IPO REVIEW

Rubicon Research IPO

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- The company is engaged in the manufacturing and marketing of pharma formulations with focused R & D and has a niche play in US market with over 95% contribution in its total revenue.
- The company has posted growth in its top and bottom lines for the reported periods.
- While it marked loss for FY23, it reported rising net profits in the following years.
- It has increased portfolio of specialized products for US markets.
- Based on its recent financial data, the issue appears aggressively priced.
- Well-informed/risk savvy investors may park funds for medium to long term.

About the Company

Rubicon Research Ltd. (RRL) is a pharmaceutical formulations company, driven by innovation through focused research and development, with an increasing portfolio of specialty products and drug-device combination products targeting regulated markets and in particular the United States. Based on the peer set (of seven listed Indian companies assessed by F&S, and the Company), it is the only Indian pharmaceutical player with a complete focus on regulated markets. (Source: F&S Report)

According to F&S, between Fiscals 2023 and 2025, RRL was the fastest growing Indian pharmaceuticals formulations company with a total revenue CAGR of 75.89% which was over seven times higher than the average (of 11 companies) assessed by F&S. Accordingly, its rate of growth is calculated on the basis of a relatively low base of total revenue from operations for Fiscal 2023 as compared to Fiscal 2025. According to F&S, in Fiscal 2025, the company ranked among the top 12 Indian companies in terms of total Abbreviated New Drug Application (“ANDA”) approvals.

It received 5 ANDA approvals and 1 New Drug Application (“NDA”) approval from the US FDA in the three month period ended June 30, 2025, 3 ANDA approvals in the three month period ended June 30, 2024, 12 ANDA approvals in Fiscal 2025, 14 ANDA approvals in Fiscal 2024 and 12 ANDA approvals in Fiscal 2023. According to F&S, in Fiscal 2025, among its 66 commercialized products (“Commercialized Products”) in the US, the company held a market share of more than 25% by value for nine products, and in Fiscal 2024 and 2023, it held a market share of more than 25% by value for seven products and two products, respectively. Furthermore, according to F&S, as of July 15, 2025, none of its manufacturing facilities have received an “Official Action Indicated” (“OAI”) status by the US FDA since 2013.

Its multi-disciplinary, data-driven, and return on investment (“ROI”) centric product selection framework is geared towards identifying sustainable opportunities for new product development. The company identifies and pursues such opportunities in a manner that provides it a competitive advantage by leveraging its development, manufacturing, and commercialization capabilities to create and grow market share.

As of June 30, 2025, RRL– directly or through its Subsidiaries – collectively has 72 active ANDAs and nine active NDAs approved by, and one over-the-counter (“OTC”) monograph listed with, the US FDA. According to F&S, The Company’s portfolio includes 66 Commercialized Products as of March 31, 2025, with a US generic pharmaceutical market size of USD 2,455.7 million, of which the Company contributed USD 195 million in Fiscal 2025. These products are being marketed and are available for purchase by customers in the US. According to F&S, in June 2025, it had a commercialization rate of 86.4% in the US market, with 70 Commercialized Products out of a total of 81 active ANDA and NDA US FDA approvals. A high commercialization rate allows it to better monetize its expenditure on development of products. As of June 30, 2025, it had 17 new products awaiting US FDA ANDA approval and 63 product candidates in various stages of development.

Within its Commercialized Products’ portfolio, products in the analgesics / pain management therapy area contributed 24.10% and 27.17% of revenue from operations in the three month periods ended June 30, 2025 and 2024, respectively, and 27.79%, 33.08% and 26.67% of revenue from operations in Fiscals 2025, 2024 and 2023, respectively. According to F&S, the growth of the analgesics market is supported by the incidence of chronic pain, the rising incidence of surgical procedures and the aging population, who are more prone to conditions requiring pain management.

RRL’s Commercialized Products in CNS and CVS therapy areas contributed 46.13% and 38.48% of revenue from operations in the three month periods ended June 30, 2025 and 2024, respectively, and 41.85%, 40.71% and 38.08% of revenue from operations in Fiscals 2025, 2024 and 2023, respectively. According to F&S, as of February 2024 there are an estimated 129 million individuals in the United States affected by at least one major chronic disease, such as heart disease, cancer, diabetes, obesity, and hypertension. Also, in 2019, approximately half of the young adult population in the US reported to be suffering from at least one chronic condition, with obesity, depression, and high blood pressure being among the most common conditions reported. (Source: F&S Report)

Further, unlike an antibiotic prescription for an acute bacterial infection that typically lasts only 7-14 days, chronic therapies are long-term treatments designed to manage ongoing health conditions, often requiring continuous medication over extended periods of time. (Source: F&S Report). As of June 30, 2025, it had 1141 employees on its payroll and additional 511 contract workers in various departments.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO worth Rs. 1377.50 cr. (approx. 28402062 equity shares at the upper cap). The issue comprises of fresh equity shares worth Rs. 500.00 cr. (approx. 10309278 equity shares at the upper cap), and an Offer for Sale (OFS) worth Rs. 877.50 cr. (approx. 18092784 shares at the upper cap). The company has announced a price band of Rs. 461 – Rs. 485 per equity shares of Re. 1 each. The issue opens for subscription on October 09, 2025, and will close on October 13, 2025. The minimum application to be made is for 30 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 17.24% of the post-IPO paid-up equity capital. From the net proceeds of the IPO, the company will utilize Rs. 310.00 cr. for repayment/prepayment of certain outstanding borrowings, and the rest for funding inorganic growth through unidentified acquisitions, and other strategic initiatives as well as general corporate purposes.

The company has reserved equity shares worth Rs. 1.75 cr. (approx. 36082 shares at the upper cap) for its eligible employees, and offering them a discount of Rs. 46 per share, and from the rest, it has allocated not less than 75% for QIBs, not more than 15% for HNIs, and not more than 10% for Retail investors.

The four Book Running Lead Managers (BRLMs) to this issue are Axis Capital Ltd., IIFL Capital Services Ltd., JM Financial Ltd., and SBI Capital Markets Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue.

After having issued initial equity shares at par, the company has issued further equity shares in the price range of Rs. 1.50 – Rs. 286.924 (on the basis of Re. 1 FV) between April 2007 – September 2025. It has also issued bonus shares in the ratio of 12 for 1 in January 2007, and 2 for 1 in October 2023. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. NIL, Rs. 0.02, Rs. 6.67, and Rs. 78.73 per share.

Post-IPO, its current paid-up equity capital of Rs. 15.44 cr. will stand enhanced to Rs. 16.47 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 7990.21 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (On a consolidated basis) posted a total income/net profit/ - (loss), of Rs. 419.00 cr. / Rs. – (16.89) cr. (FY23), Rs. 872.39 cr. / Rs. 91.01 cr. (FY24), and Rs. 1296.22 cr. / Rs. 134.36 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it earned a net profit of Rs. 43.30 cr. on a total income of Rs. 356.95 cr. against net profit of Rs. 25.57 cr. on a total income of Rs. 321.90 cr. for corresponding previous period. Thus, it has reported steady growth in its top and bottom lines for the reported periods. According to the management, its specialized formulations for US market has high margins and that is reflected in its financial data for the reported periods.

For the last three fiscals, the company has posted an average EPS of Rs. 6.22 (basic) and an average RoNW of 22.60%. The issue is priced at a P/BV of 12.59 based on its NAV of Rs. 38.52 as of June 30, 2025, and at a P/BV of 7.28 based on its post-IPO NAV of Rs. 66.59 per share (at the upper cap).

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 46.15. Based on FY25 earnings, the P/E stands at 59.44. Thus, the issue appears aggressively priced.

The company has shown PAT margins of – (4.03) % (FY23), 10.43% (FY24), 10.37% (FY25), 12.13% (Q1-FY26) and RoCE margins of 1.35%, 18.62%, 26.45%, and 6.80%, respectively for the referred periods.

Dividend Policy

The company has paid dividend at 5% for FY23, at 2% for FY24, and 2% for FY25. It has already adopted a dividend policy in July 2024, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Sun Pharma, Aurobindo Pharma, Zydus Lifescience, Strides Pharma, Dr. Reddy’s Lab, Alembic Pharma, and Lupin Ltd., as their listed peers. They are currently trading at a P/E of 34.6, 18.8, 21.3, 20.5, 18.4, 30.2, and 23.8 (As of October 07, 2025). However, they are truly not comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The four BRLMs associated with the offer have handled 111 pubic issues in the past three fiscals, out of which 28 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

RRL is engaged in the manufacturing and marketing of pharma formulations with focused R & D and has a niche play in US market with over 95% contribution in its total revenue. The company has posted growth in its top and bottom lines for the reported periods. While it marked loss for FY23, it reported rising net profits in the following years. It has increased portfolio of specialized products for US markets. Based on its recent financial data, the issue appears aggressively priced. Well-informed investors may park funds for medium to long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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