



IPO Details:

Indegene Ltd is coming out with an IPO of about Rs. 1,841.76 cr consisting of 4,07,46,891 shares of face value of Rs. 2 each in a price band of Rs. 430 – Rs. 452. The IPO comprises of Fresh Issue of Rs. 760.00 cr and Offer for Sale of Rs. 1,081.76 cr by the existing individual and institutional shareholders. The IPO opens on 6th May' 2024 and closes on 8th May' 2024.

Company Details:

- **Provider of digital-led commercialization services** for the life sciences industry, including biopharmaceutical, emerging biotech and medical devices companies, which assist them with drug development and clinical trials, regulatory submissions, pharmacovigilance and complaints management and the sales and marketing of their products.
- Company's solutions enable life sciences companies to develop products, launch them in the market and drive sales through their life cycle in a more effective, efficient and modern manner.
- As of 31st Dec' 23, Company had a **total of 65 active clients** (from whom they earned US\$ 0.25 mn or more in last 12 months). It had **27** clients (from whom they earned between US\$ 1 mn – US\$ 10 mn), **5** clients (from they earned between US\$ 10 mn – US\$ 25 mn in last 12 months).

Strength:

- Understanding of the healthcare domain enables it to **efficiently modernize and digitize** the key functions involved in the life sciences commercialization process. **20.49%** of its delivery employees have healthcare-related educational backgrounds including MD, MBBS, PhD, BDS, M-Pharm and B-Pharm degrees
- Internally developed Artificial Intelligence (AI) and Machine Learning (ML) based **proprietary platforms allows** the Company to offer its solutions across the globe at scale.
- Established client relationships with **each of the 20 largest biopharmaceutical companies** in the world by revenue for FY23.
- **High client stickiness and retention** since Company's solutions, once implemented are deeply integrated with its client's workflow. Due to sticky nature of solutions, **recurring revenues account for high proportion** of Company's total revenues.



Growth Drivers:

- Life Sciences operations expenditure is expected to grow from an estimated **US\$ 156 bn** in 2022 to **US\$ 201 bn** in 2026, at a CAGR of 6.5%.
- Sales and marketing which was the largest segment of life sciences operations expenditure, which contributed US\$ 55 bn or 35% of overall life sciences operations expenditure has **low outsourcing penetration rate of 7% - 12%** and is expected to grow at a **CAGR of approximately 14.5%** between 2022 and 2026. This segment accounted for **58.84%** of Company's operating revenues in FY23.
- Regulatory and Medical affairs segment and the pharmacovigilance segment together accounted for **US\$ 45 bn** or 29% of overall life sciences operations expenditure and this segment which Company caters through its Enterprise Medical Solutions derived revenues of **Rs. 560.23 cr (24.29%** of Company's revenues).

Objectives of Fund Raise – Fresh Issue of Rs. 760.00 cr:

- Rs. 391.34 cr will be utilized towards repayment and or pre-payment of borrowings availed by one of the Company's material subsidiaries.
- Rs. 102.92 cr will be utilized towards funding capital expenditure of the Company and one of its material subsidiaries.
- Balance funds will be utilized towards general corporate purposes.

Key Financial Highlights:

Indegene Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY21	966.27	230.53	23.9%	185.68	8.74	67.5%	57.2%
FY22	1,664.61	286.92	17.2%	162.82	7.46	35.7%	21.3%
FY23	2,306.13	396.22	17.2%	266.10	11.97	27.0%	25.0%
9M FY24	1,916.61	366.71	19.1%	241.90	10.84	21.0%	18.2%

- Operating Revenue has grown at a CAGR of 54.5% between FY21 – FY23 to reach Rs. 2,306.13 cr in FY23.



- Ebitda has grown at a CAGR of 31.1% between FY21 – FY23 to touch Rs. 396.22 cr in FY23. Ebitda margins have however declined from 23.9% in FY21 to 17.2% in FY23.
- Profits after Tax has grown at a CAGR of 19.7% between FY21 – FY23 to reach Rs. 266.10 cr in FY23. Profits Growth is lower than topline due to drop in Ebitda margins as well as increase in finance cost.
- Capital Efficiency in the business has been good. However both RoCEs and RoEs have been on a declining trend between FY21 – FY23. RoCEs have declined from 67.5% in FY21 to 27.0% in FY23 while RoEs have declined from 57.2% in FY21 to 25.0% in FY23.

Valuations:

- At Upper end of the IPO price band of Rs. 452, Indegene Ltd will be valued at about Rs. 10,814.07 cr.
- On EV/Ebitda basis, Company will be valued at 24.2x its TTM Ebitda of Rs. 464.27 cr while on PE basis it will be available at 34.72x its TTM EPS of Rs. 13.02.
- **Investments can be made in Indegene Ltd from longer term perspective, considering the high scope for increase in outsourcing penetration rate of Sales and marketing segment which is the largest segment of overall life sciences operations expenditure, high customer stickiness and retention, global presence, established relationship with large biopharma companies, healthy operating and capital efficiency and fair valuations.**



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*Long Term Investments could range from 3-5 years.