

Rating: Avoid

Issue Offer

The IPO is a book-built offering comprising a fresh issue of 17,304,189 equity shares, and offer for sale of 38,116,934 equity shares, with a total issue size of up to INR 30,426.2 Mn.

Issue Summary

Price Band INR	522-549
Face Value INR	1
Implied Market Cap INR Mn.	114,186
Market Lot.	27
Issue Opens on	Dec 11, 2024
Issue Close on	Dec 13, 2024
No. of share pre-issue	190,685,340
No. of share post issue	207,989,529
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Kfin Technologies Ltd

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
IIFL Capital Services Limited
Jefferies India Private Limited
Morgan Stanley India Company Private Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	42%	34%
Public & Others	58%	66%

Objects of the issue

- Repayment/Prepayment, in full or part, of all or certain outstanding borrowings availed by the company;
- General corporate purposes.

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Sai Life Sciences Limited, established in 1999, is a Contract Research, Development, and Manufacturing Organisation (CRDMO) specializing in small-molecule pharmaceutical services. The company provides comprehensive solutions across drug discovery, development, and manufacturing for global pharmaceutical and biotechnology firms. With a strong international presence, the company serves over 280 companies, including 18 of the top 25 pharmaceutical companies by revenue (2023) worldwide. The company has a talented team of 2,353 scientists, including 302 PhDs. Its research facilities in Boston and Manchester, coupled with extensive laboratories and manufacturing units in India, offer a cost-competitive advantage in the global pharmaceutical market. The company's portfolio includes 170+ innovator pharmaceutical products, with 38 APIs and intermediates supporting 28 commercial drugs. 7 out of these products generate annual sales exceeding INR 1,000 Mn.

Investment Rationale:

Diversified Portfolio and Customer Base: The company's portfolio includes 170+ products in development and manufacturing, with 50 in advanced clinical or commercial stages, and 120 in early clinical phases. Its client base spans over 280 pharmaceutical firms, ensuring no single customer contributes more than 8% of revenue. Such diversification minimizes dependency risks while fostering long-term relationships across regulated markets like the US, Europe, and Japan. Additionally, the company's sustained revenue growth is driven by its ability to cross-sell integrated CRO and CDMO services, which have seen an increase in customer engagement.

Expansion in High-Growth Therapeutic Segments: Currently the company undertake R&D and manufacturing of clinical supplies at its Unit II Hyderabad facility and Manchester facility. Manufacturing of clinical and commercial supplies takes place at Unit IV Bidar facility and Unit III Bollaram facility. Sai Life Sciences is making significant strides in emerging areas such as antibody-drug conjugates, oligonucleotides, mRNA therapeutics, peptides, and cell and gene therapies. To support this growth, the company is expanding its Discovery and CMC capabilities, including adding new production blocks in the **Unit IV Bidar Facility** and enhancing Discovery laboratory capacity in **Unit II Hyderabad**. This investment aligns with the increasing global pharmaceutical R&D spending, projected to grow at over 5% CAGR globally. As of Sep 30, 2024, the company reported 120 molecules under development across pre-clinical, Phase I, and Phase II stages, alongside a strong portfolio of 38 commercial APIs and intermediates, driving long-term growth.

Cost control driving profitability and growth: The company has effectively optimized costs to improve profitability. Material costs as a % of revenue declined from 34.72% in FY23 to 30.42% in FY24, driven by production efficiencies and economies of scale. The company reported an EBITDA margin of 20.48% in FY24, up from 14.97% in FY23, reflecting strong operational discipline. Its hedging strategies mitigated exchange rate fluctuations, contributing to net foreign exchange gains of INR 146.26 Mn in FY24. These measures demonstrate the company's ability to maintain financial health while scaling its operations.

Valuation and View:

With a strong focus on cutting-edge technologies and expanding its capabilities in advanced areas like mRNA therapeutics and gene therapies, the company is tapping into high-growth markets. The company's growing portfolio of products, trusted by global pharmaceutical giants, and its focus on maintaining high regulatory standards further strengthen its market position. **At the upper band of INR 549, the issue is valued at a P/E ratio of 120.13x, based on a FY24 EPS of INR 4.57x . We are recommending a "Avoid" rating for this issue.**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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