



IPO Details

Opening Date	June 16, 2023
Closing Date	June 21, 2023
Stock Exchange	NSE SME
Lot Size	4000 shares
Issue Price	₹30 per share
Issue Size	40,00,000 Equity Shares
Application Amount	₹ 1,20,000
Amount Raised (Issue Type)	₹12 Cr (Fresh Issue- ₹12 Cr)

IPO Objective

1. Augmenting additional working capital requirements
2. General Corporate Purposes.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	90,00,000	90.45 %
Public	9,50,000	9.55%

Promoter of the Company

1. Viswa Prasad Sadhanala
2. Ramesh Reddy Sama
3. Sadhanala Venkata Rao
4. D. Srinivasa Reddy

Competitive Strengths

1. Experienced Management and Dedicated Employee Base.
2. Quality Assurance .
3. Business Strategy.
4. Improve Production Capacity

Company Background

- Vilin Bio Med Limited was incorporated in the year 2005 and is headquartered in Secunderabad, Telangana.
- Company is engaged in domestic business of manufacturing pharmaceuticals products and the Manufacturing Unit is located in Roorkee, in the State of Uttarakhand.
- Company's products are primarily used by other pharmaceutical companies and traders, who ultimately will market it to the distributors and retail customers.
- As on date of filing of Red Herring Prospectus, company have 61 employees on their payroll.

Financial Summary

(INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	1,389.14	1,355.83	1,687.11
Net Assets	736.26	739.61	867.69
Total Borrowings	551.58	529.96	617.71
Total Revenue	1,171.88	1,121.91	903.43
Profit After Tax	12.13	3.35	128.08

Tentative Timeline

Opening Date	June 16, 2023
Closing Date	June 21, 2023
Basis of Allotment	June 26, 2023
Initiation of Refunds	June 27, 2023
Credit of Shares to Demat	June 29, 2023
Listing Date	June 30, 2023



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**Company Overview**

Company is engaged in domestic business of manufacturing Pharmaceuticals products and the Manufacturing Unit is located in Roorkee, in the State of Uttarakhand. Products are primarily used by other pharmaceutical companies and traders, who ultimately will market it to the distributors and retail customers. Company Sales Strategy is to sell products in bulk to Pharmaceuticals Manufacturers, Marketers and Traders, who in turn provide the channel for sales to customers.

Analysis

Being incorporated in the year 2005, company has a good track record of existence. Company is indulged in manufacturing of pharmaceutical products but do not sell its products under any brand name. The major products manufactured by the company are as follows:

- 1.Oral Liquid (Syrups/Suspensions/Dry Powders (β & non β -Lactam)).
- 2.Tablets & Capsules (β & non β -Lactam).
- 3.External Preparations

Yearly geographical revenue distribution of above given products

Rs. Lakhs

	Geographical			
	South, North, West, Center	South, North, West, Center	South, North, West, Center	South, North, West, Center
	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20
Total Revenue	901.29	1121.49	1171.52	1,681.29

Comparing to the revenue they generated in 2019 it is reduced to half in the year 2023 this shows that company is struggling to improve their business.



Capacity and Capacity Utilization

S No	Description	Per Shift of 8 hours	During 2019-20	During 2020-21	During 2021-22	Period ended December 31,2022
		<i>Units (In Lacs)</i>				
1	Tablets	6	35%	32%	30%	33%
2	Capsules	3	25%	22%	20%	18%
3	Liquid Orals	0.1	5%	5%	5%	4%
4	External Preparations	0.1	10%	10%	10%	12%
5	Dry Powder	0.1	Nil	Nil	Nil	Nil
6	Sachet Filling	0.15	Nil	Nil	Nil	Nil

Company is operating at approximately 30% capacity utilization. This gives Company a tremendous room for a growth to utilize the rest of the 70% capacity. Scaling production to its optimum manufacturing capacity to leverage economies of scale will reduce overall operational costs and add to the margins. Capacity utilization has been same over the past few years it indicates that company is unable to grab the new customers and new orders.



Industry Charts

Exhibit 1: Indian pharmaceutical Market

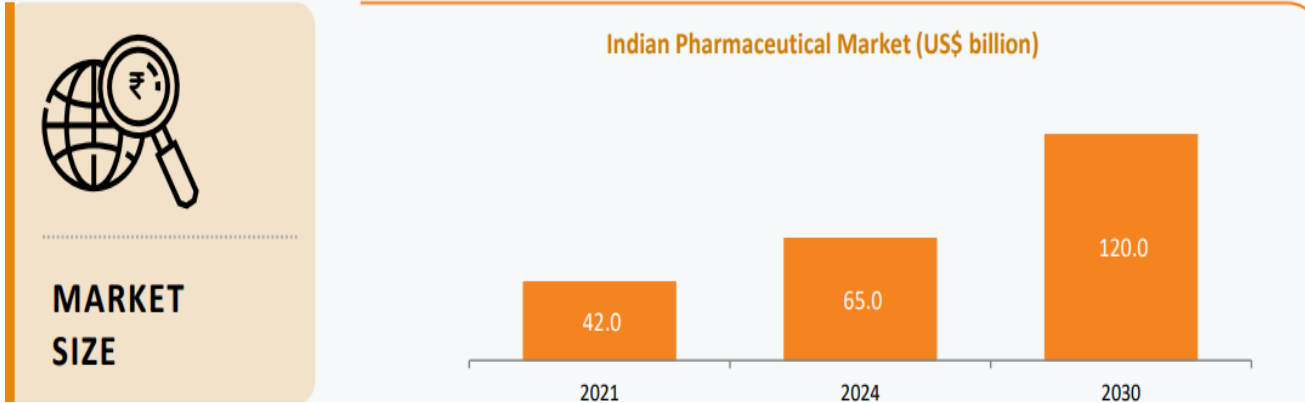


Exhibit 2: R&D investment by Indian pharma companies

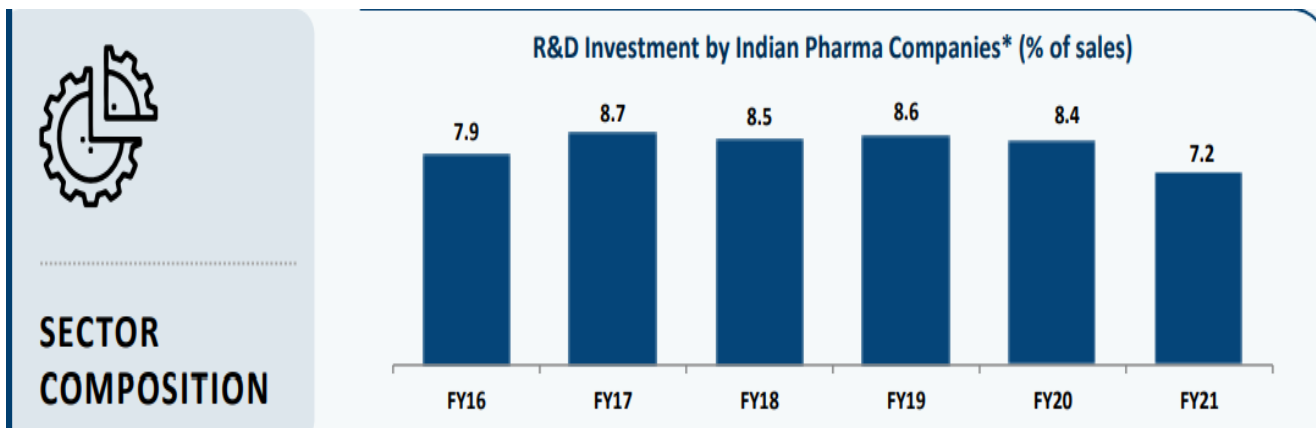
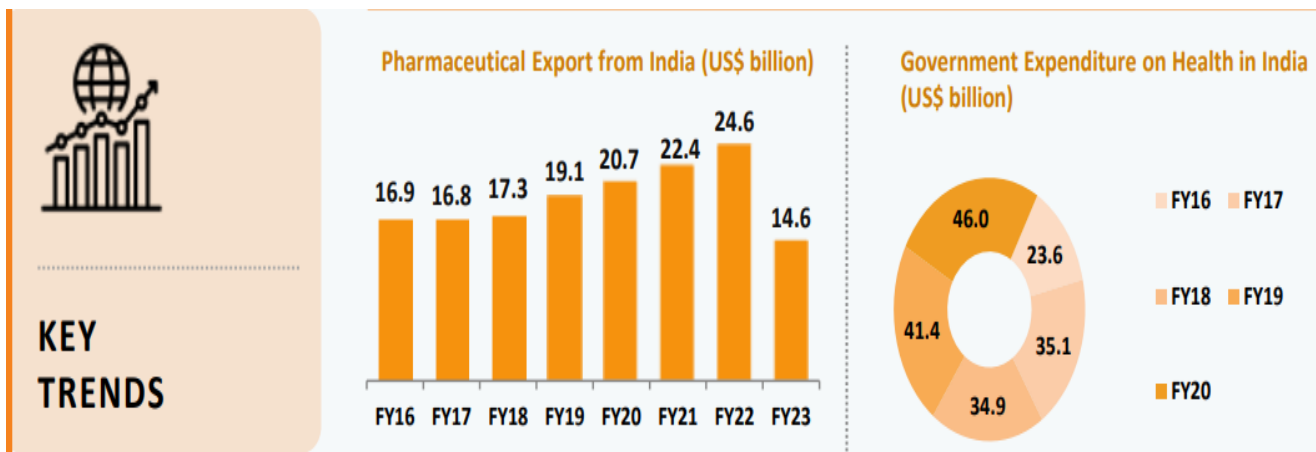


Exhibit 3: Pharmaceutical export from india



(Source- IBEF)



Investment Overview

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

Market size of India pharmaceuticals industry is expected to reach US\$ 65 billion by 2024, and ~US\$ 130 billion by 2030. According to the government data, the Indian pharmaceutical industry is worth approximately US\$ 50 billion with over US\$ 25 billion of the value coming from exports. About 20% of the global exports in generic drugs are met by India. India is among the top 12 destinations for biotechnology worldwide and 3rd largest destination for biotechnology in Asia Pacific. In 2022, India's Biotechnology industry has crossed US\$ 80.12 billion, growing 14% from the previous year. The biosimilars market in India is estimated to grow at a compounded annual growth rate (CAGR) of 22% to become US\$ 12 billion by 2025. This would represent almost 20% of the total pharmaceutical market in India. The current market size of the medical devices sector in India is estimated to be US\$ 11 billion and its share in the global medical device market is estimated to be 1.5%. Indian pharma companies have a substantial share in the prescription market in the



US and EU. The largest number of FDA-approved plants outside the US is in India. 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.

ROAD AHEAD

The pharmaceutical industry in India is a significant part of the nation's foreign trade and offers lucrative potential for investors. Millions of people around the world receive affordable and inexpensive generic medications from India, which also runs a sizable number of plants that adhere to Good Manufacturing Practices (GMP) standards set by the World Health Organization (WHO) and the United States Food and Drug Administration (USFDA). Among nations that produce pharmaceuticals, India has long held the top spot. Medicine spending in India is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medicine spending. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers, which are on the rise. The Indian Government has taken many steps to reduce costs and bring down healthcare expenses. The National Health Protection Scheme, which aims to offer universal healthcare, the ageing population, the rise in chronic diseases, and other government programmes, including the opening of pharmacies that offer inexpensive generic medications, should all contribute to boost the Indian pharmaceutical industry.

(Source- IBEF)



Addressable market for Vilin Bio Med Limited

Management team has requisite knowledge of the Pharmaceutical Manufacturing Sector to deal, manage the operational issues, Business Strategies and market challenges so they should use their experience and try to get more orders and improve their capacity utilization. Company should focus on quality manufacturing and aim to deliver qualitative products to the satisfaction of customers and increase testing laboratory regulates and monitors the quality of the products as per the requirements of the customers. As of now they are selling their products only in India and should try to diversify their products to other countries.

Competition

Company has significant competition from both organised and unorganised players. In Indian pharmaceutical business, bargaining power of buyers is higher than the bargaining of sellers so it is very important for the company to keep a track on the peer companies about the quality, price etc. Pharmaceutical business is highly competitive business so threat of new entrants in this field is very high and the company should keep improving themselves in every aspect to be in the race.

**PEER ANALYSIS**

As per the RHP, the company has mentioned 3 companies as its listed peers viz. JFL Life Sciences Limited, Vaishali Pharma Limited and Anuh Pharma Limited . An analysis on the peer companies has been given below –

Particulars	Vilin Bio med Limited			JFL Life Sciences Limited			Vaishali Pharma Limited			Anuh Pharma Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	3%	1%	1%	-	-	-	5%	2%	0%	6%	6%	5%
EBITDA Margin	7%	7%	5%	-	-	-	9%	5%	2%	10%	10%	7%
Return on Capital Employed	7%	7%	8%	24%	6%	7%	22%	0%	0%	16%	16%	10%
Return on Equity	4%	2%	2%	9%	8%	7%	15%	5%	0%	14%	15%	9%
EPS (INR)	0.04	0.15	0.20	3.50	8.74	8.49	3.81	1.00	0.03	6.10	5.68	2.86

Based on the above analysis all the margins of the company when compared to its peer is low and The EPS of the company has performed low compared to its peers.

Vilin Bio Med Limited

- Leading PE on post IPO basis – 24.51 times
- Post IPO EPS – 1.22.

**Promoters' Profile and Management Analysis****Mr. Viswa Prasad Sadhanala**

- Mr. Viswa Prasad Sadhanala, aged 57 years is the Managing Director of the Company.
- He has completed his B.Com, M.Com and LLb from Andhra University. He has also completed his MBA in Marketing from Andhra University.
- He looks after the legal and administration aspects of business.

Mr. Ramesh Reddy Sama

- Mrs Ramesh Reddy Sama, aged 50 years, is one of the Promoters of the Company.
- He has completed his Bachelor of Pharmacy from Marathwada University. He is having over two decades of experience in Pharma Industry.
- He provides strategic guidance to the Company.

Mr. Sadhanala Venkata Rao

- Sadhanala Venkata Rao, aged 59 years, is one of the Promoters of the Company.
- He is a qualified Chartered Accountant and Company Secretary.
- He provides strategic guidance to Company with respect to funding and other financial aspects of the business.

Mr. Srinivasa Reddy

- Srinivasa Reddy, aged 40 years, is one of the Promoters of the Company.
- He is a qualified Chartered Accountant.
- He is having more than a decade of experience in banking, accounts and finance.
- He provides looks into accounting aspects of the business, provides requisite guidance to the accounting team.



Analysis on the Company's Promoter and Board of Directors

Viswa Prasad Sadhanala, aged 57 years, is the Managing Director of Company. He has completed his B.Com, M.Com and LLb from Andhra University. He has also completed his MBA Marketing from Andhra University. He had served for 15 years in Indian Navy. He is also having over a decade of experience in the field of HR and office administration. He looks after the legal and administration aspects of the business on day-to-day basis.

Ramesh Reddy Sama, aged 50 years, is one of the Promoters of Company. He has completed his Bachelor of Pharmacy from Marathwada University. He is having over two decades of experience in Pharma Industry. He provides strategic guidance to Company and also takes care of plant operations.

Sadhanala Venkata Rao, aged 59 years, is one of the Promoters of Company. He is a qualified Chartered Accountant and Company Secretary, having more than 3 decades of experience in handling a diverse team of Finance, Legal and Secretarial and Managing finance effectively etc. He provides strategic guidance to Company with respect to funding and other financial aspects of business.

D. Srinivasa Reddy, aged 40 years, is one of the Promoters of Company. He is a qualified Chartered Accountant. having more than a decade of experience in banking, accounts and finance. He provides looks into accounting aspects of business, provides requisite guidance to the accounting team.

Veerareddy Vallapureddy, aged 55 years, is the Non-Executive Chairman and Independent Director of Company. He has completed his Bachelor of Commerce from Acharya Nagarjuna University. He has also completed his B.Ed from Annamalai University. He is having over a two decades of experience in the field of administration, legal and marketing. of marketing and exhibitions. He provides strategic guidance to Company.

Rakesh Kumar Chandak aged 51 years, is the non-executive Director of Company. She has completed her M.Sc (Zoology), Cell Biology & Genetics and has also completed Post-Graduate Diploma in Protein Modelling and Rational Drug Designing. She has more than 20 years of experience in the Pharma Industry



To conclude, there are four promoters of the company and all the promoters have vast experience in the industry in which company operates in. The remaining directors of the company also have decent experience in the sector which would help in the growth of business.



Financial Snapshot

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Dec 2022
<u>Profit and Loss</u>			
Revenue from operations	1,171.52	1,121.49	901.29
Other income	0.36	0.42	2.14
Total Revenue	1,171.88	1,121.91	903.43
Expenses	1,085.86	1,044.89	667.91
Depreciation and Amortisation Cost	25.70	21.94	16.05
Finance Cost	44.21	50.61	45.02
Total Expenses	1,155.77	1,117.44	728.98
PBT	16.11	4.47	174.45
PBT Margin	1.38%	0.40%	19.36%
EBITDA	85.66	76.60	233.38
EBITDA Margin	7.31%	6.83%	25.89%
Net Profit	12.13	3.35	128.08
Net Profit Margin	1.04%	0.30%	14.21%
<u>Balance Sheet</u>			
Total Borrowings	551.58	529.96	617.71
Net Worth	736.26	739.61	867.69
Fixed Assets	186.89	164.96	151.75
Net Working Capital	651.79	649.02	32.02
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	5.68	4.91	17.42
Receivables Turnover Ratio	1.53	1.44	1.67
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	6.27	6.80	5.94
Return on Capital Employed	7.11%	6.68%	23.49%
Return on Equity	1.65%	0.45%	14.76%
Debt-Equity Ratio	0.75	0.72	0.71

(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. 85.66 lacs in 2021 to Rs. 76.60 lacs in 2022, and as on 31st Dec 2022 it was Rs. 233.38 lacs and when annualized it is at Rs. 311.17 lacs. The EBITDA on annual basis has grown at a CAGR of 194.64%. The EBITDA margin in 2021 was 7.31%, 6.83% in 2022, and 25.89% up to Dec 2022. The increase in EBITDA margin is due to decrease in Cost of material consumed and other expenses.

Net Profit

The Net Profit of the company has increased from Rs. 12.13 lacs in 2021 to Rs. 3.35 lacs in 2022, and as on 31st Dec 2022 it was Rs. 128.08 lacs when annualized it is at Rs. 170.77 lacs growing at a CAGR of 275.21%. The Net Profit margin in 2021 was 1.04%, 0.30% in 2022, and as on 31st Dec 2022 it was at Rs. 14.21%. The increase in Net Profit is due to decrease in percentage contribution towards total expenses.

Finance Cost

The company's finance cost mainly comprises of interest on CC limit.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 was 23.49%, vs 6.68% in 2022 and 7.11% in 2021. If we annualize the RoCE of FY 2022-2023, The RoCE is expected to be around 13.45% on an annualised and Post IPO basis.

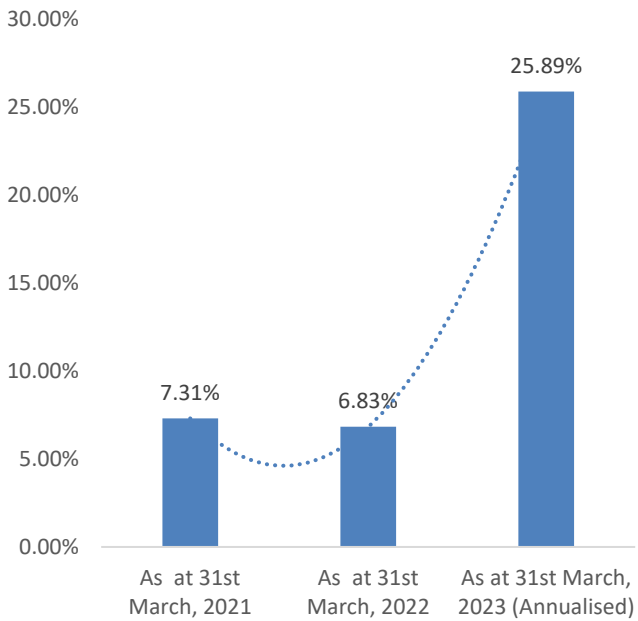
ROE of the company in 2021 was 1.65%, 0.45% in 2022, 14.76% up to Dec 2022. With an increase in equity base, The ROE is expected to come further down on to around 8.09%.

The inventory turnover ratio has increased in FY 22 indicating that the inventory in hand has decreased for the company. Receivables turnover ratio of the company has been on an increasing trend. Payable turnover ratio has decreased but expected to increase to 4.39 on an annualised basis. Fixed Assets turnover ratio of the company has decreased in FY 22 but is expected to increase to 9.22 when annualized.

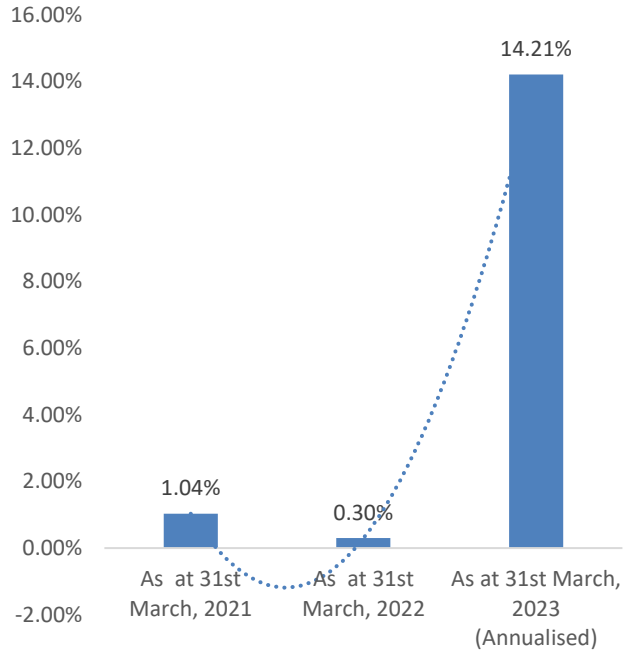


Financial Charts

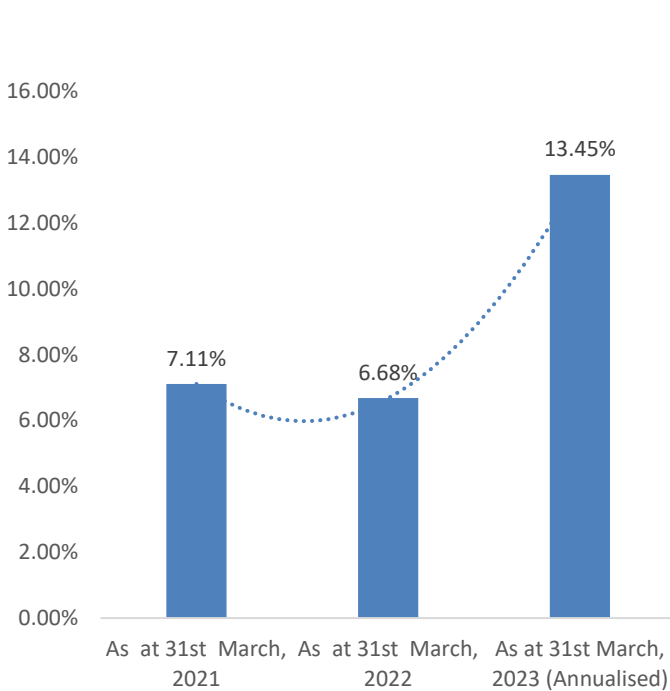
EBITDA Margin



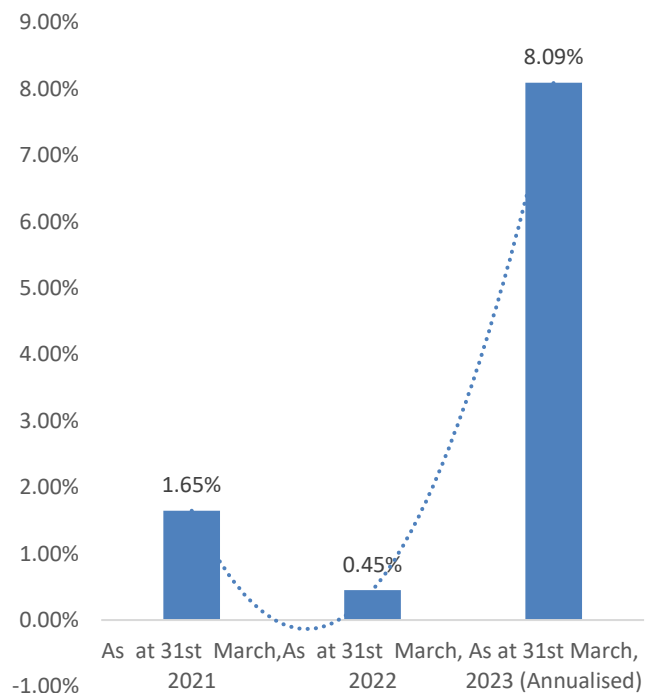
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. There are certain outstanding legal proceeding against company which may adversely affect business, financial condition and results of operations. Amount of 9,49,980 has to be paid for MAT credit, interest related, delay filling of the returns, etc.
2. There are outstanding criminal legal proceedings involving Company which may adversely affect business, financial condition and results of operations. There were certain NCLT cases that have been filed against Company in the past.
3. Company conducts business activities on a purchase order basis and therefore have not entered into long-term agreements with customers.
4. Company is reliant on the demand from the pharmaceutical industry for a significant portion of revenue. Any downturn in the pharmaceutical industry or an inability to increase or effectively manage sales could have an adverse impact on Company's business and results of operations.
5. Continued operations are critical to business and any shutdown of manufacturing unit may adversely affect business, results of operations and financial condition.

Track Record of Lead Manager



The lead manager to the issue is Inventure Merchant Banker Services 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 –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1	Maagh Advertising And Marketing Services Ltd	9.12	60	Oct 13, 2022	37.01
2	Silver Pearl Hospitality & Luxury Spaces Ltd	9	18	June 17, 2022	7.9
3	Brandbucket Media & Technology Limited	8.25	55	Dec 31, 2021	26.35
4	Omnipotent Industries Limited	18.9	63	Nov 29, 2021	9.46
5	AA Plus Tradelink Limited	6.48	18	July 22, 2021	15.04
6	Navoday Enterprises Limited	4.61	20	June 25, 2021	5.95
7	Parshva Enterprises Limited	3.65	45	July 01, 2019	184.55
8	Penta Gold Limited	13.32	37	Apr 25, 2018	48.85
9	CRP Risk Management Ltd	30.82	60	Jan 31,2018	23.5
10	Rithwik Facility Management Services Ltd	4.05	50	Jan 11,2018	63

CMP is taken as on 13th June 2023

This is the 7th mandate from Inventure Merchant in the last three fiscals (including the ongoing one). Out of the last 6 listings, 3 opened at discount and the rest listed at premiums ranging from 0.45% to 57.14% on the listing date.

Recommendation



The company has been into this industry since 2005 and has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. Capacity utilization has been same over the past few years it indicates that company is unable to grab the new customers and new orders.

The management of the company has an overall experience of decades in the field of pharmaceutical sector and there are outstanding & criminal legal proceeding on company.

The stock is coming at a PE of around 24.51 times in Post IPO basis which seems to be on a higher side.

Looking at the above-mentioned scenarios, the company looks to be highly risky and one should **avoid** applying 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.