

Recommendation:

SUBSCRIBE

Issue Summary:

Price Band	Rs. 76 – Rs. 80
Face Value	Rs. 10
Opens	9 th Nov, 2016
Closes	11 th Nov, 2016
Issue Size	Approx. Rs. 116 Cr
Listing	BSE/NSE

Issue Break Up:

QIB portion	75%
NIB portion	15%
Retail portion	10%

Book Running Lead Manager:

➤ INDIAN OVERSEAS BANK

Registrar:

➤ BIG SHARE SERVICES PVT. LTD.

Company & Business Profile

GSBPL operates in a very niche and highly potential space of vaccines in the Pharma Industry. The opportunity is global and the market place has very limited suppliers. GSBPL is all set to make a giant leap into the big league of vaccine manufacturing. There are only four companies in the world, pre-qualified by WHO for supply of BCG Vaccine for immunization against Tuberculosis to UNICEF. GSBPL is one of them and one of the two suppliers of BCG Vaccine in India. Vaccines manufactured by the Green Signal Bio Pharma Limited are accredited by the World Health Organization, Geneva and are being used in countries across the globe in their national immunization programs, saving millions of lives throughout the world.

Objects of the Issue

The objects of the Offer are to achieve the benefits of listing the equity shares on the stock exchanges and to carry out the Offer for Sale. The company believes that the listing of the equity shares will enhance its brand name and provide liquidity to the existing shareholders. Listing will also provide a public market for the equity shares in India.

Business Model:

GSBPL is an Indian Vaccine manufacturing company with global operations. Currently, company produces two products:

1. BCG Vaccine for immunization against Tuberculosis
2. BCG-ONCO for Immunotherapy

BCG Vaccine for immunization against Tuberculosis: For prevention of Tuberculosis, BCG Vaccination is accepted as one of the most important measures. It is compulsory in 64 countries including India and is officially recommended in an additional 118 countries and territories. BCG is most effective known adjuvant in animals and humans. It is also economical, stable and safe. BCG Vaccine is required to be routinely given to all infants since they are at a higher risk of early exposure to tuberculosis. This vaccine should be given soon after the child is born. BCG administered early in life provides a high level of protection particularly against severe forms of childhood tuberculosis and tubercular meningitis.

BCG-ONCO for Immunotherapy: BCG for Immunotherapy (brand name “UROVAC”) is a live, freeze dried product is made from an attenuated strain of Mycobacterium bovis, Danish 1331 strain. BCG-ONCO for immunotherapy has been widely accepted as the optimal treatment for carcinoma in situ and high-grade superficial transitional Urinary Bladder Carcinoma.

Business is organized into domestic (i.e. Indian) and international operations, according to the geographies in which company's operate. For fiscal year 2016, company's domestic and international operations accounted for 53.80% and 46.20% respectively. Company's consolidated net revenues from operations grew at about 3 times from FY15 to FY16.

Investment Positives:

- **Niche product profile:** Vaccines market is a specialised and niche segment in Pharma Industry and GSBPL is one amongst the few players active in this segment.
- **As cure for other diseases:** Recent research has suggested that BCG can be used for treatment of Type-I Diabetes and is currently being used for urinary blood carcinoma (UROVAC).
- **Lower costs in manufacturing and research and development:** Company has capability to manufacture vaccines at par with global standards and at costs lower than the existing international costs.
- **High entry barrier:** Company has created high entry barrier for competitors by investing substantial efforts in technology and R&D and successfully passed the stringent and time consuming processes for securing manufacturing license and WHO PQ which will help the Company to participate in UNICEF and other global tenders.
- **Increased support from the Government:** The Indian Government's National Immunization Program and implementation of national preventing policies effectively backed by global organizations like the WHO, UNICEF and GAVI and increasing Private-Public Partnerships have provided a major thrust to the vaccine industry.
- **Skilled workforce:** Company has a team of eminent scientists having rich experience among themselves in the field of microbiology, quality control etc. and is an inherent strength of the Company.
- **Present order book:** Company has healthy order book worth of Rs. 55 Cr with orders received from Government of India, UNICEF and Nepal to be executed till 2018.

Financial Highlights:

- Revenue has grown at 13% CAGR over past 5 years.
- Company has reported net profit of Rs. 5.3 Cr in FY16 and Rs. 2.93 Cr in Q1 FY17 against consecutive loss for last four years. The Performance is majorly attributable to the receipt of WHO-PQ in Nov 2015, resulting into higher revenues and profitability.
- Return on Net worth stands at 11.86%.
- 46.2% of revenues are from overseas market.

Concern:

- Company has only two products and if company's production of the BCG vaccine, which is the major source of company's revenue is stalled or stopped or if there is any impediment in its domestic or overseas sales and distribution it will materially adversely affect company's business and profits.
- Company's main contract for overseas sales and distribution is with UNICEF, which is valid till 2018 and there is no assurance that the same will be renewed.

Outlook & Valuations:

- The issue has been offered in a price band of Rs 76-80 per equity share. At the upper price band the stock is available at P/E of 25(x) based on FY 17E financials. However, the RoE for the stock is 15.5% for FY17E. We have a '**SUBSCRIBE**' rating for the Issue.
- We recommend subscribing to the issue with a long term perspective.

Financials (Rs. in Crs.):

DESCRIPTION	FY14	FY15	FY16	FY17E
Total Income	3.5	6.5	20.3	40*
PBIDT	1.2	1.8	8.7	18.0
PBIT	0.1	0.6	7.6	15.2
PBT	-1.5	0.01	6.9	15.0
PAT	-1.2	-0.2	5.3	11.6
EPS	-1.0	-0.2	1.5	3.2
Net Worth	35.7	37.2	56.7	68.3
Total Debt	0	0	0	0
Cash and Bank balance	-0.0061	0.6	4.0	5.0
RONW(%)	-3.6%	0.6%	9.4%	17.0%
PBIDTM(%)	35.0%	28.2%	43.1%	45.0%
PATM(%)	-37.0%	-3.3%	26.0%	29.0%

(*Q1 FY17 reported figures Annualized)

**Arihant Research Desk**

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Research Analyst Registration No.**INH000002764****Contact****SMS: 'Arihant' to 56677****Website**www.arihantcapital.com**Email Id**research@arihantcapital.com**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.