

IPO Details

Opening Date	May 17, 2023
Closing Date	May 19, 2023
Stock Exchange	NSE SME
Lot Size	100 shares
Issue Price	₹ 1229 per share
Issue Size	3,88,000 Equity Shares
Application Amount	₹ 1,22,900
Amount Raised (Issue Type)	₹47.69 Cr (Fresh Issue)

IPO Objective

1. To meet the working capital requirements.
2. Funding investments for acquisitions and general corporate purposes.
3. To meet the public issue expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	10,07,125	92.82%
Public	77,875	7.18%

Promoter of the Company

1. Mr. Arpit Deepakkumar Shah
2. Mr. Swapnil Jatinbhai Shah
3. Ms. Roma Vinodbhai Shah
4. Mrs. Anar Swapnil Shah

Competitive Strengths

1. Experienced Promoters and Management Team.
2. Wide range of Products.
3. Strategic Location of Contract Manufacturing Facilities.
4. Diversified business operations and revenue base.
5. Scalable Business Model.

Company Background

- Company was originally incorporated as 'Remus Pharmaceuticals Private Limited' in September 21, 2015. Headquartered in Ahmedabad, Gujarat.
- Company is engaged in marketing & distribution of finished formulations of pharmaceutical drugs. Company also deals in API (Active Pharmaceutical Ingredient).
- Company's product portfolio consists of 429 products, as on January 31, 2023. They operate under different brand names across the globe. As on January 31, 2023, they have 295 products registered in total 13 countries.
- As on January 31, 2023, company have business to business supply agreements with 58 domestic distributors and 139 international distributors for distribution and/or contract manufacturing supply.
- As on date of filing of this Red Herring Prospectus, company have 35 employees on their payroll.

Financial Summary

	(INR In Lacs.)		
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	1,104.96	1,590.93	3,352.96
Net Assets	304.61	643.18	1,712.07
Total Borrowings	27.89	19.17	947.45
Total Revenue	1,922.45	2,543.71	3,361.19
Profit After Tax	102.58	338.57	643.89

Tentative Timeline

Opening Date	May 17, 2023
Closing Date	May 19, 2023
Basis of Allotment	May 24, 2023
Initiation of Refunds	May 25, 2023
Credit of Shares to Demat	May 26, 2023
Listing Date	May 29, 2023

Table of Contents

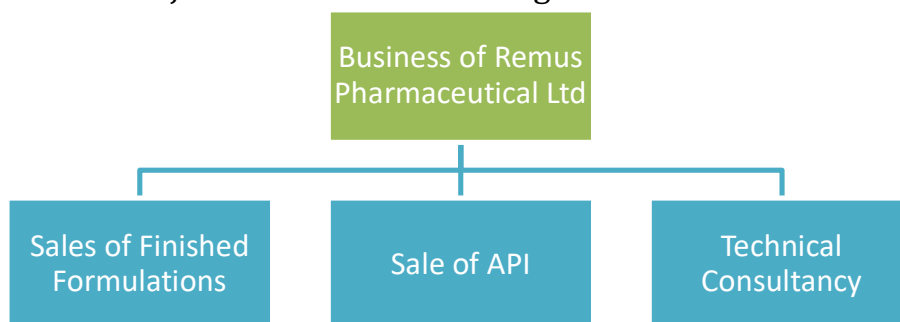
1.	Company Overview.....
2.	Industry Charts.....
3.	Investment Overview.....
4.	Promoter & Promoters' Profile.....
5.	Financial Analysis.....
6.	Key Risk Factors.....
7.	Track Record of Lead Manager.....
8.	Recommendation.....
9.	Disclaimer.....

Company Overview

Remus Pharmaceuticals Limited was originally incorporated as 'Remus Pharmaceuticals Private Limited' in September 21, 2015. Headquartered in Ahmedabad, Gujarat. Company is engaged in marketing & distribution of finished formulations of pharmaceutical drugs. Company also deals in API (Active Pharmaceutical Ingredient). They also provide technical consultancy services to various distributors for preparation of reports on the dossiers of the products to be registered by them in various countries. Company is majorly engrossed in the pharmaceutical business involving marketing, trading and distribution of wide range of pharmaceutical finished formulations and products. Depending upon business requirements, they get finished pharmaceutical formulations manufactured on loan license or contract manufacturing. Such manufacturing is on principle-to-principle basis.

Analysis

Being in operations since 2015, the company has a decent track record of existence and also the promoters of the company have decent experience in the industry. Company generates most of its revenue from export sales. Company derives its revenue from 3 major business verticals as given below:



1. Sale of Finished Formulations – Under this vertical, company sales registered products to the international distributor as per their requirement. Their total product portfolio consists of 429 products, as on January 31, 2023. They operate under different brand names across the globe. As on January 31, 2023, they have 295 products registered in total 13 countries along with total 134 products are under process of registration in 16 countries and they have business to business supply agreements with 58 domestic distributors and 139 international distributors for distribution and/or contract manufacturing supply.
2. Sale of Active Pharmaceutical Ingredients (APIs) – Under this vertical, company procures APIs from domestic market as per the requirement of customer and sell

the same in domestic as well as international markets. This is not the core business of the company but in order to capture more market presence, they are also engaged in trading of APIs in international markets.

3. Technical Consultancy – Under this vertical, company provides technical consultancy services to international distributors in preparation of reports on the Dossiers under registrations. This service requires high level of technical knowledge and understanding of various regulatory requirements. As on the date of RHP, company has 16 qualified employees to provide this service.

Remus Pharmaceutical Ltd Geographic Overall Revenue Bifurcation:

(₹ in Lakhs)

Particulars	For the Period Ended Dec 31,2022		For the year ended March 31					
			2022		2021		2020	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Export Sales	3,223.19	99.51%	2,316.22	93.71%	1,534.16	83.30%	1,191.90	100.00%
Domestic Sales	15.98	0.49%	155.49	6.29%	307.65	16.70%	-	0.00%
Total Revenue	3,239.17	100.00%	2,471.71	100.00%	1,841.81	100.00%	1,191.90	100.00%

Remus Pharmaceutical Ltd Manufacturing Nature Revenue Bifurcation:

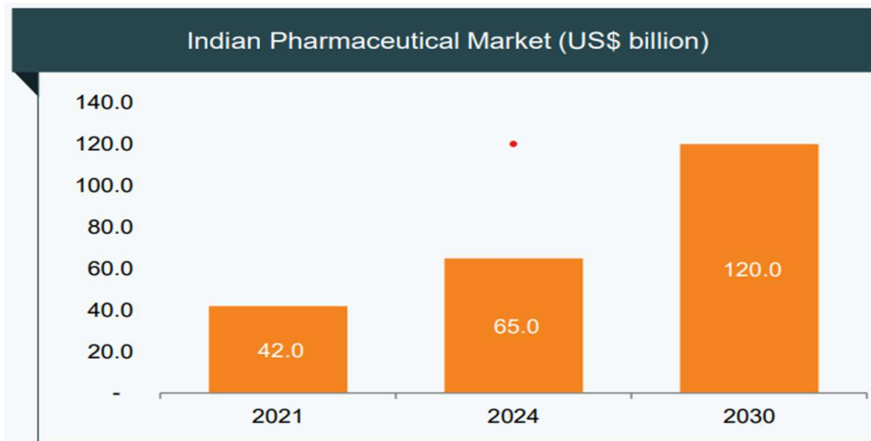
(₹ in Lakhs)

Particulars	For the Period Ended Dec 31,2022		For the year ended March 31					
			2022		2021		2020	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Sales from Loan Licence Manufacturing	1,825.12	62.07%	1,149.02	56.48%	607.08	50.86%	516.56	53.55%
Sales from Contract Manufacturing	1,115.16	37.93%	885.30	43.52%	586.55	49.14%	448	46.45%
Total Revenue from Finished Formulations	2,940.28	100.00%	2,034.32	100.00%	1,193.63	100.00%	964.65	100.00%

To conclude, company operates in a highly competitive atmosphere with organized and as well as unorganized players in the industry. The core strength of the company lies in getting their approved formulation manufactured through contract manufacturers under loan licence and marketing of formulations under their own brand through marketing network across geographies. As on the date of Red Herring Prospectus they have 30 active loan license contract manufacturing facilities.

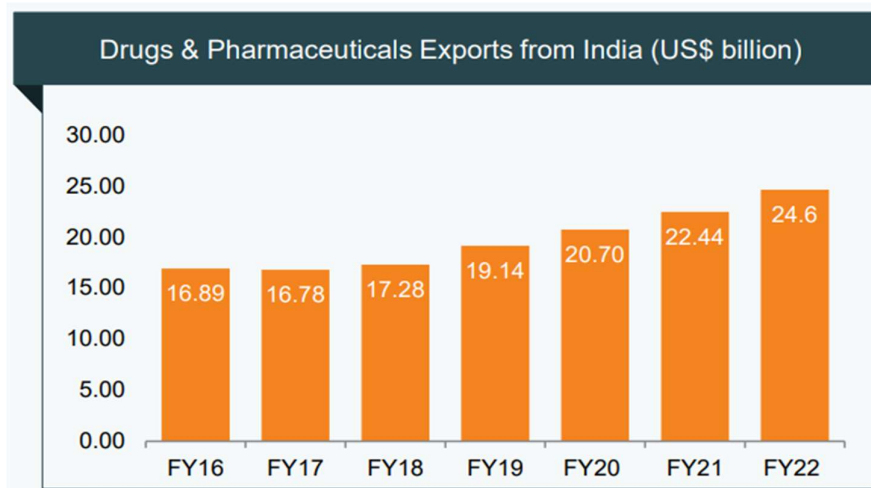
Industry Charts

Exhibit 1: Indian Pharmaceutical Market



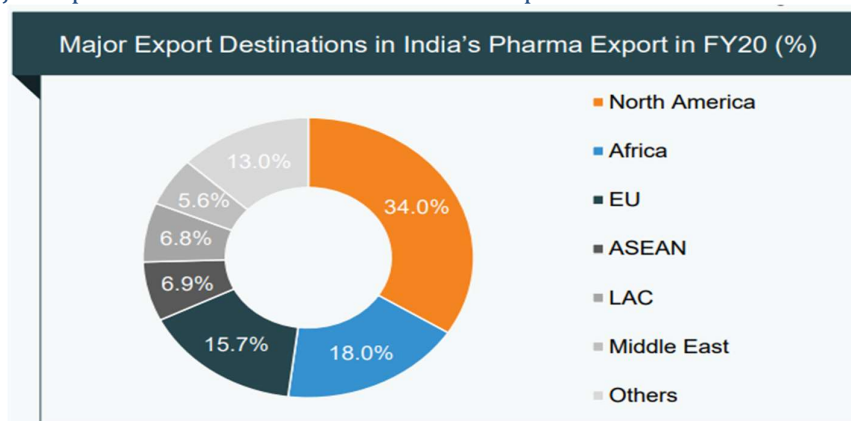
(Source - <https://www.ibef.org/>)

Exhibit 2: Drugs & Pharmaceuticals Exports from India



(Source - <https://www.ibef.org/>)

Exhibit 3: Major Export Destinations in India's Pharma Export



(Source - <https://www.ibef.org/>)

Investment Overview

Pharmaceutical Sector in India

1. Leading pharma producer

- Indian pharmaceutical industry is expected to reach ~US\$ 130 billion by 2030.
- India ranks 3rd worldwide for pharmaceutical production by volume and 14th by value. The country has an established domestic pharmaceutical industry, with a strong network of 3,000 drug companies and ~10,500 manufacturing units.
- India is the largest producer of vaccines worldwide, accounting for ~60% of the total vaccines, as of 2021.

2. One of the Highest Exports

- Indian drug & pharmaceutical exports stood at US\$ 2,119.08 million in June 2022.
- Indian drug & pharmaceutical exports stood at US\$ 24.60 billion in FY22 and US\$ 24.44 billion in FY21.

3. Among Fastest Growing Industries

- Indian pharmaceutical sector is expected to grow at a CAGR of 22.4% in the near future and medical device market expected to grow US\$ 25 billion by 2025. India is the second-largest contributor of global biotech and pharmaceutical workforce.
- The Indian pharmaceutical industry generated a trade surplus of US\$ 15.81 billion in FY22.

4. Rapidly Growing Healthcare Sector

- Indian healthcare sector, one of the fastest growing sectors, is expected to cross US\$ 372 billion by 2022.

5. Robust Growth in Biotech Industry

- The Indian biotechnology industry was valued at US\$ 70.2 billion in 2020 and is expected to reach US\$ 150

- The biotechnology industry in India comprises ~600+ core biotechnology companies, ~2700+ biotech start-ups and ~100+ biotech incubators.

IMPORTANT SEGMENTS IN INDIAN PHARMACEUTICAL SECTOR

1. Active Pharmaceutical Ingredients (APIS)

- Domestic API consumption is expected to reach US\$ 18.8 billion by FY22.
- In April 2019, a high-level task force was constituted to create a roadmap for increasing domestic production of APIs. It's exports for FY21 stood at US\$ 4.3 billion.
- In 2021, the government had approved a US\$ 955 million production-linked incentive (PLI) scheme to encourage domestic production of important starting materials, pharmacological intermediates and APIs.

2. Contract Research and Manufacturing Services (CRAMS)

- Fragmented market with more than 1,000 players.
- CRAMS industry has posted 48% CAGR between FY15-18 and expected to witness a strong growth over 25% over 2018-21.

3. Biosimilar

- The Government plans to allocate US\$ 70 million for local players to develop Biosimilar.
- The domestic market is expected to reach US\$ 35 billion by 2030.

4. Formulations

- Largest exporter of formulations in terms of volume, with 14% market share and 12th in terms of export value.
- According to Allied Market Research, the Indian pharmaceutical packaging market was valued at US\$ 1,434.1 million in 2020 and is expected to reach US\$ 3,027.14 million by 2030, at a CAGR of 7.54%.

(Source- Prospectus)

Addressable market for Remus Pharmaceuticals

The business of the company is diversified in terms of geographies and therapeutic areas within the pharmaceutical industry. In terms of geographical diversity, they have marked their presence in international as well as Indian markets. They have exports of Formulation to countries like Bhutan, Bolivia, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Kuwait, Madagascar, Malaysia, Hong Kong, Myanmar, Panama, Trinidad and Tobago, Uzbekistan, Venezuela, Vietnam. Their business model is customer centric, and order driven, and requires optimum utilisation of existing resources, assuring quality supply and achieving consequent economies of scale. The business scale can be achieved through development of new markets and products both domestic and international by exploring customer needs, marketing expertise and by maintaining the consistent quality output.

Competition

Company competes with organized and as well as unorganized players in the industry with better financial position, market share, product ranges, human and other resources. Branding and marketing are the key factors in the industry where larger players are in a better position to market their products. In pharmaceutical industry companies faces entry barriers as it requires a lot of approvals and registrations, and it also varies depending on the countries. Companies can have high bargaining power depending on the product portfolio and rights to sell those products.

PEER ANALYSIS

As mentioned in the prospectus there are only 3 peer companies viz. Trident Lifeline Ltd, Vaishali Pharma Ltd and Chandra Bhagat Pharma Ltd. An analysis of the same has been given below -

Company	Remus Pharmaceuticals Limited	Trident Lifeline Ltd.	Vaishali Pharma Ltd.	Chandra Bhagat Pharma Ltd
Net Profit (INR Cr)	3.39	2.27	4.02	0.80
EBITDA (INR Cr)	4.07	19.70	14.70	25.60
Return on Capital Employed	58.36%	25.10%	18.80%	8.62%
Return on Equity	52.64%	23.80%	16.50%	3.04%
EPS (INR)#	58.28	2.84	3.81	1.06
Leading P/E* (Times)	21.09	26.00	23.50	124.00

*Leading P/E as on 12/05/2023

#EPS is based on post-IPO

Promoters' Profile and Management Analysis

Mr. Arpit Deepakkumar Shah



- Mr. Arpit Deepakkumar Shah, aged 35 years, is Managing Director and Promoter of the Company.
- He holds the Degree of Bachelor of Engineering (Information Technology) from Saurashtra University.
- He has more than 11 years of experience in the field of sales and operations.

Mr. Swapnil Jatinbhai Shah



- Mr. Swapnil Jatinbhai Shah, aged 37 years, is the Chairman, Whole Time Director and Promoter of the Company.
- He has completed Open Learning Diploma in Business Entrepreneurship from Entrepreneurship Development Institute of India, Bachelor of Engineering (Chemical) from Gujarat University, Master of Business Administration from Hofstra University and Diploma in International Marketing from Ahmedabad Management Association.
- He is having more than 12 years of experience in the field of finance and business operations.

Ms. Roma vinodbhai shah



- Ms. Roma vinodbhai shah aged 35 years is the Whole Time Director and Promoter of the Company.
- She has completed Bachelor of Pharmacy from Gujarat University and Master of Science (Pharmaceutical Manufacturing) from Stevens Institute of Technology, New Jersey.
- She is having experience of more than 8 years of experience in project management and quality assurance.

Mrs. Anar Swapnil Shah



- Mrs. Anar Swapnil Shah aged 35 years is the Whole Time Director and Promoter of the Company.
- She has completed Bachelor of Dental Surgery from Bharati Vidyapeeth Deemed University and Master of Business Administration from Nirma University.
- She is having more than 8 years of experience in pharmaceutical industry.

Analysis on the Company's Promoter and Board of Directors

Mr. Arpit Deepakkumar Shah, aged 35, Managing Director of the company. He holds the Degree of Bachelor of Engineering (Information Technology) from Saurashtra University. He was appointed as an Executive Director of the Company since incorporation. Thereafter, he was redesignated as Managing Director of the Company. He is having more than 11 years of experience in the field of sales and operations.

Mr. Swapnil Jatinbhai Shah, aged 37, is the Chairman, Whole Time Director, and Promoter of the Company. He has completed an Open Learning Diploma in Business Entrepreneurship, a B.E., and a Master of Business Administration. He was appointed as an Executive Director of the Company since incorporation, he was redesignated and appointed as Chairman and Whole Time Director of the Company.

Ms. Roma Vinodbhai Shah, aged 35, Whole Time Director, and Promoter of the Company. She has completed a Bachelor of Pharmacy, Master of Science (Pharmaceutical Manufacturing) from Stevens Institute of Technology, New Jersey. She has more than 8 years of experience in project management and quality assurance.

Mrs. Anar Swapnil Shah, aged 35 years, Whole Time Director, and Promoter of the Company. She has completed a Bachelor of Dental Surgery and a Master of Business Administration. She is having more than 8 years of experience in the pharmaceutical industry.

Mr. Balwant Purohit, aged 36, Independent Director of the Company. He has obtained Industry Exposure Training Certificate from Taj Hotels Resorts and Palaces. He is having more than 14 years of experience in the food industry.

Ms. Sanjana Sanjeev Shah, aged 34, Independent Director of the Company. She has completed a Bachelor of Commerce and is a member of The Institute of Chartered Accountants of India. She is having more than 7 years of experience in strategic management.

Mr. Vishrut Chandramauli Pathak, aged 45, Independent Director of the Company. He has completed a Master of Business Administration and has completed a Master of Business Administration. He has more than 12 years of experience in the Financial Market.

To conclude, the company's promoters have good experience in the industry to which the company belongs to. The independent directors of the company also have decent experience in the various sectors which helps in the growth of the business. Ms. Roma Vinodbhai Shah is the spouse of Mr. Arpit Deepakkumar Shah and Mrs. Anar Swapnil Shah is the spouse of Mr. Swapnil Jatinbhai Shah.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st Dec, 2022
<u>Profit and Loss</u>			
Revenue from operations	1,841.81	2,471.71	3,239.17
Other income	80.64	72.00	122.02
Total Revenue	1,922.45	2,543.71	3,361.19
Expenses	1,765.63	2,064.64	2,445.03
Depreciation and Amortisation Cost	17.50	15.48	33.30
Finance Cost	3.51	8.72	13.53
Total Expenses	1,786.64	2,088.84	2,491.86
PBT	135.81	454.87	869.33
PBT Margin	7.37%	18.40%	26.84%
EBITDA	76.18	407.07	794.14
EBITDA Margin	4.14%	16.47%	24.52%
Net Profit	102.58	338.57	643.89
Net Profit Margin	5.57%	13.70%	19.88%
<u>Balance Sheet</u>			
Total Borrowings	27.89	19.17	947.45
Net Worth	304.61	643.18	1,712.07
Fixed Assets	39.23	30.85	199.80
Net Working Capital	-19.13	-150.48	294.54
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	16.01	15.55	90.94
Receivables Turnover Ratio	5.11	8.48	12.02
Payables Turnover Ratio	2.37	2.72	8.30
Fixed Assets Turnover Ratio	46.95	80.12	16.21
Return on Capital Employed	17.47%	58.36%	29.62%
Return on Equity	33.68%	52.64%	37.61%
Debt-Equity Ratio	0.09	0.03	0.55

(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. 76.18 lacs in 2021 to Rs. 407.07 lacs in 2022 and on 31st Dec 2022 it was Rs. 794.14 lacs and if we annualize the same it would be around Rs. 1058.85 lacs. The EBITDA on annualized basis has grown at a CAGR of 272.82%. The EBITDA margin in 2021 was 4.14%, 16.47% in 2022, and 24.52% up to 31st Dec 2022. The EBITDA margin has increased due to a substantial increase in revenue from operations which mainly comprises export sales with a percentage increase of 31% as on 31st Dec 2022 along with decrease in the percentage contribution of Cost of Materials Consumed towards EBITDA.

Net Profit

The Net Profit of the company has increased from Rs.102.58 lacs in 2021 to Rs. 338.57 lacs in 2022 and as on 31st Dec 2022 it was Rs. 643.89 lacs and if we annualize the same it would be around 858.52 lacs Growing at a CAGR of 189.30%. The Net Profit margin in 2021 was 5.57%, 13.70% in 2022, and 19.88% up to 31st Dec 2022. The Net Profit of the company has increased due to a percentage increase of 31% in revenue when compared to a percentage increase of 19% in total expenses.

Finance Cost.

The company's finance cost mainly comprises interest expenses and interest on Income Tax.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 is 29.62% vs 58.6% in 2022 and 17.47% in 2021. If we annualize the RoCE of FY 2022 - 2023, the RoCE is expected to be around 13.70%. The decrease in RoCE is due to an increase in long term borrowings and equity Share Capital.

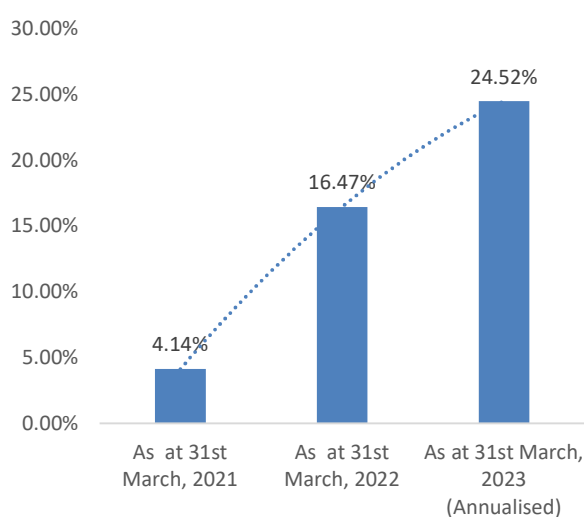
ROE of the company in 2021 was 33.68%, 52.64% in 2022, and 37.61% up to Dec 2022, if annualized ROE would be around 12.82%. Along with RoCE, ROE has also decreased. With an increase in equity base, the ROE is expected to come further down on annualized basis resulting in an estimated CAGR of -38.30%.

The inventory turnover ratio of the company in 2021 was 16.01, 15.55 in 2022, and 90.94 up to 31st Dec 2022. If we annualize for FY 2022- 2023, it is expected to be around 121.25. The increase in Inventory Turnover Ratio is due to the substantial increase in revenues and decrease in inventory in hand. Also, company's receivables turnover ratio and payables turnover ratio are also increasing which is a good indicator for a company.

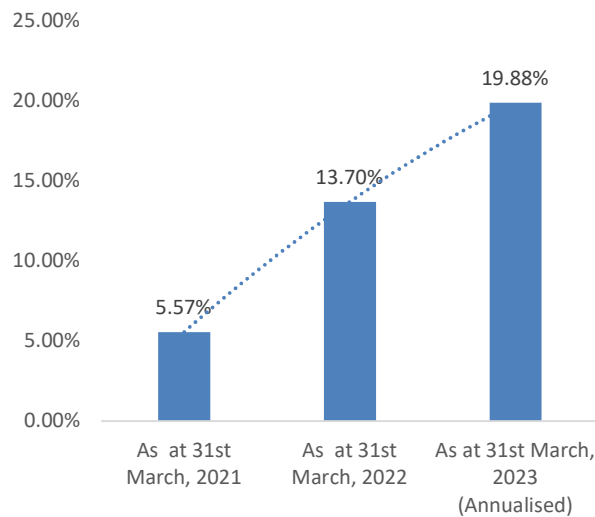
The company has a debt-equity ratio of 0.55 as of 31st Dec 2022 which shows the company was highly leveraged. The debt-equity ratio is going to go down to around 0.12 times post-IPO. Secured loan of the company is only due to vehicle loan, this shows company is not utilizing all the available opportunity and resources for business expansion.

Financial Charts

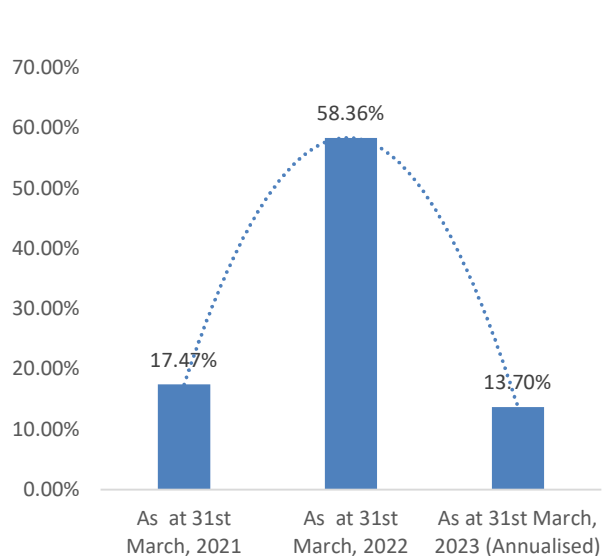
EBITDA Margin



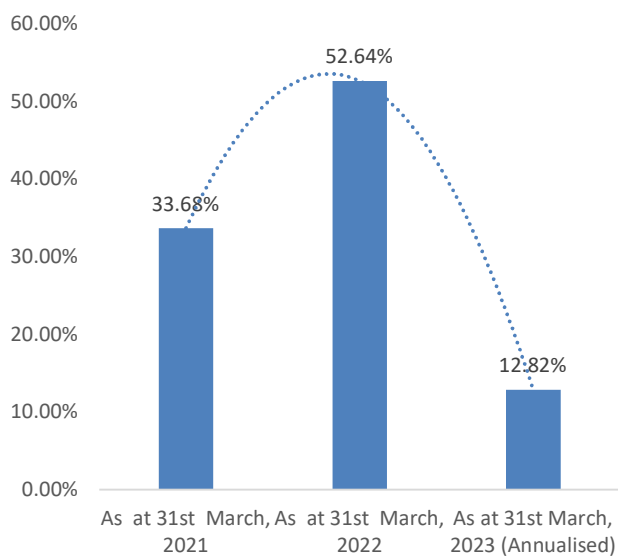
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are 15 outstanding legal proceedings involving the Company, its Directors and Promoter amounting to Rs. 2,544.39 Lacs, an adverse outcome in any of these proceedings could have a material adverse effect on the Company.
2. Business is dependent on a few customers and the loss of, or a significant reduction in purchases by such customers could adversely affect the business i.e., top ten customers Contributes 73.66%, 83.21%, 88.92% and 98.10% of total sales for the period / year ended on December 31, 2022, March 31, 2022, March 31, 2021, and March 31, 2020 respectively.
3. Company is dependent on few suppliers for purchase of product, loss of any of these large suppliers may affect their business operations i.e., top ten suppliers contribute 79.17%, 72.14%, 78.07% and 84.44% of total purchase for the period ended December 31, 2022 and financial year ended on March 31, 2022, 2021 and 2020, respectively.
4. Company's net working capital was negative for last 2 fiscal years i.e., Rs. (10.41) Lacs and Rs. (141.18) Lacs for the year ended March 31, 2022 and 2021, respectively.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Pvt Ltd. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Managers in recent times –

Share India Capital Services Private Limited: -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Sotac Pharmaceuticals Limited	33.30	111.00	April 13, 2023	119.70
2.	Dev labtech Venrure Limited	11.22	51.00	March 29, 2023	66.05
3.	Vertex Technologies Limited	14.21	96.00	March 15, 2023	110.00
4.	Viaz Tyres Limited	20.00	62.00	March 01, 2023	50.45
5.	Transvoy Logistics India Limited	5.11	71.00	February 02, 2023	67.51
6.	Aristo Bio-Tech and Lifescience Limited	13.05	72.00	January 30, 2023	60.75
7.	RBM Infracon Limited	8.37	36.00	January 04, 2023	68.95
8.	Vital Chemtech Limited	64.64	101.00	November 14, 2022	91.35
9.	Trident Lifeline Limited	35.34	101.00	October 10, 2022	143.90
10.	Kandarp Digi Smart BPO Limited	8.10	30.00	September 28, 2022	19.95

#CMP is taken as on 12th May 2023

As per the offer document this is Beeline Capital Advisor's 13th mandate in the last 2 fiscals (including the ongoing one). Out of the last 10 listings, 2 at par and the rest listed at premiums ranging from 0.004% to 63.37% on the listing date. Thus, it has a good track record.

Recommendation

The company has been into this industry since 2015 and has a decent track record. However, the company has also managed to increase its revenue exponentially, along with exponential growth EBIT margins and net profit margins and their growth.

Company competes with organized and as well as unorganized players in the industry with better financial position, market share, product ranges, human and other resources.

The management outlook of the company looks decent, as their promoters and top managerial personnel's have a decent experience relating to the company operates in.

The company is getting listed with a Leading P/E of around 21.09 times which seems fairly priced, it is due to extraordinary growth in EPS and looking at the performance of the company over the past years and when compared it with its peers as per the prospectus.

In conclusion, given that with an exponential growth of revenue, along with extraordinary growth in both EBIT margins and net profit margins, which cannot be sustained going forward. The company have well diversified its revenue in different geographies and products. Whereas, there are litigations pending amounting to Rs. 2,544.39 Lacs which can lead to material adverse effect on the Company makes this stock a risky bet and one should wait and **Avoid** applying for this 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.