SAI LIFE SCIENCES LIMITED

December 10, 2024

Make it better together

SMC Ranking

★ ½ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	**Pharma**
Offer for sale (Shares)	38,116,934
Fresh Issue (Shares)	17,304,189
Net Offer to the Public	**55,421,123**
Issue Size (Rs. Cr.)	2892-3042
Price Band (Rs.)	522-549
Offer Date	11-Dec-24
Close Date	13-Dec-24
Face Value	1
Lot Size	27 Shares

Issue Composition

	In shares
Total Issue for Sale	55,421,123
QIB	27,710,562
NIB	8,313,168
Retail	19,397,393

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	41.82%	35.24%
QIB	58.18%	51.44%
NIB	0.00%	4.00%
Retail	0.00%	9.33%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The company propose to utilise the Net Proceeds towards funding the following objects:

Repayment/prepayment in full or part, of all or certain outstanding borrowings availed by the Company and

General corporate purposes

Book Running Lead Manager

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

Name of the registrar

- KFin Technologies Limited

About the company

Sai Life Sciences Limited, incorporated in January 1999, specializes in the research, development, and manufacturing of small-molecule new chemical entities. The company provides customized services to biotechnology firms and global pharmaceutical companies. In the Financial Year 2024 and for the month ending September 30, 2024, Sai Life Sciences served over 280 innovator pharmaceutical companies, including more than 230 in September alone. Among its clients, the company collaborated with 18 of the top 25 pharmaceutical companies by revenue in the calendar year 2023. Its services were offered across key markets including the US, UK, Europe, and Japan. The company's business development team comprises 16 experienced professionals, with six based in the US, nine in the UK and Europe, and one in Japan. Sai Life Sciences offers a wide range of services, including chemistry, manufacturing, and control (CMC)/contract development and manufacturing organization (CDMO) services, as well as contract research organization (CRO) services with integrated discovery capabilities across biology, chemistry, drug metabolism, and pharmacokinetics. As of September 30, 2024, the company employed 3,135 individuals, including 2,353 scientific staff, with the majority holding advanced degrees—302 Ph.D.s and 1,475 master's degrees—across the CRDMO value chain.

Strength

Integrated CRDMO Platform: The company ranks among India's top CRDMOs by revenue for FY 2024, offering a one-stop solution for discovery, development, and manufacturing. It has successfully scaled customers' programs through technology transfers. By September 2024, it had 50 late-phase or commercial products in its CDMO portfolio, including 34 developed in-house. Around 75% of its chemistry revenue comes from clients using its biology or DMPK services.

Diverse Molecule Portfolio: The company provides end-to-end services for intermediates and APIs. Its portfolio includes 38 products for 28 commercial drugs, with seven blockbusters. It also has 120 products in development across various clinical stages. The company focuses on safety, automation, and quality control, with FDA, PMDA, and COFEPRIS approvals. Nearly 28% of its late-phase products and 35% of early-phase products are APIs.

Discovery Capabilities: The company's discovery business grew by 34.77% from FY 2022 to 2024, adding 230 customers in five years. It serves over 200 customers annually, with more than 60 outsourcing integrated discovery programs. The company has helped advance over 200 small molecule discovery programs, including five that led to market-approved drugs. It offers integrated biology, chemistry, and DMPK services at its Hyderabad and Greater Boston facilities.

Customer Base: With a broad and diversified customer base, the company reduces revenue concentration risk. No customer accounts for more than 8% of its revenue. It serves 18 of the top 25 global pharmaceutical companies and has agreements with several smaller pharma companies, enhancing its portfolio with early-phase products and opportunities for commercial growth.

Modern R&D and Regulatory Excellence: The company offers a fully integrated CRDMO platform with global talent and proximity to innovation hubs in Greater Boston and Manchester. Its facilities in India offer cost-effective research, development, and large-scale production, while maintaining strong regulatory compliance across markets.

Strategy

Increase Cross-Selling and Acquire New Customers: The company aims to boost revenue by deepening engagement with existing customers and cross-selling its services. It served over 280 pharmaceutical clients in FY 2024, including 18 of the top 25 global companies. Approximately 32% of revenue came from customers using multiple CMC services, and 70% from those using multiple Discovery services. The company plans to capitalize on growing demand for integrated CRDMOs due to geopolitical factors.

Expand CMC Portfolio: As of September 2024, the company had 38 APIs in its development and manufacturing portfolio, including 7 blockbusters. It aims to grow its commercial portfolio by advancing early-phase products and continuing to support technology transfers, capitalizing on partnerships with pharmaceutical companies in Asia for geographical diversification.

Grow Integrated Discovery Projects: The Company's contract research revenue grew by 81.4% from FY 2022 to FY 2024. Over 60 customers used its integrated drug discovery services in FY 2024, with a significant portion also engaging its biology and DMPK services. The company plans to expand its integrated offerings to attract new customers and grow its market share in the Discovery and pre-clinical segments.

Expand Capacity and Add New Capabilities: The Company is investing in increasing manufacturing and Discovery lab capacity to support growing demand. It is enhancing its Bidar facilities and expanding its Hyderabad lab. The company also plans to strengthen its offerings in emerging therapeutic modalities like mRNA therapeutics, cell therapies, and oncology APIs.

Drive Operational Excellence: The Company focuses on improving efficiency through digitalization, automation, and the "SaiGo" operational excellence program. It also aims to optimize operations using AI-based tools for faster service delivery, cost-saving opportunities, and continuous process improvements.

Attract and Retain Talent: The company is committed to recruiting, training, and retaining top talent, especially scientists. It continues to offer learning programs like "Sai Gurukul" and "Sai Academy" to enhance employee skills. With transparent performance evaluations and competitive compensation, it aims to build a strong, skilled workforce.

Risk factor

- The company's financial performance is closely tied to its ability to secure business from biotechnology and pharmaceutical customers. As a result, it faces risks, uncertainties, and trends that impact these industries.
- The business could be negatively affected if its customers fail to develop or manufacture commercially viable drugs, particularly due to industry-specific challenges.
- If the company fails to meet customer standards during audits and inspections, it may be unable to continue serving them, potentially damaging its reputation and leading to the termination of ongoing projects.
- The company's future growth relies heavily on its research and development efforts. Failure to achieve desired outcomes in R&D may cause customers to discontinue their partnerships.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Divi's Laboratories Limited	8,614.00	1,836.00	69.16	86.17	11.53	516.71	2	5,959.75	1,58,212.64
Syngene International Limited	3,451.10	481.90	11.45	75.76	7.94	109.20	10	867.45	34,918.07
Suven Pharmaceuticals Limited	961.16	243.10	9.55	136.94	16.83	77.71	1	1,307.80	33,292.00
Sai Life Sciences Limited	1498.12	123.74	5.95	92.28	5.72	95.95	1.00	549.00	11418.63

***Peer companies financials are TTM based**
****Sai Life Sciences Limited financials are based on TTM**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.549, the stock is priced at pre issue P/E of 84.60 x on TTM EPS of Rs.6.49. Post issue, the stock is priced at a P/E of 92.28x on its EPS of Rs. 5.95. Looking at the P/B ratio at Rs.549 pre issue, book value of Rs. 54.83 of P/Bvx 10.01x. Post issue, book value of Rs.95.95 of P/Bvx 5.72x.

Considering the P/E valuation, on the lower end of the price band of Rs.522, the stock is priced at pre issue P/E of 80.44x on TTM EPS of Rs.6.49. Post issue, the stock is priced at a P/E of 87.74x on its EPS of Rs. 5.95. Looking at the P/B ratio at Rs.522 pre issue, book value of Rs. 54.83 of P/Bvx 9.52x. Post issue, book value of Rs. 95.95 of P/Bvx 5.44x.

Industry Outlook

The global small molecule contract research, development and manufacturing organization industry is forecasted to reach US$159 billion by 2028 (comprising approximately 53% of the overall global contract research, development and manufacturing organization industry), driven by increasing pharmaceutical and biotech research & development outsourcing, continued demand for small molecules and growing demand for cost-effective drugs. The Indian contract research, development and manufacturing organization market was among the fastest growing markets in Asia Pacific region over 2018-2023. The Indian market is projected to grow by 14.0% between 2023 and 2028, reaching an estimated value of US$14.1 billion in 2028.

Outlook

As a leading CRDMO, NCE, CRO, and CMC entity, the company serves over 25 top pharma companies globally. In FY2024 and H1 2024, it catered to 280+ and 230+ innovator pharma companies, respectively, including 18 of the top 25 pharma companies. The company's CDMO portfolio comprises 170+ innovator pharma products, with 38 products supplied for 28 commercial drugs. However, its financial performance is closely tied to securing business from biotechnology and pharmaceutical customers, exposing it to industry-specific risks and uncertainties.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	11-December-24
BID/ISSUE CLOSES ON	13-December-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	16-December-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	17-December-24
Credit of Equity Shares to Demat Accounts of Allottees	17-December-24
Commencement of trading of the Equity Shares on the Stock Exchanges	18-December-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sept-24 (6 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	675.29	1465.18	1217.14
Total expenditure	546.95	1179.69	1052.21
Operating Profit	**128.34**	**285.49**	**164.93**
OPM%	19.00	19.48	13.55
Other Income	18.07	29.09	27.97
PBDIT	**146.40**	**314.58**	**192.90**
Depreciation	66.99	119.44	99.43
PBIT	**79.41**	**195.14**	**93.46**
Interest	42.15	85.91	77.06
Profit BeforeTax	**37.26**	**109.23**	**16.41**
Tax	9.25	26.43	6.42
PAT	**28.01**	**82.81**	**9.99**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sept-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	961.83	926.36	777.62
Right-of-use assets	254.38	239.71	247.87
Capital work in progress	152.02	106.90	151.00
Intangible assets	12.08	13.77	11.43
Financial Assets			
Investments	1.87	1.87	1.87
Other financial assets	3.59	4.07	2.66
Deferred tax assets	14.77	13.13	8.06
Non-current tax assets (net)	16.92	13.28	7.66
Other non-current assets	24.74	10.94	14.53
Total Non Current Assets	**1442.19**	**1330.02**	**1222.70**
Current assets			
Inventories	105.89	87.44	139.53
Financial Assets			
Trade Receivables	229.51	256.18	284.05
Cash and cash equivalents	49.05	23.66	69.91
Bank balances other than cash and cash equivalents	134.64	135.14	16.42
Other financial assets	82.99	79.48	178.47
Other current assets	432.52	363.21	275.56
Total current assets	**1034.59**	**945.11**	**963.95**
Total Assets	**2476.78**	**2275.14**	**2186.65**
Non-current liabilities			
Financial liabilities			
Borrowings	290.29	277.25	260.97
Lease liabilities	172.67	175.72	195.80
Other financial liabilities	2.60	1.33	3.73
Provisions	22.67	19.52	16.68
Deferred tax liabilities (net)	96.72	86.27	62.53
Total non-current liabilities	**584.95**	**560.09**	**539.70**
Current liabilities			
Financial liabilities			
Borrowings	474.20	432.92	438.26
Lease liabilities	55.04	41.78	37.35
Trade payables - MSME	18.09	9.01	8.09
Trade payables - other than MSME	195.11	190.40	200.86
Other financial liabilities	59.40	31.75	22.78
Other current liabilities	34.83	25.68	40.95
Provision	9.60	8.37	7.20
Current Tax Liabilities (Net)	0.00	0.00	3.37
Total current liabilities	**846.27**	**739.90**	**758.85**
Total	**1431.22**	**1299.99**	**1298.56**
Net worth represented by:			
Equity Share Capital	18.88	18.05	18.01
Other equity	1026.68	957.09	870.08
Net Worth	**1045.56**	**975.14**	**888.09**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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