.58	34,612.34	18,850.76
Depreciation and Amortisation Cost	74.23	86.59	43.17
Finance Cost	322.53	337.90	214.67
Total Expenses	19,015.34	35,036.83	19,108.60
PBT	357.46	719.06	481.27
PBT Margin	1.85%	2.01%	2.46%
EBITDA	716.45	1,097.12	698.40
EBITDA Margin	3.71%	3.07%	3.57%
Net Profit	267.12	530.36	360.70
Net Profit Margin	1.38%	1.49%	1.85%
<b>Balance Sheet</b>			
Total Borrowings	2,977.09	3,059.24	4,940.51
Net Worth	2,250.75	2,977.53	5,108.79
Fixed Assets	621.29	700.34	1,724.08
Net Working Capital	1,642.18	2,853.99	4,013.81
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	8.07	7.62	7.85
Receivables Turnover Ratio	3.20	4.86	5.90
Payables Turnover Ratio	4.17	4.85	6.57
Fixed Assets Turnover Ratio	31.12	50.99	23.87
Return on Capital Employed	22.90%	27.70%	11.70%
Return on Equity	11.87%	17.81%	6.88%
Debt-Equity Ratio	1.32	1.03	0.47

(The data has been taken and calculated from the financials given in the prospectus)

**Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has increased from Rs. 716.45 lacs in 2021 to Rs. 1,097.12 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 698.40 lacs and if we annualise the same it would be around Rs. 1,396.80 lacs. The EBITDA on annualised basis has grown at a CAGR of 39.63%. The EBITDA margin in 2021 was 3.71%, 3.07% in 2022 and 3.57% up to 30<sup>th</sup> Sept 2022. CAGR seems healthy along with EBITDA margins showing a stable trend.

**Net Profit**

The net profit of the company has grown from Rs 267.12 lacs in 2021 to Rs. 530.36 lacs in 2022 and as on 30<sup>th</sup> Sept 2022 it was Rs. 360.70 lacs and if we annualise the same it would be around Rs. 721.40 lacs growing at a CAGR of 64.34%. The net profit margin in 2021 was 1.38%, 1.49% in 2022 and 1.85% up to 30<sup>th</sup> Sept 2022. The company has been able to maintain healthy net profit margins.

**Finance Cost.**

The company's finance cost mainly due to short terms borrowings and long-term borrowings availed by the company.

**Financial Measures/Ratios**

RoCE of the company up to 30<sup>th</sup> Sept 2022 is 11.20% vs 27.70% in 2022 and 22.90% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 11.70%. RoCE has decreased due to increase in the capital base of the company.

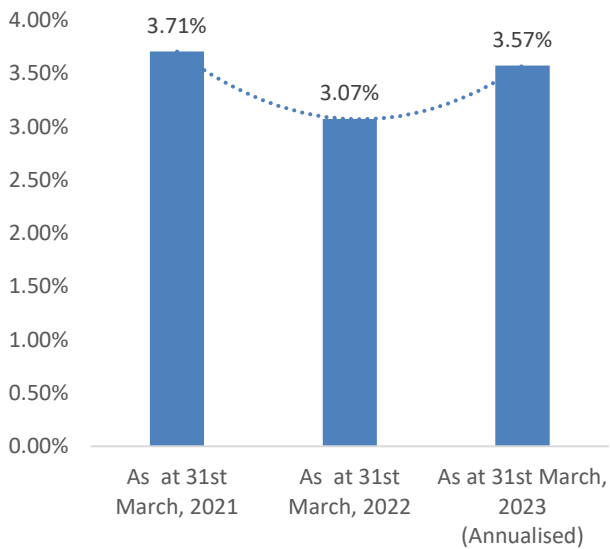
ROE of the company in 2021 was 11.87%, 17.81% in 2022 and 7.06% up to Sept 2022, if annualised, ROE would be around 6.88%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -23.84%.

The company has a debt-equity ratio of 0.97 times which shows the company is decently leveraged. If annualised, Debt-equity ratio would be around 0.47 times.

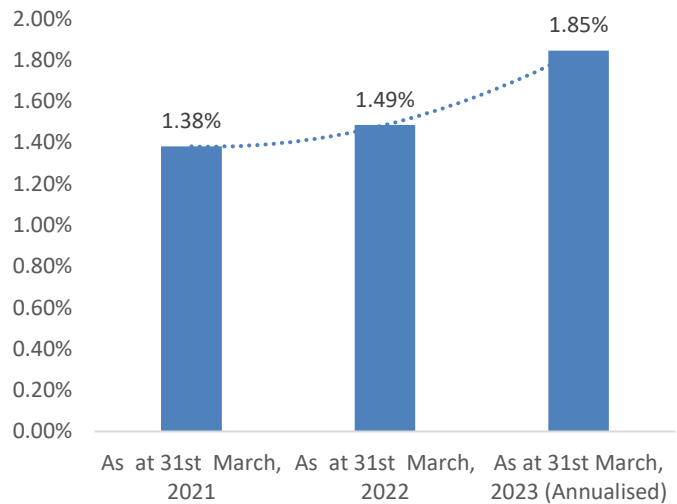


## Financial Charts

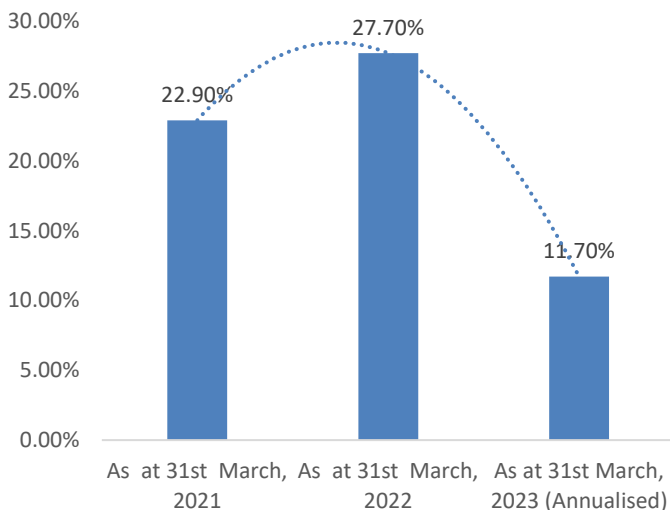
### EBITDA Margin



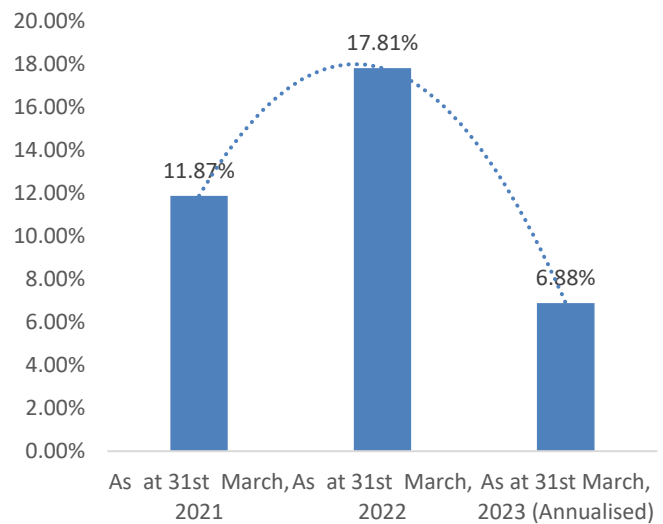
### Net Profit Margin



### Return on Capital Employed



### Return on Equity







## Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 789.64 lacs, and 12 cases whose amount cannot be crystallised and 1 Criminal Case against the promoter which if determined against them, can affect financial conditions of the company.
2. Company had previously filed the DRHP on Emerge Platform of National Stock Exchange of India Limited in the year 2019.
3. Company relies on independent third-party service providers and contractors to execute various parts of their projects.
4. Company has a negative cash flow in its operating activities in the year 2022 & from Investing and financing activities in the past year.
5. **Company failed to sail through its maiden IPO in June 2019 has changed the lead manager for this offer and the list of listed peers.**
6. Company has related party transactions relating to purchase and sale of goods details of which are given in the table below:

Particulars	30th Sept, 2022	March 31, 2022	March 31, 2021	March 31, 2020
Sales of Goods	191.45	466.23	338.10	3.53
Purchase of Goods	115.53	212.59	641.43	11.61



## Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate Services Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times-

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1	Niks Technology Limited	2.01	201.00	March 31, 2021	250.00
2	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	245.00
3	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	144.65
4	Clara Industries Limited	3.02	43.00	December 29, 2021	228.05
5	Goel Food Products Limited	3.61	72.00	June 28, 2022	132.00
6	B Right Realestate Limited	44.36	153	July 13, 2022	179.70
7	Shantidoot Infra Services Ltd	4.02	81	September 19, 2022	79.95
8	Reetech International Cargo and Courier Ltd	11.71	105	October 10, 2022	58.80
9	Steelman Telecom Limited	26.02	96	October 10, 2022	166.00

### #CMP is taken as on 8<sup>th</sup> March 2023

This is the 15th mandate from Gretex Corporate in the last three fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at a discount and the rest were listed at premiums ranging from 0.47 % to 67.71 % on the listing date.



## Recommendation

The company has been into this industry since 2008 and has a decent track record. This is evident from its growing healthy revenues and presence across the globe with a plan of expansion with a new manufacturing facility.

Revenue from operations and net profit margins have seen healthy growths in the last 3 fiscal years.

The management outlook of the company is good since its promoters and directors show promising growth and hold vast experience in the field.

The company is getting listed at a PE of around 17.24 times on post IPO basis which justifies the issue price. The industry PE is 26.73.

In conclusion, the company has shown healthy increasing revenues and net profit margins. The company has fared well in recent times and its growth looks promising considering its future prospectus and the industry it is in but the **Company failed to sail through its maiden IPO in June 2019 has changed the lead manager for this offer and the list of listed peers.** This leads us to have mixed reviews and makes it a risky investment. **So, risk averse should avoid and risk seekers may apply in the IPO.**



## **Disclaimer**

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**