IPO REVIEW

Speciality Medicines IPO

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- The company is engaged in the business of marketing and distribution of finished formulations of specialty pharma products globally.
- The company marked growth in its top and bottom lines for the reported periods.
- Surge in profits from FY25 onwards raise eyebrows and concern over its sustainability.
- Though based on its recent financial data, the issue appears lucratively priced, its due to higher profits shown for recent years.
- Well-informed/cash surplus investors may park moderate funds for medium term.

About the Company

Speciality Medicines Ltd. (SML) is engaged in the business of marketing and distribution of finished formulations of specialty pharmaceutical products, comprising of high-cost oral and injectable medications used in the treatment of complex and chronic medical conditions in therapeutic areas like oncology, immunology, neurology and rare diseases.

Its products which are offered in such areas are available in a wide range of dosage forms like Tablets, Capsules, Cream, Syrups, Eye Drops, Gel, Infusion, Inhalation, Inhaler, Injection, Nasal Spray, Ointment, Ophthalmic, Oral Solution, Oral Suspension, Sachet and Suspension. The company operates through two integrated business models: (a) Manufacturing, through contract manufacturing basis, of approved finished formulations and distribution internationally and (b) Marketing and distribution of specialty pharmaceutical products sourced from manufacturers.

Under its contract manufacturing arrangement, contract manufacturer based in India is responsible for the manufacturing of speciality pharmaceutical formulations. These formulations are either approved or currently undergoing the approval process with the relevant health authorities in the target countries. Once the necessary regulatory approvals are obtained, SML initiates its role as the distributor for these products. Its responsibilities include overseeing the marketing and distribution of the approved specialty pharmaceutical products across multiple international markets.

Under its other business model, the company operates as a distributor of specialty pharmaceutical products sourced from manufacturers. Its role focuses on the procurement, warehousing, and wholesale distribution of these medicines to a wide network of healthcare providers and retailers. SML ensures smooth supply chain operations and timely delivery across various regions. Its services are centred on maintaining consistent product availability and supporting customers through reliable and efficient distribution.

Specialty medicines are characterized by their use in treating complex or rare diseases such as cancer, rheumatoid arthritis, multiple sclerosis, haemophilia, and genetic disorders, where standard therapies are often ineffective. They involve advanced technologies like biologics and gene therapies, making their research, development, and manufacturing highly sophisticated and costly, which results in higher prices compared to conventional drugs. These medicines also require complex administration and handling, often needing refrigeration, injections, or infusions delivered in clinical settings or through specialty pharmacies. Additionally, they are supported by patient education, adherence programs, and ongoing monitoring to ensure effective treatment outcomes.

As of Feb 28, 2026, the company has 7 products registered overseas and 54 products are in the registration process across 5 countries. As of the same date, it had 18 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 2350000 equity shares of Rs. 10 each to mobilize Rs. 29.14 cr. at the upper cap. The company has announced a price band of Rs. 117 – Rs. 124. The IPO opens for subscription on March 20 2026, and will close on March 24, 2026. The minimum application to be made is for 2000 shares and in multiple of 1000 shares thereon, thereafter. Post allotment, shares will be listed on BSE SME. The issue constitutes 26.75% of post-IPO paid-up equity capital of the company. From the net proceeds of the fresh equity issue, the company will utilize Rs. 12.68 for setting up of R & D center, Rs. 2.99 cr. for product registration in the international markets, Rs. 1.66 cr. for funding marketing and promotional activities, Rs. 8.00 cr. for working capital, and the rest for general corporate purpose.

The company has allocated not more than 2% for QIBs, not less than 49% for HNIs and not less than 49% for Retail investors.

The IPO is solely lead managed by Unistone Capital Pvt. Ltd., and Skyline Financial Services Pvt. Ltd. is the registrar to the issue. Aikyam Capital Pvt. Ltd. is a market maker as well as a syndicate member. The IPO is underwritten to the tune of 85% by Aikyam Capital and 15% by Unistone Capital.

The company has issued initial equity shares at par value. It issued/converted further equity capital in the price range of Rs. 33.33– Rs. 253.00 per share between March 2022 and July 2024.The company has also issued bonus equity shares in the ratio of 14 for 1 in July 2022. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 4.07, and Rs. 4.16 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 6.44 cr. will stand enhanced to Rs. 8.79 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 108.94 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 23.20 cr. / Rs. 1.70 cr. (FY23), Rs. 27.66 cr. / Rs. 2.93 cr. (FY24), Rs. 58.54 cr. / Rs. 8.61 cr. (FY25). For 7M - FY26 ended on October 31, 2025, it earned a net profit of Rs. 6.06

cr. on a total income of Rs. 36.93 cr.

For the last three fiscals, the company has reported an average EPS of Rs. 10.20, and an average RoNW of 25.41%. The issue is priced at a P/BV of 2.62 based on its NAV of Rs. 47.26 as of March 31, 2025, and at a P/BV of 1.78 based on its post-IPO NAV of Rs. 69.83 per share (at the upper cap). Surprisingly the company has not given its NAV data as of October 31, 2025 in its offer document.

If we attribute its FY26 annualized super earnings on post-IPO expanded equity base, then the asking price is at a P/E of 10.49, and based on its FY25 earnings, the P/E stands at 12.65. Thus, the issue appears lucratively priced. Thanks to bumper profits from FY25 onwards, which has been mirrored in its P/E.

The company has posted PAT margins of 7.32% (FY23), 10.66% (FY24), 14.77% (FY25), 16.49% (7M-FY26), and RoCE Margins of 50.22 %, 36.90%, 33.39%, 16.68%, respectively, for the referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Remus Pharmaceuticals, Trident Lifeline, Mono Pharmacare, as its listed peers. They are currently trading at a P/E of 23.8, 14.6, and 24.7 (as of March 17, 2026). However, they are not comparable on an apple-to-apple basis. While its listed peers have posted declining PAT margin trends, this company has reported rising margins, which is raising eyebrows and concern over its sustainability going forward.

MERCHANT BANKER’S TRACK RECORDS:

This is the 32nd mandate from Unistone Capital in the last three fiscals. From the last 10 listings, 2 opened at discount, and the rest with premium ranging from 0.52% to 105% on the date of listing.

Conclusion / Investment Strategy

SML is engaged in the business of marketing and distribution of finished formulations of specialty pharma products globally. The company marked growth in its top and bottom lines for the reported periods. Surge in profits from FY25 onwards raise eyebrows and concern over its sustainability. Though based on its recent financial data, the issue appears lucratively priced, its due to higher profits shown for recent years. Small equity base post-IPO indicates longer gestation period for migration. Well-informed/cash surplus investors may park moderate funds for medium 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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