



# Mono Pharmacare Limited

## IPO Note



### IPO Details

<b>Opening Date</b>	Aug 28, 2023
<b>Closing Date</b>	Aug 30, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	4000 Shares
<b>Issue Price</b>	₹26 to ₹28 per share
<b>Issue Size</b>	53,00,000 shares Aggregating up to 14.84Cr
<b>Application Amount</b>	₹1,12,000

### IPO Objective

To meet the working capital requirements.

General corporate purposes.

To meet the issue expenses.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,00,22,339	81.03 %
Public	23,46,225	18.97%

### Promoter of the Company

- Mr. Panilam Lakhatariya
- Mr. Supal Lakhatariya

### Competitive Strengths

- Experienced promoters and management team with industry knowledge and an established track record.
- Asset-light business model and competitive products.
- Scalable Business Model.
- Wide and diverse range of product offerings.

### Company Background

- Company was incorporated in the year 1994 and has its registered office in Gujarat.
- Company is engaged in the business of marketing of pharmaceutical products and distributors of various pharmaceutical companies.
- Company sells products under the brand name of “DLS Export”.
- Company has two partnership firm Ahmedabad Medical Corporation (AMC) and Supal Distributors LLP.
- As on March-23, Company has 82 employees on its payroll.

### Market Capitalization

Pre-Issue	Post-Issue	(In Cr.)
₹ 28	₹43	

### Financial Summary

For the Period Ended	(In Lacs)		
	Mar-23	Mar-22	Mar-21
<b>Total Assets</b>	6,257.38	1,438.31	1,122.47
<b>Net Assets</b>	1,368.57	427.57	369.58
<b>Total Borrowings</b>	3,992.70	643.93	608.03
<b>Total Revenue</b>	3,314.77	3,710.26	2,837.83
<b>Profit After Tax</b>	9.50	35.10	94.50

### Tentative Timeline

<b>Opening Date</b>	Aug 28, 2023
<b>Closing Date</b>	Aug 30, 2023
<b>Basis of Allotment</b>	Sep 04, 2023
<b>Initiation of Refunds</b>	Sep 05, 2023
<b>Credit of Shares to Demat</b>	Sep 06, 2023
<b>Listing Date</b>	Sep 07, 2023

### Company Background and Analysis

Company was incorporated in the year 1994 and is engaged in the business of marketing of pharmaceutical products and also distributors of various pharmaceutical companies. Company works with various contract manufacturers who manufacture pharmaceutical products on company's behalf based on compositions given by company and subsequently sell those products under brand "DLS Export". Company is also distributing to various pharmaceutical companies. As on February 28, 2023, company is dealing with (distributors and stockists) 168 pharmaceutical companies and also, connected with 3,036 Customers/vendors who are a mix of retail pharmacy stores as well as wholesalers.

### Recent acquisitions of company

Acquisition of DLS Export by way of a deed of business transfer agreement dated December 15, 2022. DLS Export, a proprietorship firm, was established by promoter Panilam Lakhatariya on March 02, 2020. The acquisition was for an aggregate consideration of ₹ 609 lakhs, in order to grow product portfolio in selected therapeutic areas. DLS Export's revenues were ₹ 2,407 lakhs, ₹ 3,181 lakhs, and ₹ 2,122 lakhs for the financial year 2021, 2022, and for the period ended December 15, 2022. On May 31, 1994, Ahmedabad Medical Corporation (AMC) was formed as a partnership firm. On October 23, 2020, the Promoters of company acquired 100% ownership of AMC. Furthermore, Supal Distributors LLP, a partnership firm, was incorporated on November 24, 2016, with the Promoters of company, Panilam Lakhatariya and Supal Lakhatariya, being the original partners. In view of the similar kind of business activities undertaken in each of the entities and also separate banking limits taken in each of the entities and separate resources being deployed for the similar activities, company envisaged the need to integrate all such business activities into a one single entity and accordingly company acquired proprietorship firm of promoter Panilam Lakhatariya M/s DLS Export pursuant to business transfer agreement dated December 15, 2022 and acquired 99% ownership of partnership firms M/s Ahmedabad Medical Corporation and M/s Supal Distributors LLP from the promoters of company Panilam Lakhatariya and Supal Lakhatariya on January 10, 2023.

### THE TABLE SET FORTH BELOW ARE CONTRIBUTION OF TOP 10 CUSTOMERS TOWARDS REVENUE FROM OPERATIONS:

(Amount in Lakhs)

Particulars	Revenue from operations	Revenue contribution of top 10 customers	% Revenue contribution of top 10 customers
As at March 31, 2023	4,585.83	3,304.88	72.07%
As at March 31, 2022	3,698.30	2,853.59	77.16%
As at March 31, 2021	2,826.61	2,422.87	85.72%
As at March 31, 2020	1,168.74	861.75	73.73%

Revenue contribution of top ten customers is high, exit of few companies might affect their revenues in future.



### **Marketing and Distributor of Pharmaceutical Products:**

The pharmaceutical industry requires a complex and efficient distribution model to ensure that patients have access to the medications they need. Pharmaceutical distribution is the process of delivering medications from the manufacturer to the healthcare provider or patient. The pharma distribution model involves several key players, including manufacturers, wholesalers, distributors, pharmacies, hospitals, and other healthcare providers. Company developed capabilities in the commercialization of pharmaceutical products including sales, marketing, quality assurance, distribution, compliance and regulatory aspects. Company has sales, marketing and distribution capabilities in India with a sales division focused on developing and growing engagement with specialists and super specialists. Sales divisions are also responsible for commercialization and marketing strategy and sales team comprised 36 marketing representatives, as of July 31, 2023.



### Business Strategies

#### 1. Increasing operational efficiency

Company will continue to invest in increasing operational efficiency throughout organization. Higher operational effectiveness results in greater sales volumes and consequently higher sales, and therefore allows to spread fixed costs over a higher number of units sold, thereby increasing profit margins. Company further intend to continue to invest in in-house technology capabilities to develop customized systems and processes to ensure effective management control over critical resources for optimal utilization.

#### 2. Broaden and deepen presence in existing product portfolio.

Enhancing the productivity and efficiency of sales and marketing personnel through training & development. Launching new innovation driven products adding value to product/sales mix.

#### 3. Enhance customer base by entering new geographies

Company intends to cater to the increasing demand of existing customers and also to increase existing customer base by enhancing the distribution reach of products. Enhancing presence in additional regions will enable to reach out to a larger market. Further, company believes in maintaining long-term relationships with customers. Company aims to achieve this by maintaining the high quality, timely delivery, competitive pricing, and reliability of products.

#### 4. Plant & machinery

Company is engaged in the business of marketing, distribution of pharmaceutical products and distribution of pharmaceutical products. Company works with a network of contract manufacturers who manufacture products on company's behalf and hence company do not require any plant and machinery. However, for storage and handling in warehouses and maintaining proper temperature, humidity, and light conditions, as well as adequate ventilation and protection from pests and contaminants and have various storage equipment's.

### Competitive Scenario and Peer Mapping

#### Competition

The company faces high competition from the existing players in the market like Chandra Bhagat Pharma Limited etc. The bargaining power of the company is low and the threat of new entrant is high. To sustain company has to focus on business include client relationships, reputation, market focus, and the relative quality, and price of the products and any ancillary service provided.

## Peer Analysis

**The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -**

Particulars	Mono Pharmacare Limited	Chandra Bhagat Pharma Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	3%	1%
EBITDA Margin	7%	3%
Return on Capital Employed	8%	7%
Return on Equity	6.88%	4%
EPS (INR)	1.37	1.21

**The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -**

Particulars	Mono Pharmacare Limited	Chandra Bhagat Pharma Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	1%	1%
EBITDA Margin	3%	3%
Return on Capital Employed	20%	6%
Return on Equity	8%	4%
EPS (INR)	0.75	1.06

**The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -**

Particulars	Mono Pharmacare Limited	Chandra Bhagat Pharma Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.32%	0.25%
EBITDA Margin	3%	6%
Return on Capital Employed	15%	9%
Return on Equity	2%	1%
EPS (INR)	0.20	0.25

## Industry Overview

Exhibit 1: Indian Pharmaceutical Market

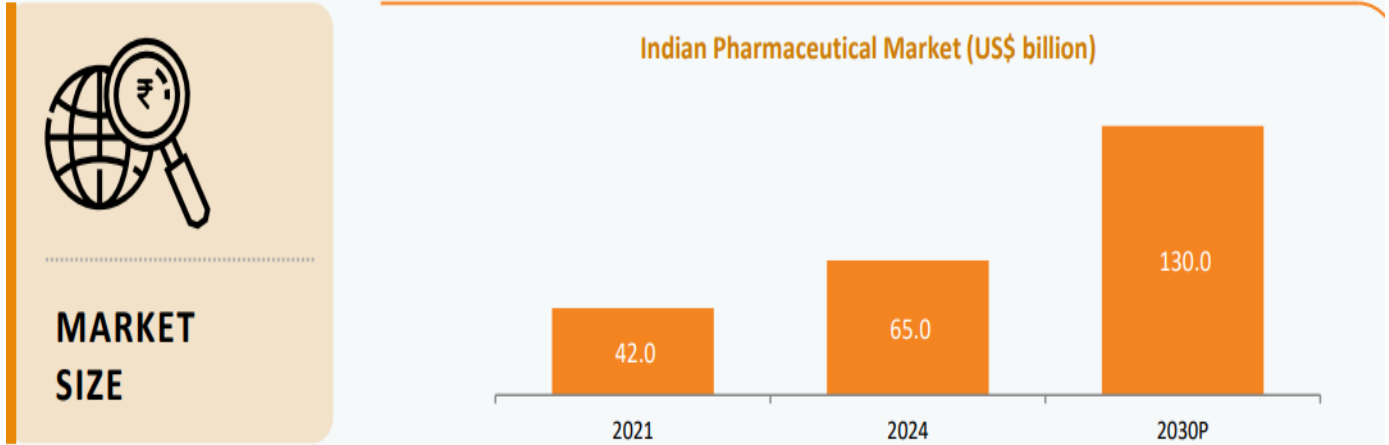


Exhibit 2: R&D Investment by Indian pharma companies

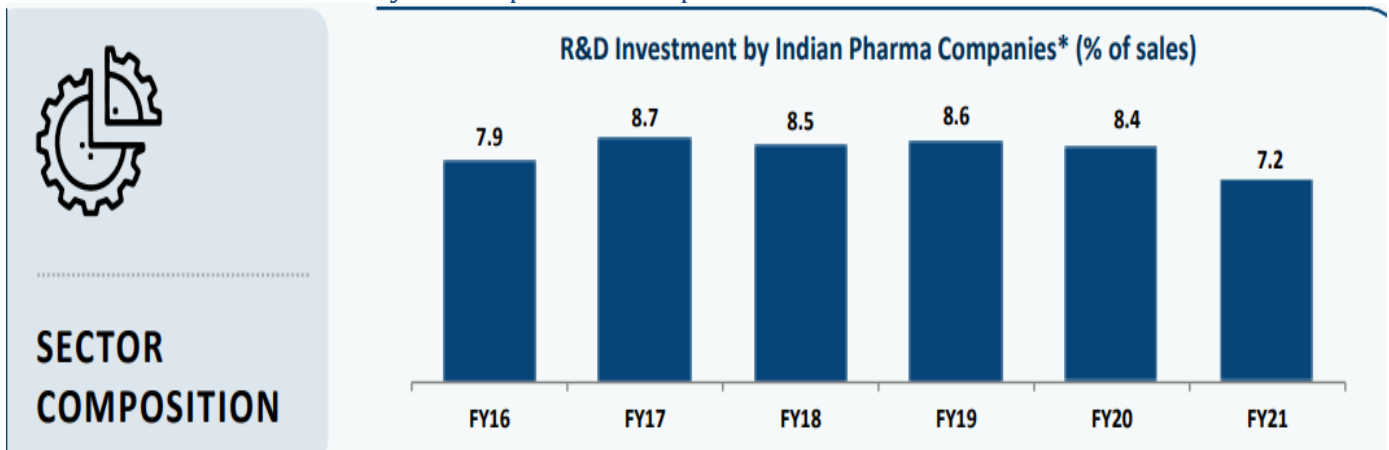
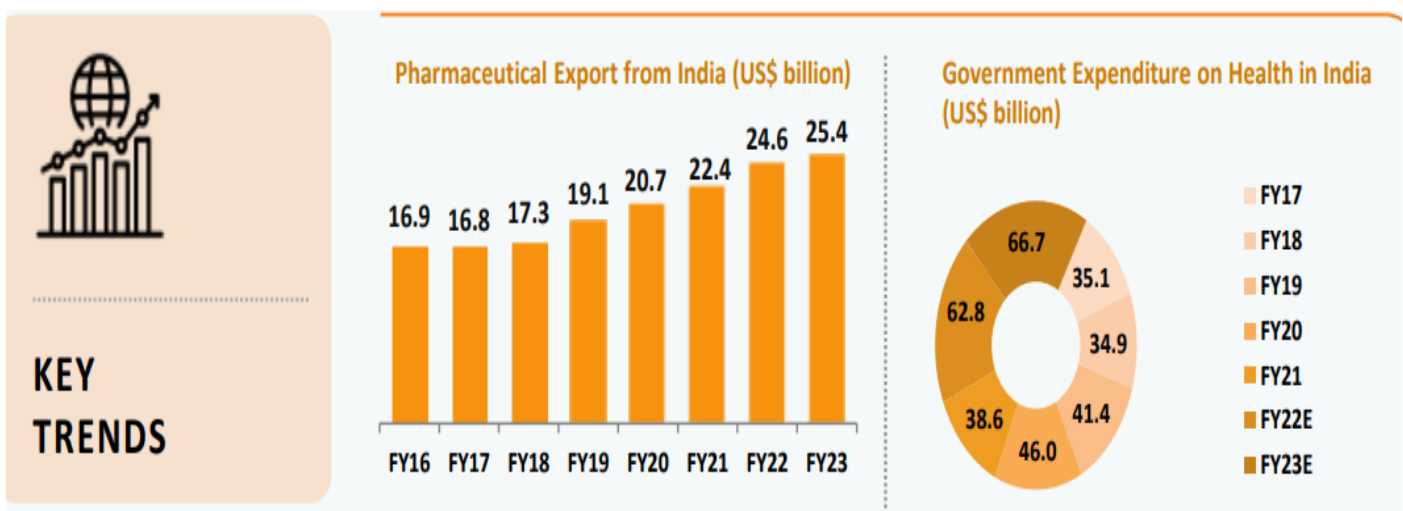


Exhibit 3: Pharmaceutical export from India and government expenditure on health in India .



(Source: IBEF)



### **INDIAN 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.

### **INDUSTRY SCENARIO**

The pharmaceutical industry in India is expected to reach \$65 Bn by 2024 and to \$130 Bn by 2030. The pharmaceutical industry in India is currently valued at \$50 Bn. India is a major exporter of Pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa's requirement for generics, ~40% of generic demand in the US and ~25% of all medicine in the UK. India also accounts for ~60% of global vaccine demand, and is a leading supplier of DPT, BCG and Measles vaccines. 70% of WHO's vaccines (as per the essential Immunization schedule) are sourced from India.

### **INDIAN PHARMA INDUSTRY IN 2023:**

The year 2023 holds a positive outlook for India's pharmaceutical industry, with a deeper focus on quality manufacturing, affordability of drugs and adoption of innovation and technology, experts have said. According to a recent EY FICCI report, as there has been a growing consensus over providing new innovative therapies to patients, Indian pharmaceutical market is estimated to touch \$130 billion in value by the end of 2030. Meanwhile, the global market size of pharmaceutical products is estimated to cross over the \$1 trillion mark in 2023. The sector this year was marked by a greater degree of collaboration between the government and industry, with both playing a pivotal role in helping the sector further strengthen its position in the global market. Owing to the COVID-19 pandemic, the entire landscape of the pharmaceutical industry has had a paradigm shift, with the collaboration between the government and the industry being increasingly seen in a positive light. While leading pharmaceutical contract manufacturers in India are focusing on ensuring innovative products. To meet sustainability objectives, several manufacturers are also implementing innovative and environmental-friendly packaging.

(Source: Prospectus)



### Key Managerial Personnel

**Panilam Lakhatariya** aged 39 years, is the Chairman and Managing Director of company. He has been associated with the Company since its inception. He has been re-designated as Managing Director with effect from March 22, 2023. He has been an integral part of the Company since its inception. He has completed his Bachelor of Science from Gujarat Arts and Science College. He has gained extensive experience in the pharmaceutical industry, particularly in sales and marketing. His previous roles include leading a team of sales professionals to achieve revenue targets and expand market share within the assigned regions. Prior to his current role, he was previously associated with Glenmark Pharmaceuticals Limited and Intas Pharmaceuticals Limited as Sales Manager.

**Supal P Lakhatariya** aged 38 years, is the Executive director of company. She has been associated with the Company since its inception. She holds a Bachelor of Science degree from St. Xavier's College, Gujarat University and has also completed a Laboratory Technician Course from Sheth V.S.Genral Hospital & Sheth Chinai Maternity Hospital, R.M.School of Post Graduate. Her previous experience includes working as a Medical Representative at Krishna Medical Stores for over 5 years, where she gained a deep understanding of the pharmaceutical industry. She is responsible for the day-to-day operations of the company and manages all departments.

**Archit Shah** aged 33 years, is an Executive Director of company. He has completed his Bachelor of Pharmacy from Bhavnagar University. He was appointed as Executive Director w.e.f. October 17, 2022. His role is instrumental in achieving assigned targets for the company includes maintaining strong relationships with retail chemists and ensuring the accessibility of the brand. He was previously associated with Micro Labs Limited and Bayer Zydus Pharma Private Limited.

**Mitul Sapara** aged 33 years, is the Non-Executive Director of company. He has been associated with the company since March 22, 2023. He earned a Bachelor of Commerce degree from R.J. Tibrewal Commerce College and a Master of Commerce degree. He also completed a Master of Administration degree in Finance from C.U. Shah College of Engineering and Technology in Surendranagar. He is also associated with Supal Distributors LLP as Assistant Manager. He is responsible for managing the sales, purchase and account departments.

**Gaurang Vora**, aged 63 years, is the Non- Executive Independent Director of Company. He was appointed w.e.f. March 22, 2023. He has been appointed as an Independent Director. He is a Fellow member of Institute of Chartered Accountant of India with over 30 years' experience and versatile knowledge in the areas of Tax, Audit, Project Finance and Company law matters.

To conclude, the company has 2 promoters. The management has good experience in marketing and distributor of pharmaceutical.



## Financial Snapshot

<b>Profit and Loss Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	2,826.61	3,698.3	3,308.7	
Other Income	11.22	11.96	6.07	
<b>Total Income</b>	<b>2,837.83</b>	<b>3,710.26</b>	<b>3,314.77</b>	
<b>Expenses</b>				
Purchase of Traded Goods	2,774.27	3,526.46	5,583.37	
(Increase)/Decrease in Stock	-118.68	-57.32	-2,659.52	
Changes in inventories of Finished goods, work-in-Progress	-	-	-	
Employee benefits expense	53.88	62.18	84.96	
Finance costs	66.17	74.21	93.09	
Depreciation and Amortization expense	12.83	10.82	5.08	
Other expenses	32.45	38.83	75.99	
<b>Total Expenses</b>	<b>2,820.92</b>	<b>3,655.18</b>	<b>3,182.97</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>84.69</b>	<b>128.15</b>	<b>223.90</b>	
<b>EBITDA Margin</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>16.91</b>	<b>55.08</b>	<b>131.80</b>	
Less: Exceptional Items	-	-	-	
<b>Profit/(Loss) before tax</b>	<b>16.91</b>	<b>55.08</b>	<b>131.80</b>	
Tax Expense				
Current Tax	7.4	20	42.54	
Current Year	-	-	-	
Earlier Year	-	-	-	
Deferred tax	-	-	-5.28	
<b>Total Tax Expense</b>	<b>7.40</b>	<b>20.00</b>	<b>37.26</b>	
<b>Profit/(Loss) for the year</b>	<b>9.5</b>	<b>35.1</b>	<b>94.5</b>	
<b>Net Profit Margin</b>	<b>0.34%</b>	<b>0.95%</b>	<b>2.85%</b>	

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	39.09	29.68	82.64	
Non-Current Investments	-	-	57.34	
Deferred tax assets (Net)	-	-	5.28	
Long term loans and advances	-	-	1.45	
<b>Total Non-Current assets</b>	<b>39.09</b>	<b>29.68</b>	<b>146.71</b>	
<b>Current Assets</b>				
Inventories	414.05	471.37	3,268.61	
Financial Assets				
(i) Investments	-	-	-	

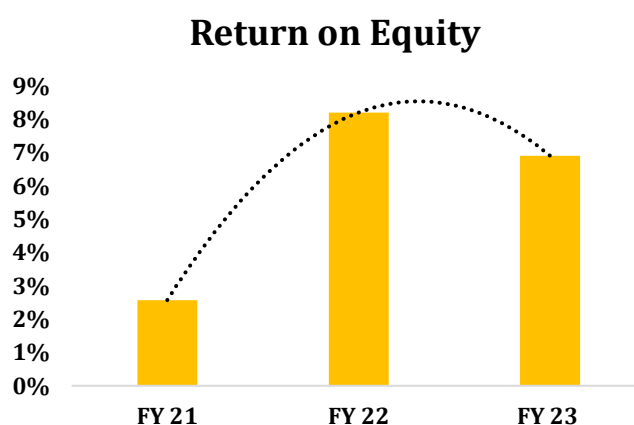
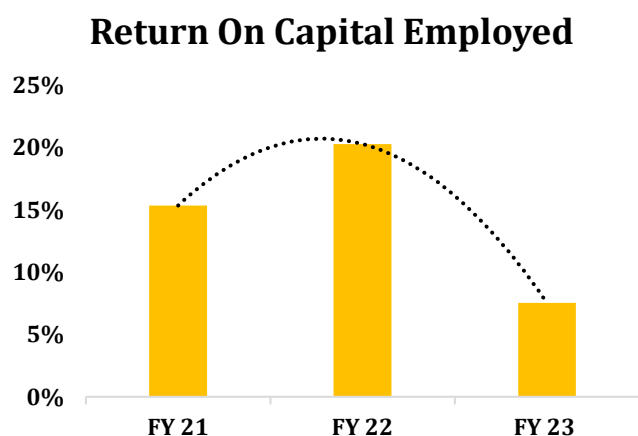
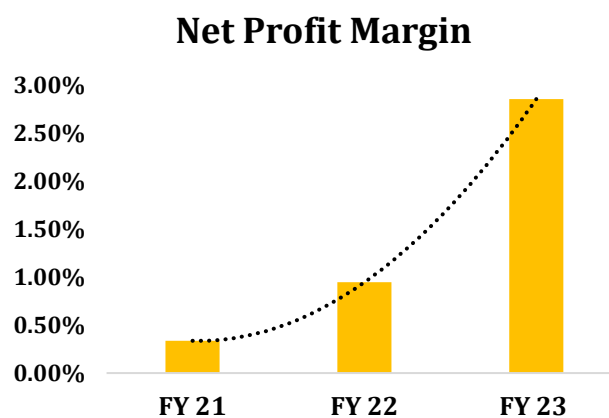
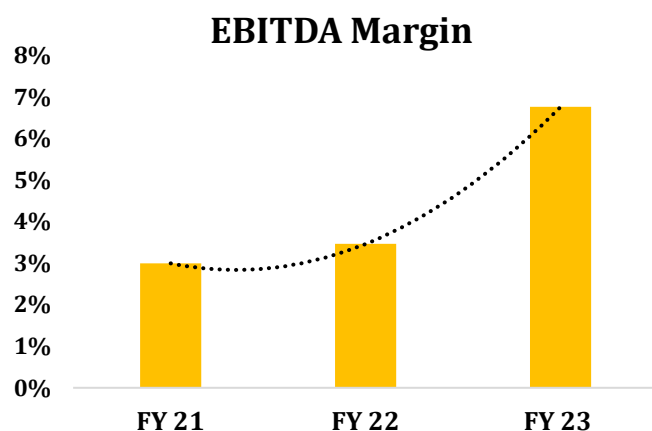
<b>Balance Sheet</b>			<b>(In Lacs)</b>
(ii) Trade Receivables	534.66	552.1	2,187.05
(iii) Cash and cash equivalents	17.32	24.47	41.77
(iv) Short Term Loans and Advances	111.98	358.34	533.92
Other Current assets	5.37	2.35	79.32
<b>Total Current assets</b>	<b>1,083.38</b>	<b>1,408.63</b>	<b>6,110.67</b>
<b>Total Assets</b>	<b>1,122.47</b>	<b>1,438.31</b>	<b>6,257.38</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share Capital	369.58	427.57	1,236.86
Instruments entirely equity in nature	-	-	-
Reserve and surplus	-	-	131.71
<b>Total Equity</b>	<b>369.58</b>	<b>427.57</b>	<b>1,368.57</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
Long -term borrowing	98.56	151.37	1,532.46
Provisions	-	-	-
<b>Total Non-current liabilities</b>	<b>98.56</b>	<b>151.37</b>	<b>1,532.46</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
(i) Borrowings	509.47	492.56	2,460.24
(ii) Lease liabilities	-	-	-
(iii) Trade payables	-	-	-
Total outstanding dues of micro and small	-	294.09	414.94
Total outstanding dues of other creditors	-	-	-
(iv) Other financial liabilities	125.46	40.51	278.8
Other current liabilities	7.61	5.82	110.77
Provisions	11.78	26.4	91.33
Current tax liabilities (Net)	-	-	-
<b>Total Current liabilities</b>	<b>654.32</b>	<b>859.38</b>	<b>3,356.08</b>
<b>Total Liabilities</b>	<b>752.88</b>	<b>1,010.75</b>	<b>4,888.54</b>
<b>Total Equity and Liabilities</b>	<b>1,122.46</b>	<b>1,438.32</b>	<b>6,257.11</b>

<b>Cash Flow Statement</b>			<b>(In Lakhs)</b>
Particulars	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
Net Cash Flow from operating activities	-78.36	23.97	-3,953.94
Net Cash Flow from investing activities	-6.4	-1.4	-115.68
Net Cash Flow from financing activities	66.55	-15.41	4,073.25



<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b><u>Per Share Data</u></b>			
Diluted EPS	0.20	0.75	1.37
BV per share	2.41	2.79	8.93
<b><u>Operating Ratios (%)</u></b>			
EBITDA Margins	3.00%	3.47%	6.77%
PAT Margins	0.34%	0.95%	2.85%
Inventory days	53.47	46.52	360.58
Debtor days	69.04	54.49	241.26
Creditor days	-	30.44	27.13
<b><u>Return Ratios (%)</u></b>			
RoCE	15%	20%	8%
RoE	3%	8%	7%
<b><u>Valuation Ratios (x)</u></b>			
EV/EBITDA	10.02	5.37	21.37
Market Cap / Sales	1.52	1.16	1.30
P/E	140.00	37.33	20.44
Price to Book Value	11.61	10.03	3.13
<b><u>Solvency Ratios</u></b>			
Debt / Equity	1.65	1.51	2.92
Current Ratio	1.66	1.64	1.82
Quick Ratio	1.02	1.09	0.85
Asset Turnover	2.52	2.57	0.53
Interest Coverage Ratio	1.09	1.58	2.35

## Financial Charts



## Key Risk Factors

1. Company is involved in certain legal proceedings of amount ₹103 lakhs, which, if determined adversely, may affect business and financial condition.
2. Company requires high working capital for smooth day to day operations of business and any discontinuance or inability to acquire adequate working capital timely and on favourable terms may have an adverse effect on operations, profitability and growth prospects.
3. Company has certain outstanding indebtedness amount of ₹3,992 lakhs, which requires significant cash flows to service and are subject to certain conditions and restrictions in terms of financing arrangements, which restricts ability to conduct business and operations in the manner company desires.
4. Top ten customers contribute majority of revenues from operations. Any loss of business from one or more of them may adversely affect revenues and profitability.
5. Company is involved in high volume - low margin business. Any disruption in turnover or failure to regularly grow the same may have a material adverse effect on business, results of operations and financial condition.

## Track Record of Lead Manager

The lead manager to the issue is Unistone Capital Pvt Ltd. A table has been set below highlighting the details of the IPO of the last company handled by the Lead Manager in recent times –

### Unistone Capital Pvt Ltd

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sangani Hospitals Limited	15.17	40.00	Aug 17, 2023	42.40
2.	Sahana System Limited	32.74	135.00	Jun 12, 2023	162.60
3.	MOS Utility Limited	49.97	76.00	Apr 18, 2023	97.45
4.	Global Surfaces Limited	154.98	140.00	Mar 23, 2023	186.20
5.	All E Technologies Limited	48.20	90.00	Dec 21, 2022	121.70
6.	Integrated Personnel Services Limited	12.74	59.00	Nov 11, 2022	135.00
7.	HP Adhesives Limited	125.96	274.00	Dec 27, 2021	515.85
8.	Sigachi Industries Limited	125.43	163.00	Nov 15, 2021	367.10
9.	Siddhika Coatings Limited	4.70	57.00	Apr 07, 2021	204.00
10.	Likhitha Infrastructure Ltd	61.20	120.00	Oct 15, 2020	291.45

\*CMP for all the above-mentioned companies is taken as on 24th Aug 2023.

As per the offer document Unistone Capital Pvt Ltd has 10 mandates till date 8 opened at premium and 2 opened at par.



### Recommendation

The company has been into this industry since 1994 and has decent track record of existence. The revenue of the company is stable over a period of time and there is no growth in net profit. The management outlook of the company, has good experience in marketing and distributor of pharmaceutical.

The PE on an annualised and Post IPO basis is around 45.38 times which seems to be highly priced looking at the performance of peer companies average PE 37.27 and size of the company. The company is into marketing and distribution of pharmaceutical business which is highly competitive to sustain hence **AVOID** applying this IPO.



# Mono Pharmacare Limited

## IPO Note



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