IPO REVIEW

Sudeep Pharma IPO

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- The company is engaged in manufacturing and marketing of excipients and specialty ingredients for pharma, food and nutrition industry globally.
- It enjoys most preferred partners for its critical and specialized ingredients with marquee customers.
- The company posted growth in its top and bottom lines for the reported periods.
- The management is confident of maintaining the tempo of growth in revenue and margins.
- Based on its recent financial data, the issue appears aggressively priced.
- However, well-informed investors may park funds for medium to long term.

About the Company

Sudeep Pharma Ltd. (SPL) is a technology led manufacturer of excipients and specialty ingredients for the pharmaceutical, food and nutrition industries and are dedicated to contributing to the global healthcare ecosystem. It leverages its inhouse developed technologies for processes such as encapsulation, spray drying, granulation, trituration, liposomal preparations and blending in an effort to drive innovation in operations. The company has established a presence in both, domestic and international markets, including key regions such as the United States, South America, Europe, the Middle East, Africa, and Asia-Pacific.

According to the F&S Report, it is one of the largest producers of food-grade iron phosphate for infant nutrition, clinical nutrition, and the food and beverage sectors, in terms of production capacity with a combined annual available manufacturing capacity of 72,246 metric tons (“MT”), as of June 30, 2025. As of the same date, one of its Manufacturing Facilities has been approved by the United States Food and Drug Administration (“USFDA”) for the manufacture of mineral-based ingredients. According to the F&S Report, the company is one of the largest exporters of mineral ingredients for pharmaceutical, food and nutrition industries from India to global markets in terms of volume of products exported during 2024, as of December 31, 2024. Further, as per the F&S Report, it is the only company in India and one of nine companies globally with certification of suitability issued by the Council of Europe (“CEP”) and written confirmation certification for sale of calcium carbonate as an active pharmaceutical ingredient (“API”) in the European Union as of June 30, 2025. According to the F&S Report, it is one of the pioneers in India to introduce a product range of liposomal ingredients for nutrient absorption and stability. Since its inception in 1989, the company has expanded operations from production of excipients to a wide variety of over 100 products in the pharmaceutical, food and nutrition industries, as of June 30, 2025.

Its focus on scientific precision and quality has helped position it as a trusted partner for customers around the world. As of June 30, 2025, it has served over 1,100 customers, and has built longstanding relationships with marquee customers including Pfizer Inc, Intas Pharmaceuticals Limited, Mankind Pharma Limited, Merck Group, Alembic Pharmaceutical Limited, Aurobindo Pharma Limited, Cadila Pharmaceutical Limited, IMCD Asia Pte. Ltd., Micro Labs Limited, and Danone S.A. Its largest customer accounted for 14.58%, 8.15%, 9.14% and 11.55% of revenue from operations for the three months ended June 30, 2025 and Fiscals 2025, 2024 and 2023, respectively. The average tenure of its relationship with five largest customers in terms of revenue from operations for the three months ended June 30, 2025 is 7.08 years as of June 30, 2025. For the three months ended June 30, 2025 and Fiscals 2025, 2024 and 2023, 83.17%, 78.25%, 79.84%, and 62.96%, respectively, of its revenue from operations was generated from repeat business with customers (which it calculates as customers with whom it has conducted business during the preceding Fiscal).

The company has expanded its global presence to around 100 countries, as of June 30, 2025. In order to capitalize on market opportunities and meet the growing demands of local industries, it has established regional sales offices with dedicated teams in key geographies, including the United States, Europe, United Kingdom and Latin America. Its regional hubs play a crucial role in bridging market gaps, strengthening customer relationships, and driving growth. The company has also entered into stocking agreements with third parties to support international sales, which enable it to expand market reach and provide localized support to its international customers. By positioning itself across multiple continents, the company has enhanced its global footprint and ability to deliver localized expertise, with an aim to foster deeper connections with customers and partners in these regions.

SPL operates three Manufacturing Facilities in Vadodara, Gujarat, with a combined annual available manufacturing capacity of 65,579 MT and covering a total area of approximately 45,784 square meters, as of June 30, 2025. Further, pursuant to its acquisition of NSS as a Material Subsidiary with effect from May 22, 2025, it also has a manufacturing facility in Ireland.

The company is focused on research and development (“R&D”) and has two R&D facilities and a team of 41 personnel as of June 30, 2025, including one dedicated R&D facility in Vadodara, Gujarat. It leverages its in-house developed technologies for processes such as encapsulation, spray drying, granulation, trituration, liposomal preparations and blending, and its R&D efforts focuses on particle engineering, extending product shelf life, enhancing nutrient bioavailability and addressing formulation challenges. These initiatives enable it to continue to deliver ingredients that meet the evolving needs of the pharmaceutical, food, and nutrition industries worldwide. These initiatives have also helped it develop solvent-free processes, delivering ingredients that meet high standards of safety and quality. As of June 30, 2025, it had 740 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO worth Rs. 895 cr. (approx. 15092750 equity shares of Re. 1 each at the upper cap). The issue comprises of fresh equity issue worth Rs. 95 cr. (approx. 1602024 shares at the upper cap) and an Offer for Sale (OFS) of 13490726 equity shares (worth Rs. 800 cr. at the upper cap). The company has announced a price band of Rs. 563 – Rs. 593 per equity shares of Re. 1 each. The issue opens for subscription on November 21, 2025, and will close on November 25, 2025. The minimum application to be made is for 25 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 13.36% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 75.81 cr. for capex on procurement of machinery for its production line facility, and the rest for general corporate purposes.

The two Book Running Lead Managers (BRLMs) to this issue are ICICI Securities Ltd., IIFL Capital Services Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue.

Having issued initial equity shares at par, the company has issued/converted further equity shares at a price of Rs. 70.90 per share (based on FV of Re. 1), between October 2015, and October 2025. It has also issued bonus shares in the ratio of 1 for 1 in March 1995, 17 for 10 in July 2024, 1.20 for 1 in October 2024. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. NA, Rs. 0.29, Rs. 0.33, Rs. 0.43, and Rs. 143.04 per share.

Post-IPO, its current paid-up equity capital of Rs. 11.14 cr. will stand enhanced to Rs. 11.30 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 6697.85 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, of Rs. 438.26 cr. / Rs. 62.32 cr. (FY23), Rs. 465.38 cr. / Rs. 133.19 cr. (FY24), and Rs. 511.33 cr. / Rs. 138.69 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it posted a net profit of Rs. 31.27 cr. on a total income of Rs. 130.08 cr. The company marked steady growth in its top line, but boosted margins from FY24 onwards raises eyebrows.

For the last three fiscals, the company has posted an average EPS of Rs. 11.44 and an average RoNW of 30.89 %. The issue is priced at a P/BV of 9.47 based on its NAV of Rs. 62.61 as of June 30, 2025, and at a P/BV of 8.55 based on its post-IPO NAV of Rs. 69.35 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 53.57. Based on FY25 earnings, the P/E stands at 48.29. Thus, the issue appears aggressively priced.

According to the management, the company is the only manufacturer from India that has the most guarded technology for its products, the only two countries that are using this technology are US and European regions. It has many virtual monopoly products that enjoys higher margins globally.

Perhaps the company is asking fancy price to encase its lead position and margin play in the segment. Its top line has 60% contribution from global business and the rest from domestic. It hopes to increase its global play with its plans afoot.

The company has reported PAT margins of 14.54% (FY23), 29.00% (FY24), 27.63% (FY25), 24.66% (Q1-FY26), and RoCE margins of 29.40%, 41.17%, 29.82%, 5.50% respectively, for the reported periods.

Dividend Policy

The company has not declared any dividends for the referred periods of the offer document. It has already adopted a dividend policy in March 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed peers to compare with.

Merchant Banker's Track Record

The two BRLMs associated with the offer have handled 95 pubic issues in the past three fiscals, out of which 26 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

SPL is engaged in manufacturing and marketing of excipients and specialty ingredients for pharma, food and nutrition industry globally. It enjoys most preferred partners for its critical and specialized ingredients with marquee customers. The company posted growth in its top and bottom lines for the reported periods. The management is confident of maintaining the tempo of growth in revenue and margins. Based on its recent financial data, the issue appears aggressively priced. However, well-informed investors may park funds for medium to long

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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