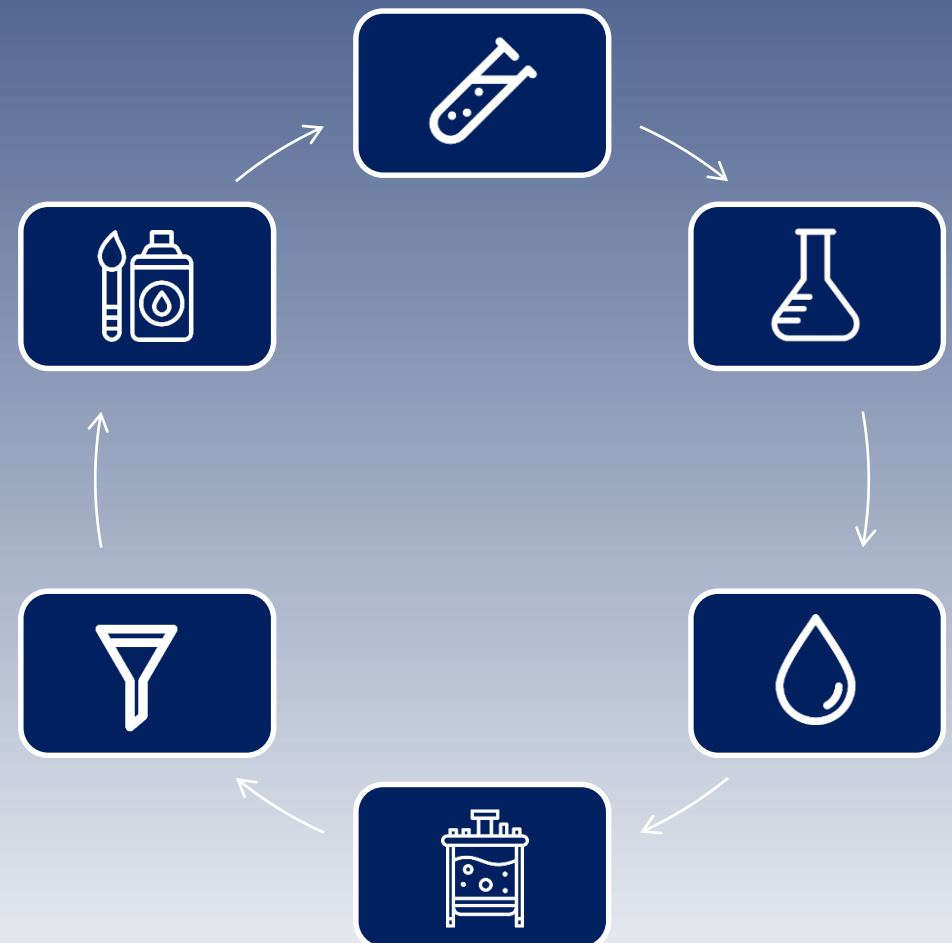


## Concord Biotech

Fermenting Success in the niche API

Initiating Coverage



Choice Equity Broking Private Ltd.

## Concord Biotech

Fermenting Success in the niche API

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Jan 2024

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## Concord Biotech

## OUTPERFORM

Concord Biotech Limited is a R&D driven biopharma company that manufactures API through fermentation & semi-synthetic process and finished formulations. Founded in the year 2000, the company has transformed from a single-product company to a broad-spectrum solution provider, offering products across diversified therapeutic segments. Concord is globally known for its products and has a presence in more than 70 countries worldwide with efficient distribution infrastructure in markets like the USA, Europe, Japan, Latin America, Africa, Asia, besides significant presence in Indian market. Concord is actively expanding its horizons by partnering with leading global pharmaceutical companies by meeting their product development needs for APIs & finished formulations.

### Investment Rationale

- Market Leadership in differentiated API offerings:** Concord has one of the widest range of small molecule fermentation-based immunosuppressant APIs and is also one of the leading global developers and manufacturers of immunosuppressants and oncology APIs. The company's strength lies in its focused niche fermentation API's which is backwardly integrated to KSM. It commands a market share of over 20% (by volume) across key identified fermentation-based API products. It is also one of the very few companies with a presence in all the key regions, including the US, Europe, and Japan. Future growth of the fermentation based API segment will be led by market share gains due to increasing the wallet share from existing API customers and new client addition; and expansion of API portfolio in the low-volume high value segment. We estimate the API segment to register robust CAGR of 14.8% between FY23-26E.
- Significant entry barriers creating competitive edge:** Fermentation API business has significant entry barriers due to: 1) **Requirement of technical capabilities:** The Fermentation as a core component of manufacturing process presents unique challenges. It involves the intricate management of microbial strains, the precise control of multiple interconnected processes, and the execution of various purification steps. Hence, this approach stands in stark contrast to chemical synthesis, requiring a highly specific, scientific, and quality-centric approach; 2) **Long gestation period:** It takes around 6 to 7 years to develop the molecule in the fermentation space; 3) In addition, there is **substantial capital investment** into infrastructure such as large scale fermenters, effluent treatment facilities and disposal of biologically hazardous waste. Concord has over the year's built a portfolio of 23 fermentation APIs, scaled manufacturing capabilities and backwardly integrated its API to KSM creating a competitive edge in the industry.
- Completion of significant capex towards large manufacturing capacities provides growth opportunities:** Between FY20-23, the company incurred an aggregate capex of Rs. 6.6bn towards capacity expansion viz. 1) New API facility (Unit 3) at Limbasi, Gujarat with a capacity of 800 cu. mtr.; 2) Expansion of Formulation facility (Unit 2) at Valthera, Gujarat from 523mn units to 802mn units; and 3) New injectable line at Unit 2. We understand the significant capex is completed and there may not be major investment in capacities in next couple of years. We expect the company to reap benefits of the huge capacity and improve its utilisation going forward. We estimate the company to generate FCFF of Rs. ~8.5bn between FY24E-26E and improve its ROIC by 600-700bps.
- Outlook & Valuation:** We are optimistic on Concord Biotech due to: 1) Fermentation APIs gaining market share with expansion of API portfolio in the low-volume high value segment; 2) Formulations segment picking-up on the back of new launches and the addition of injectables portfolio; 3) Ready capacities and low utilization levels providing opportunities for operating leverage and margin expansion; and 4) Completion of significant capex to result in FCFF generation. We estimate FY23-26E Revenue/EBITDA/PAT CAGR of 21.4%/26%/27.5%. We value the stock at 36x FY26E EPS to arrive at a target price of Rs.1,715 and initiate our coverage with an **OUTPERFORM** rating on the stock.

|                      |       |
|----------------------|-------|
| CMP (Rs)             | 1,470 |
| Target Price (Rs)    | 1,715 |
| Potential Upside (%) | 17    |

CMP (Rs) as on 29<sup>th</sup> Dec 2023

### Company Info

|                                 |              |
|---------------------------------|--------------|
| BB Code                         | CONCORDB IN  |
| ISIN                            | INE338H01029 |
| Face Value (Rs.)                | 1.0          |
| 52 Week High (Rs.)              | 1,535        |
| 52 Week Low (Rs.)               | 900          |
| Mkt Cap (Rs bn.)                | 153.8        |
| Mkt Cap (\$ bn.)                | 1.85         |
| Shares o/s (Mn.)/Free Float (%) | 104.6/17     |
| EPS FY23 (Rs)                   | 22.9         |
| EPS FY25E (Rs)                  | 47.6         |

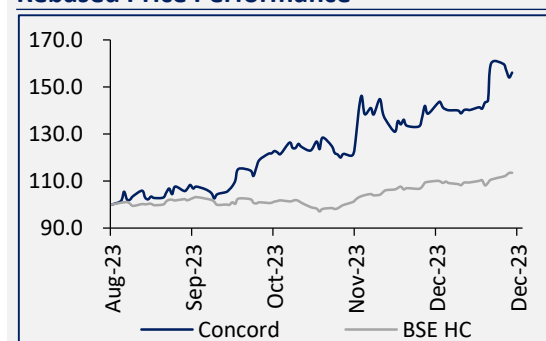
### Shareholding Pattern (%)

|           | Sep-23 |
|-----------|--------|
| Promoters | 44.08  |
| FII's     | 7.30   |
| DII's     | 8.12   |
| Public    | 40.50  |

### Relative Performance (%)

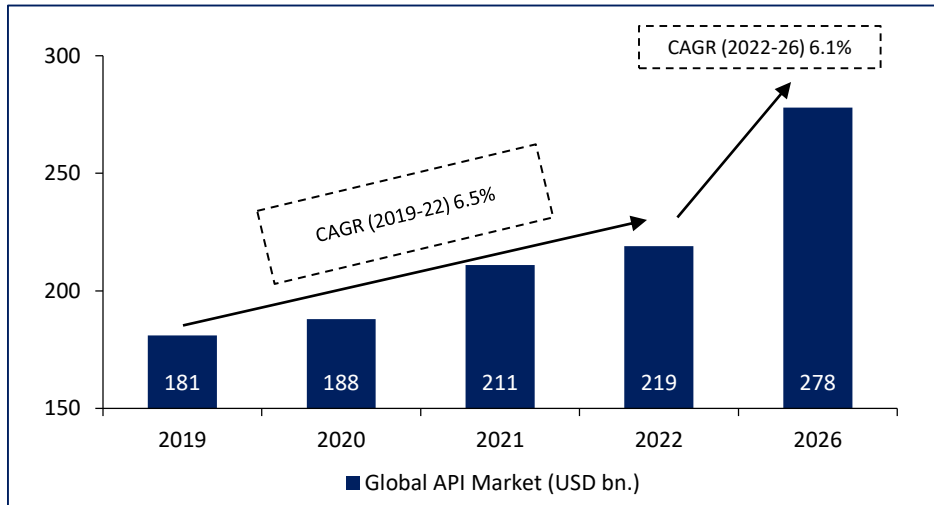
| YTD     | 1M   | 3M   | Till Date |
|---------|------|------|-----------|
| BSE HC  | 5.6  | 10.7 | 13.5      |
| Concord | 14.3 | 35.6 | 56.1      |

### Rebased Price Performance



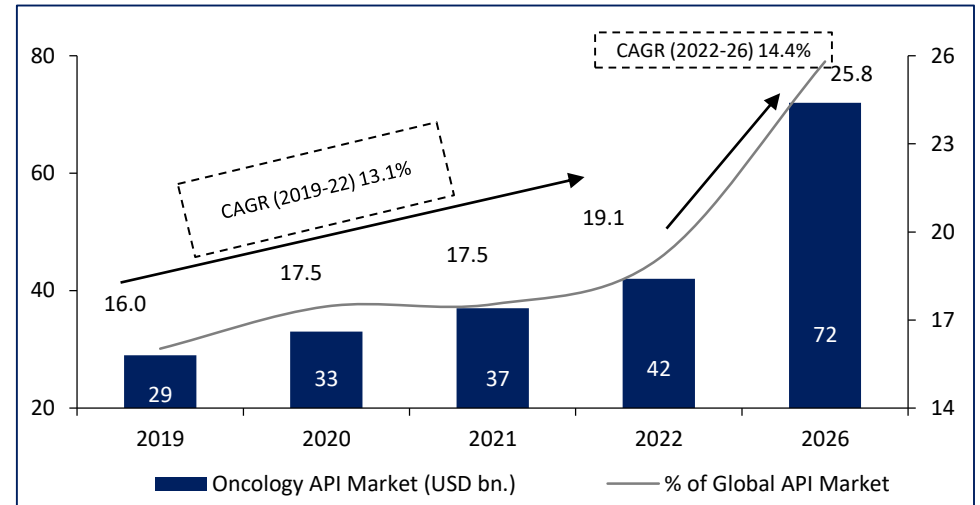
## Market Dynamics - Global API Market

Global API market is expected to register CAGR of 6.1% between 2022-26



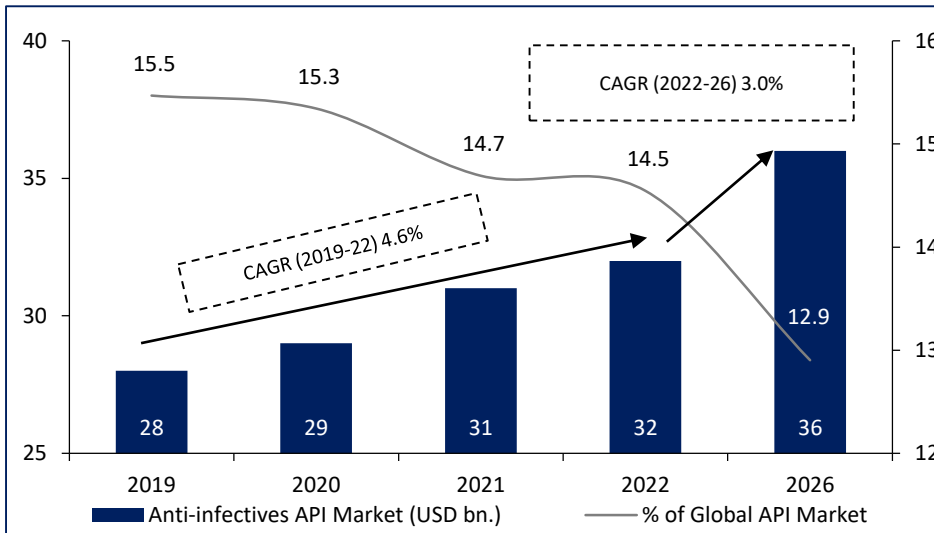
Source: Company RHP, CEBPL

Global Onco API market to be one of the fastest growing with CAGR of 14.4%



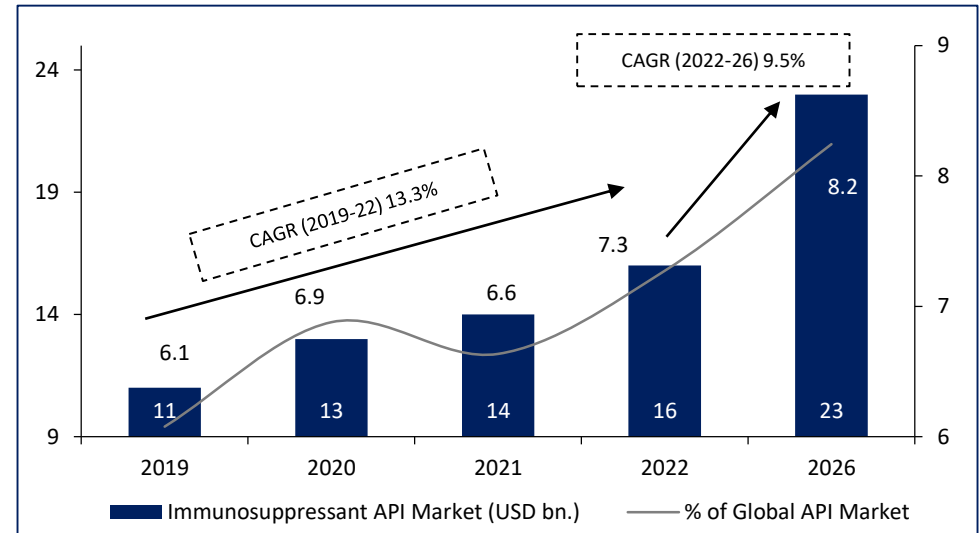
Source: Company RHP, CEBPL

Global anti-infectives API market is expected to be slowing down



Source: Company RHP, CEBPL

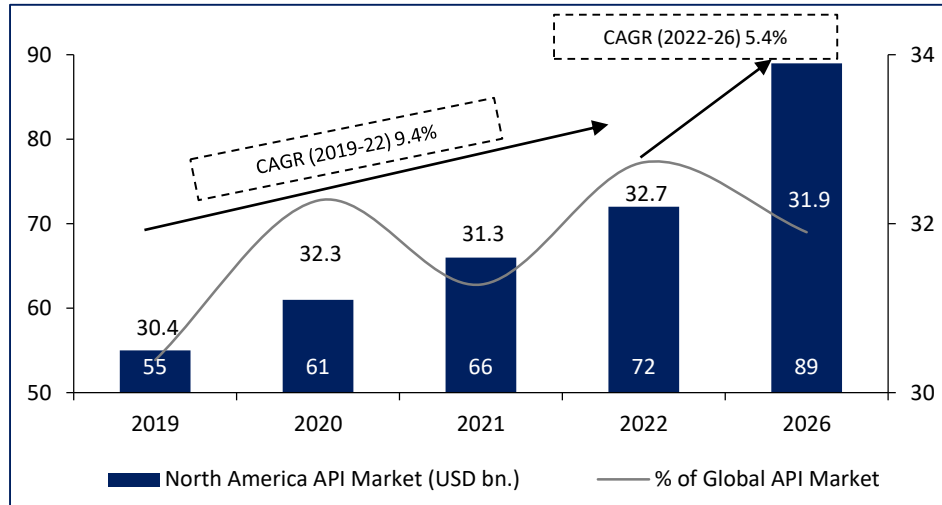
Immunosuppressant API market to grow at healthy CAGR of 9.5% in 2022-26



Source: Company RHP, CEBPL

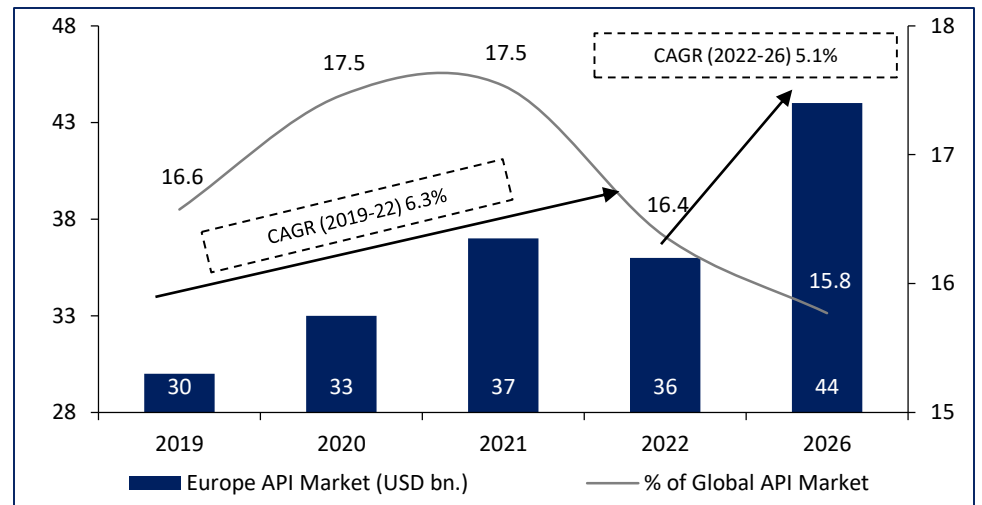
## Market Dynamics - Global API Market by Geography

North America API market expected to see slow down



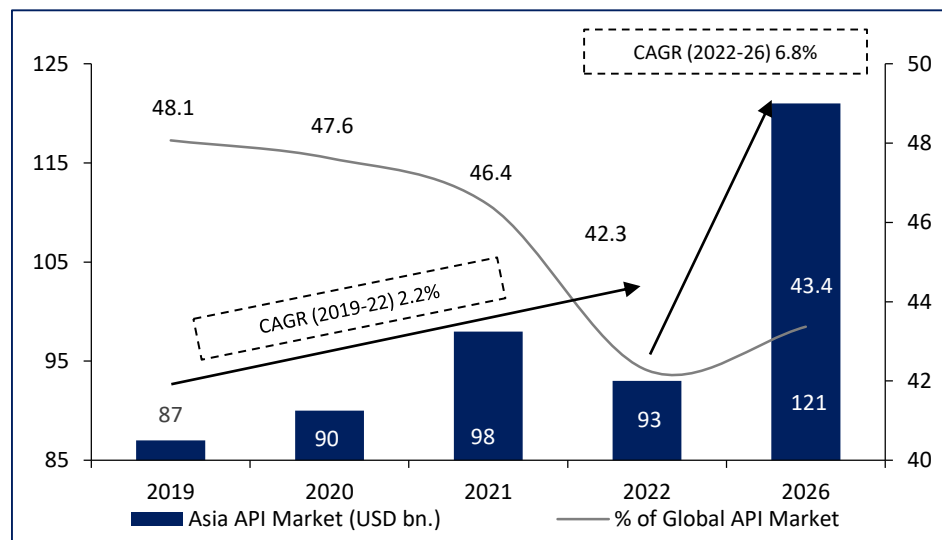
Source: Company RHP, CEBPL

Europe market is expected to continue the modest growth



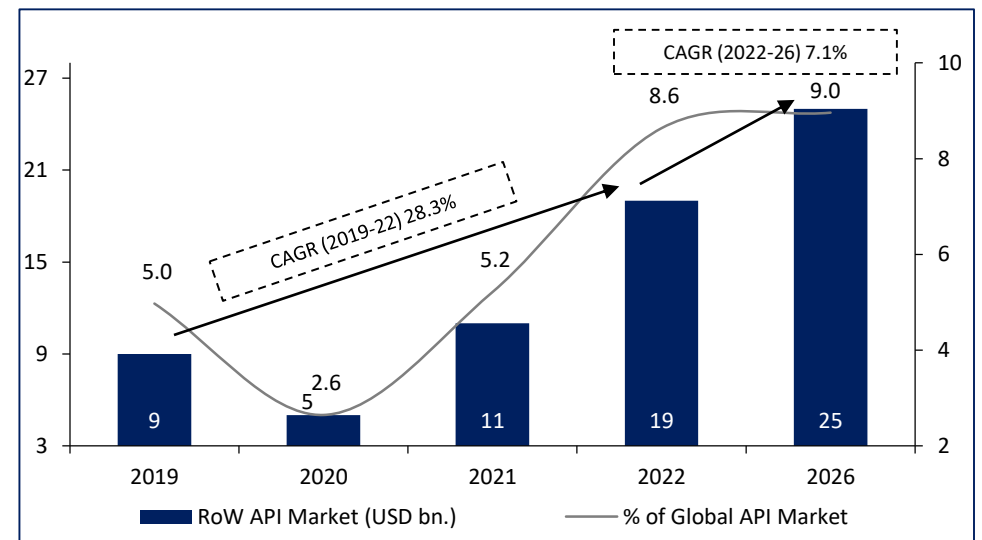
Source: Company RHP, CEBPL

Asia, the largest API market to grow faster than the developed markets



Source: Company RHP, CEBPL

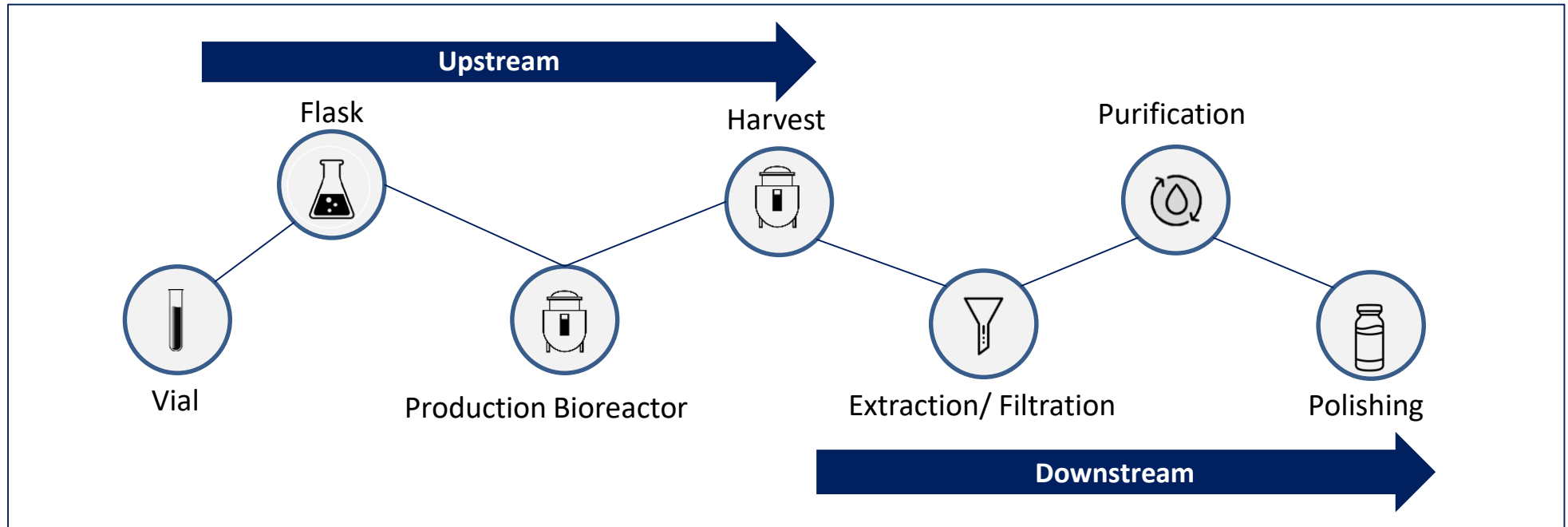
RoW market expected to register CAGR of 7.1% between 2022-26



Source: Company RHP, CEBPL

## Fermentation based API

Overview of Fermentation Process: Complex process requiring technical expertise



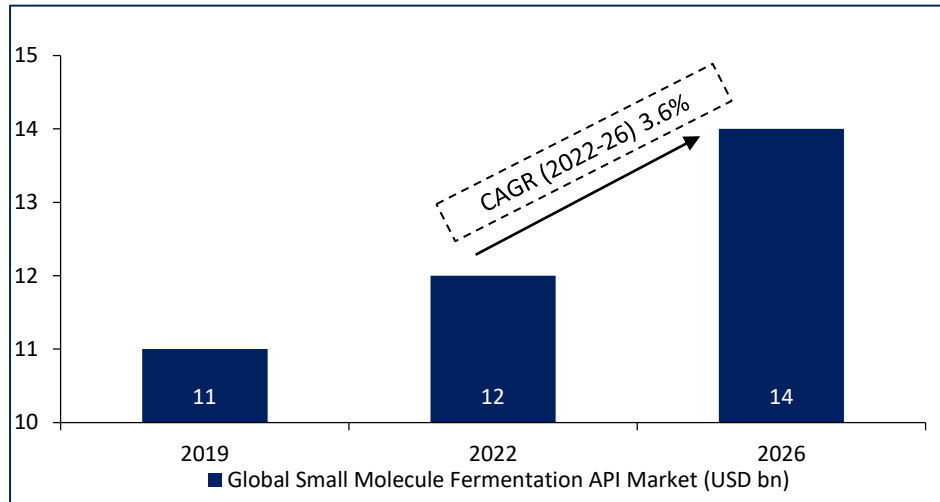
Source: Company RHP, CEBPL

### Understanding the process

- **Fermentation API:** These are active ingredients or intermediates made using microbial or cell line host fermentation. Fermentation products can be naturally derived as well as semi-synthetically processed with a combination of fermentation and chemical synthesis.
- **Application or Usage:** Used in wide range of products from vaccines to anti-cancer cytotoxic drugs, antibiotics and antifungals, hormonal products, immunosuppressants, and vitamins.
- **Micro-organisms used:** A wide array of micro-organisms such as bacteria, yeast, fungi, and streptomycetes are used in fermentation.
- **Molecules Produced:** 1. Small and low weight molecules such as peptides, organic molecules. 2. Large molecules such as proteins, nucleic acids (DNA and RNA), and macromolecules such as lipids and carbohydrates,
- **Market Dominance:** Until 2021, China dominated the small molecule fermentation APIs market and accounted for nearly 70% of the global market supply. However, several API manufacturing units were shut down with the growing environmental and quality concerns. This created an opportunity for India to revive its fermentation API industry.

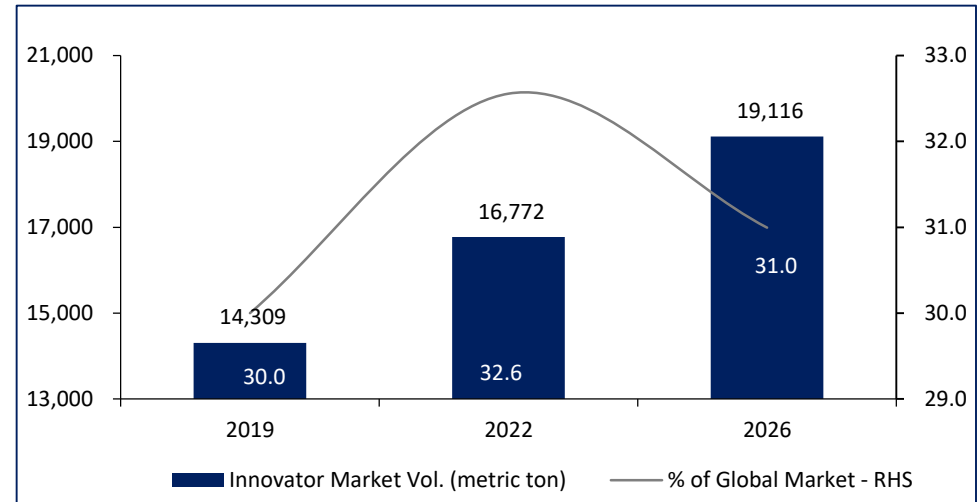
## Market Dynamics - Global Small Molecule Fermentation API Market

Global Small Molecule Fermentation API Market is expected to post CAGR of 3.6%



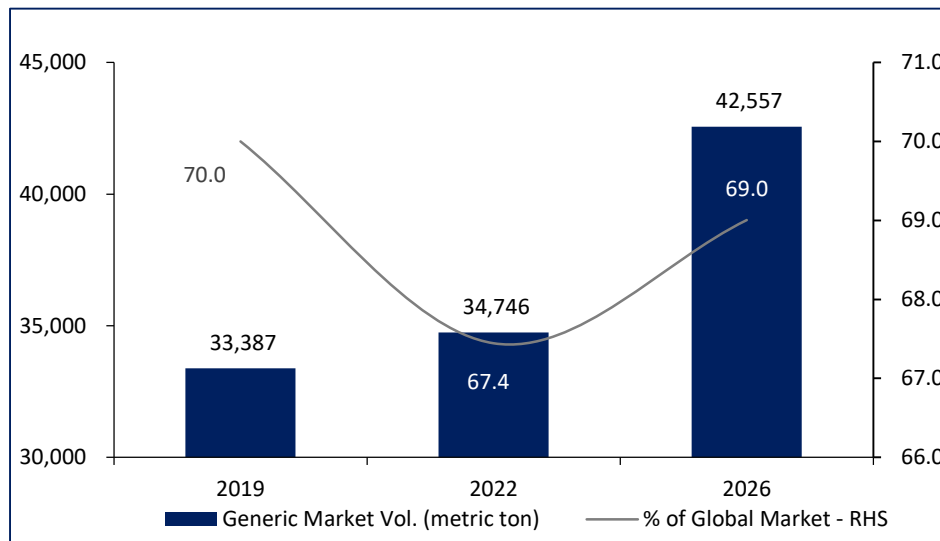
Source: Company RHP, CEBPL

Global Fermentation based Innovator API market by Volume



Source: Company RHP, CEBPL

Global Fermentation based Generic API market by Volume



Source: Company RHP, CEBPL

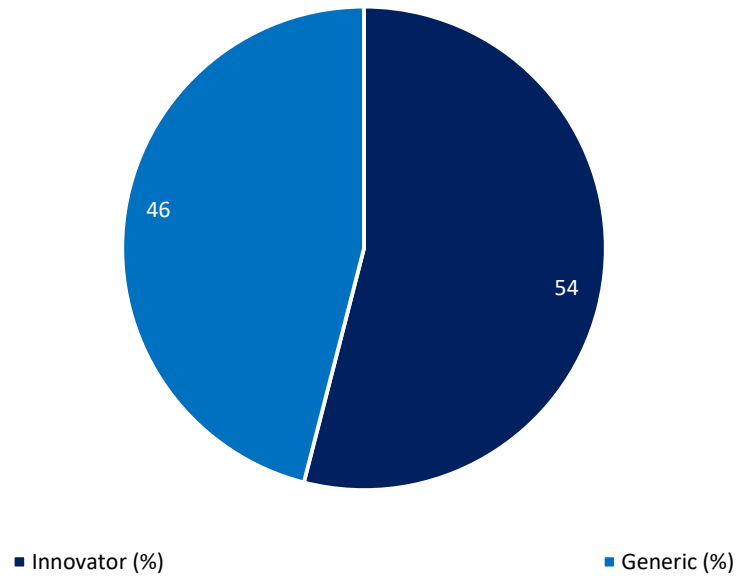
- Generic API market** has the lion's share in terms of volume. Between 2019-22, it has grown at a CAGR of 5.2%. With the increasing thrust of adopting low-cost alternatives, the overall market is expected to further shift in favor of generic drugs. Hence, the volume is forecasted to grow at CAGR of 5.2% between 2022-26.
- Innovator API market** is a low volume and high value market. The growth of the market is expected to be muted (3.3% CAGR between 2022-26) as against 5.4% CAGR between 2019-22.



## Market Dynamics - Global Small Molecule Fermentation API Market - Immunosuppressant

- Small molecule immunosuppressant drugs are the mainstay for organ transplant patients, as many patients need to use these drugs throughout their lifetime. As of 2022, approximately more than 90% of the approved and commonly prescribed small molecule organ transplant drugs were fermentation-based. With the increase in organ transplants such as liver and kidney transplants worldwide, it is further expected to bolster the growth of APIs.

### Immunosuppressant Fermentation based API by Innovation Type: Volume (%) 2022



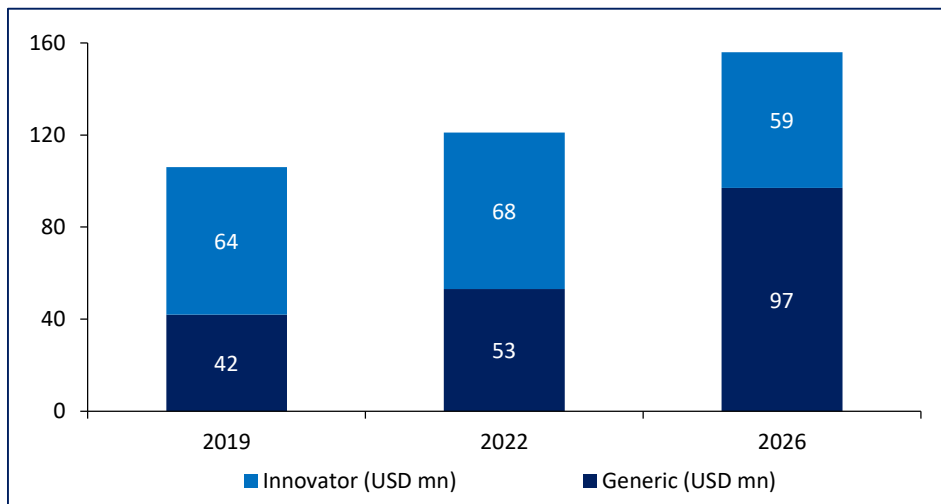
Source: Company RHP, CEBPL

- Value share in 2022:** 9-11% (approx. USD 1bn)
- Volume share in 2022:** 2%
- Volume CAGR between 2022-26:** 9-11%
- API Molecules:** Tacrolimus, Sirolimus, Mycophenolic Acid, Mycophenolate Mofetil, and Cyclosporine

**Market Dynamics - Global Small Molecule Fermentation API Market – Immunosuppressant – Tacrolimus API**

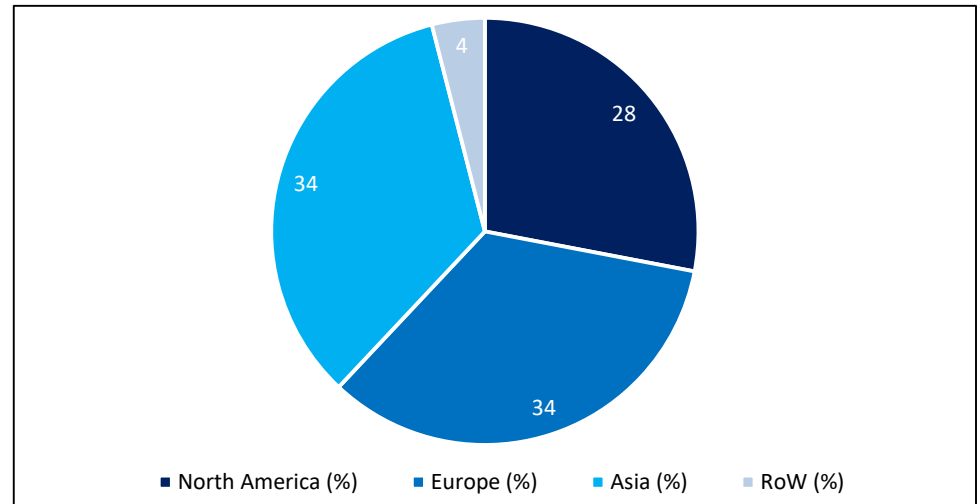
- Tacrolimus is indicated for preventing organ transplant rejection and treating moderate to severe atopic dermatitis. Since this drug can be a life-long drug in some transplant patients, and given the preference for consistency of drug regimen, the market will maintain volume sales from existing users and gain from new organ transplant patients.

**Tacrolimus API market sales by Innovation type**



Source: Company RHP, CEBPL

**Tacrolimus API market volume distribution by geography**



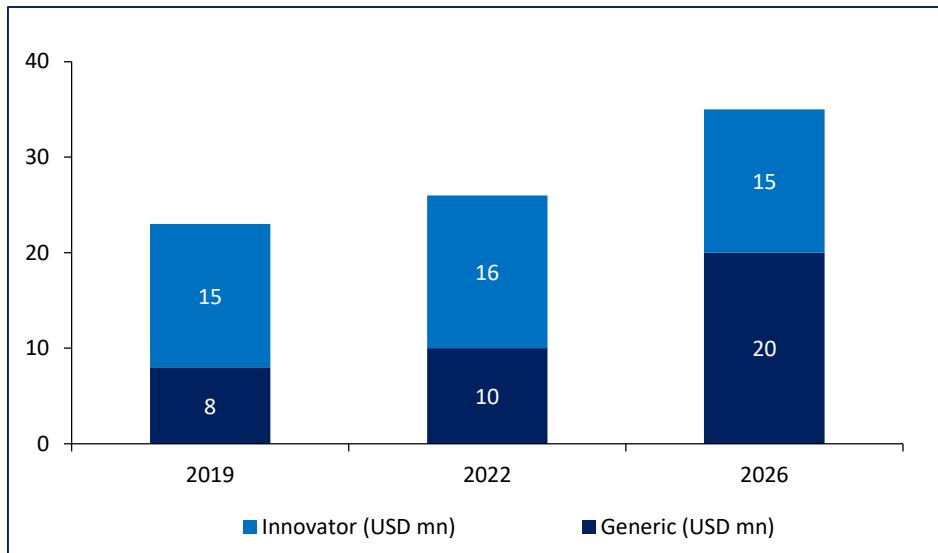
Source: Company RHP, CEBPL

- Generic CAGR (2022-26):** 16.4%
- Innovator CAGR (2022-26):** (3.5)%
- Volume CAGR between 2022-26:** 9-11%
- Patent Expiry:** Year 2008
- Key API Consumers (by volume):** Astellas Pharma Inc. (38%), Novartis AG (13%) and Intas Pharma (7%)
- Regulated market API suppliers:** A total of 18 regulated market API suppliers, there are only 3 suppliers, including Concord Biotech, Teva Pharmaceutical Industries, and Chunghwa Chemical Synthesis & Biotech Co. with registered DMFs in all the key markets.
- Concord’s Prowess:** 1) Estimated volume share of more than 40% in 2022; 2) Serving 2 out of the top 5 global API consumers

**Market Dynamics - Global Small Molecule Fermentation API Market – Immunosuppressant – Mycophenolate Sodium API**

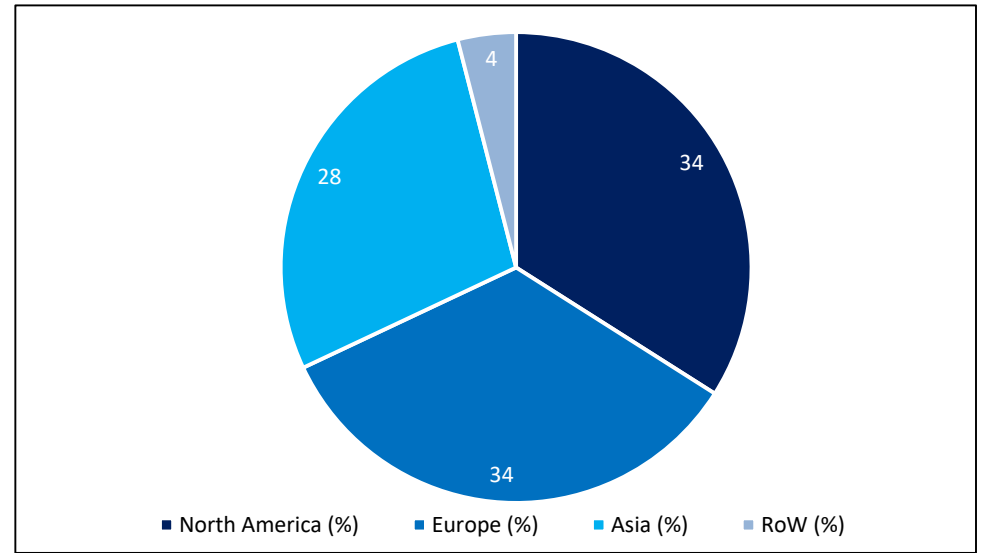
- Mycophenolate Sodium is the sodium salt of mycophenolic acid used as an immunosuppressive prophylactic to prevent rejection during organ transplantation

**Mycophenolate Sodium API market sales by Innovation type**



Source: Company RHP, CEBPL

**Mycophenolate Sodium API market volume distribution by geography**



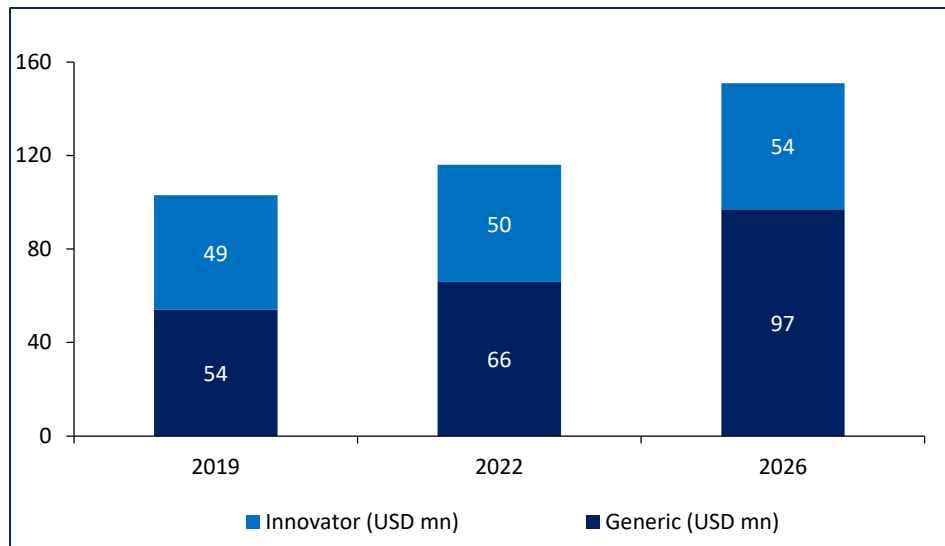
Source: Company RHP, CEBPL

- **Generic CAGR (2022-26):** 17.4%
- **Innovator CAGR (2022-26):** (1.6)%
- **Volume CAGR between 2022-26:** 7.1%
- **Patent Expiry:** Year 2014
- **Key API Consumers (by volume):** Novartis (57%), Intas Pharma, Apotex Inc. and Lupin cumulatively have 29% volume share.
- **API suppliers:** 10 with active U.S. DMF while there are 4 suppliers from India with active DMFs.
- **Concord’s Prowess:** 1) Estimated volume share of approx. 28% in 2022; 2) Working with one of the top 5 global formulation companies.

**Market Dynamics - Global Small Molecule Fermentation API Market – Immunosuppressant – Mycophenolate Mofetil**

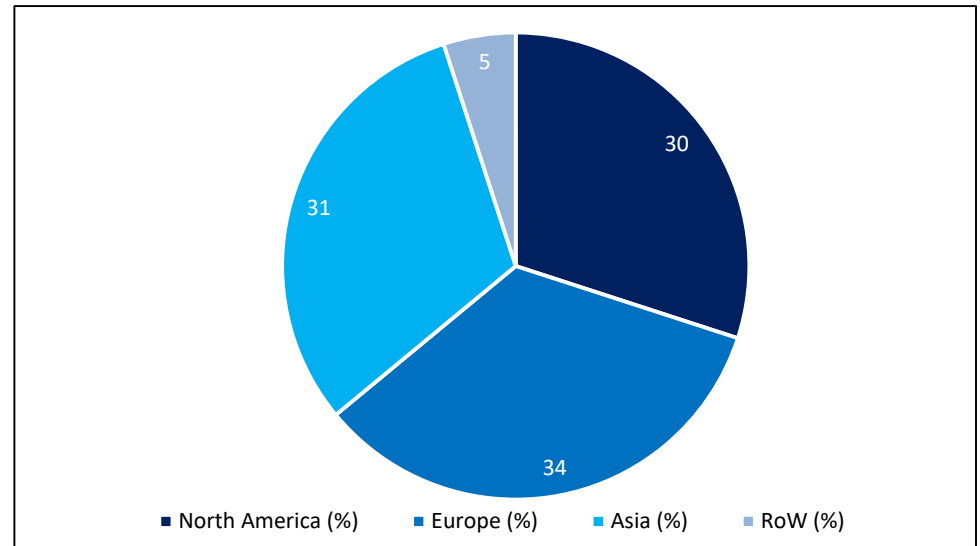
- Mycophenolate Mofetil is indicated for prophylaxis of organ rejection in patients and treatment of primary and secondary glomerulopathies, uveitis, Crohn's disease, rheumatoid arthritis, and lupus.

**Mycophenolate Mofetil API market sales by Innovation type**



Source: Company RHP, CEBPL

**Mycophenolate Mofetil API market volume distribution by geography**



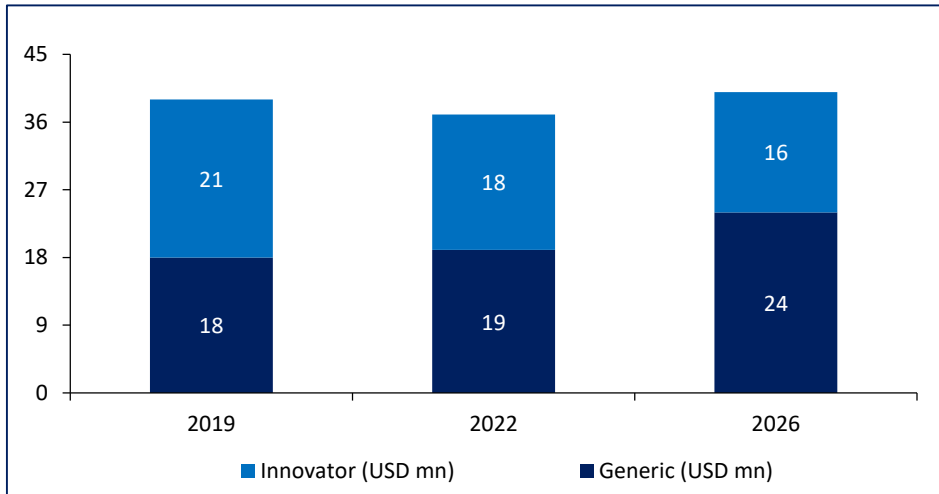
Source: Company RHP, CEBPL

- **Generic CAGR (2022-26):** 10%
- **Innovator CAGR (2022-26):** 2%
- **Patent Expiry:** Year 2007
- **API suppliers:** There are 17 companies with active DMFs for mycophenolate mofetil API, there are only 2 companies viz. Concord Biotech and Teva with active DMFs across all 3 highly regulated regions
- **Concord's Prowess:** 1) Around 15% volume share in 2022; 2) Serving at least one out of the top 5 API consumers

**Market Dynamics - Global Small Molecule Fermentation API Market – Immunosuppressant – Cyclosporine**

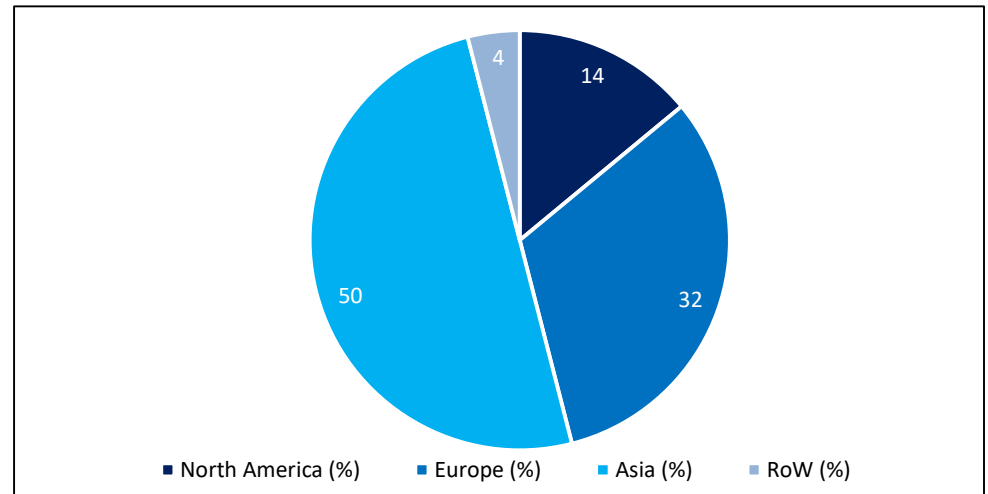
▪ Cyclosporine is an immunosuppressant for preventing organ rejection in kidney, liver, and heart allogeneic transplants. It is also prescribed for psoriasis, rheumatoid arthritis, and uveitis.

Cyclosporine API market sales by Innovation type



Source: Company RHP, CEBPL

Cyclosporine API market volume distribution by geography



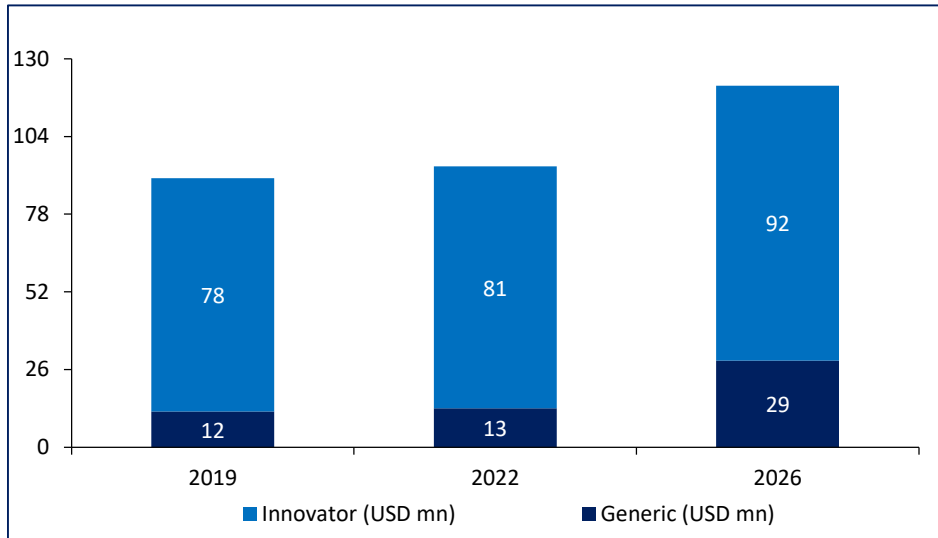
Source: Company RHP, CEBPL

- **Generic CAGR (2022-26):** 6.9%
- **Innovator CAGR (2022-26):** (3.1)%
- **Volume CAGR between 2022-26:** 2.4%
- **Key API Consumers (by volume):** Novartis, Huadong Medicine, and Teva accounted for 72% volume share.
- **Regulated market API suppliers:** There are 12 Cyclosporine API suppliers to regulated markets, however, a large number of companies with active DMFs, such as Novartis, AbbVie Inc., Teva, and Huadong Medicine, potentially manufacture APIs for captive use. Hence, the number of suppliers supplying across regulated merchant markets is very few.
- **Concord’s Prowess:** 1) Only supplier of Cyclosporine API from India to all major regulated markets; 2) A volume share of over 30% in 2022; 3) Catering to 2 of the top 5 formulation companies.

**Market Dynamics - Global Small Molecule Fermentation API Market – Immunosuppressant – Pimecrolimus API**

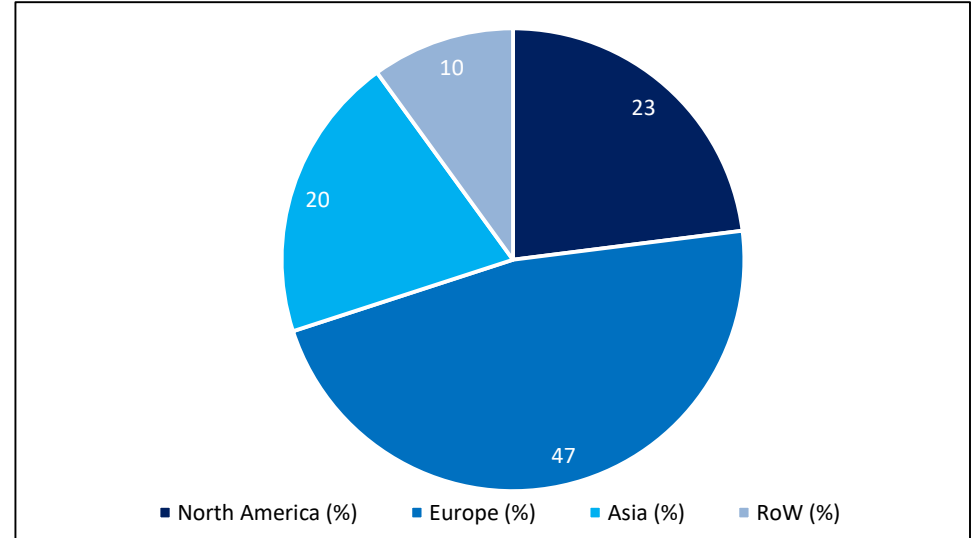
- Pimecrolimus is prescribed as a second-line therapy to treat mild to moderate atopic dermatitis (eczema) in patients who have already been treated with other medicines that did not work well.

**Pimecrolimus API market sales by Innovation type**



Source: Company RHP, CEBPL

**Pimecrolimus API market volume distribution by geography**



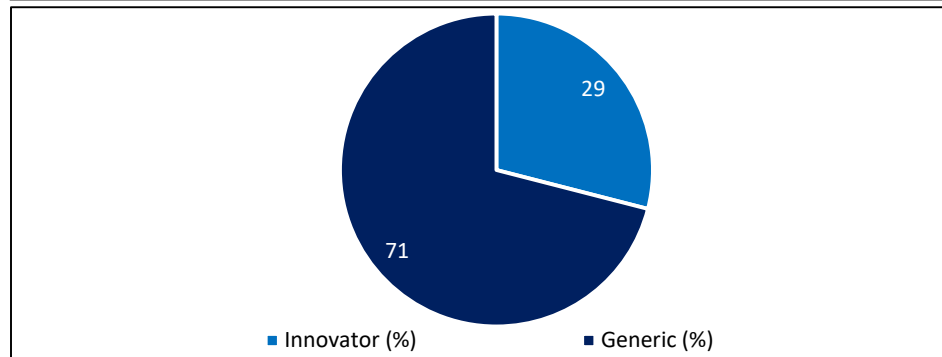
Source: Company RHP, CEBPL

- **Generic CAGR (2022-26): 22%**
- **Innovator CAGR (2022-26): 3.2%**
- **Generic volume CAGR between 2022-26: 24.5%**
- **Key API Consumers (by volume):** Viatris and Bausch Health, accounting for a cumulative volume share of 78%.
- **Regulated market API suppliers:** Only 5 companies with active U.S. DMF as of the first half of 2023.
- **Concord’s Prowess:** 1) Estimated volume share of 4% in 2022.

## Market Dynamics - Global Small Molecule Fermentation API Market - Oncology

- The growing incidence of cancer and rapidly increasing R&D activity pertaining to anti-cancer drugs are primarily driving the market for oncology products. The increasing demand for more targeted, curative, and safer drugs is further propelling the R&D pipeline. Many anti-cancer drugs (approximately 60%) approved since 1981 are natural products derived from microorganisms.

### Oncology Fermentation based API by Innovation Type: Volume (%) 2022



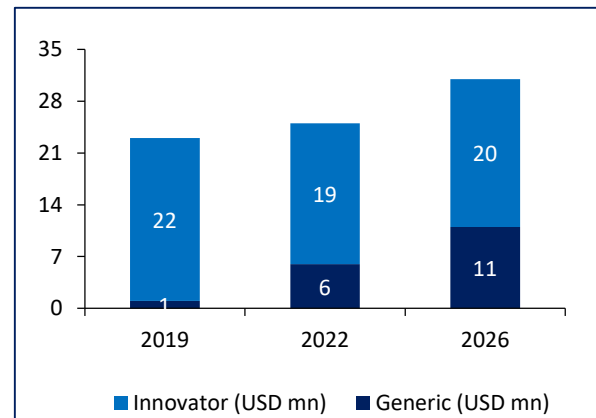
Source: Company RHP, CEBPL

- **Value share in 2022:** 12-14% (approx. USD 1.4bn)
- **Volume share in 2022:** 1%
- **API Molecules:** Everolimus, Temsirolimus, Rubicins, Taxels, etc

## Market Dynamics - Global Small Molecule Fermentation API Market – Oncology – Everolimus API

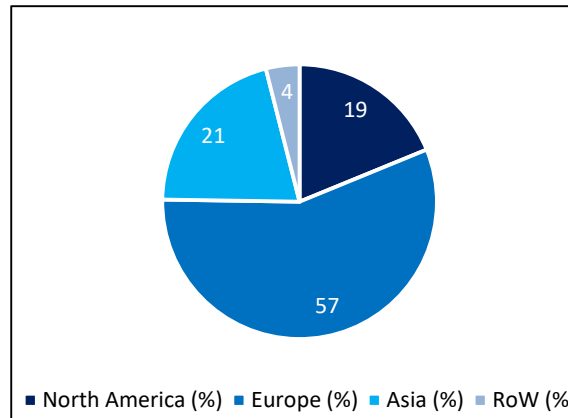
- Everolimus is used for the treatment of breast cancer and tuberous sclerosis complex and for prophylaxis of organ rejection in adult patients receiving organ transplants.

### Everolimus API market sales by Innovation type



Source: Company RHP, CEBPL

### Everolimus API market volume distribution (%)



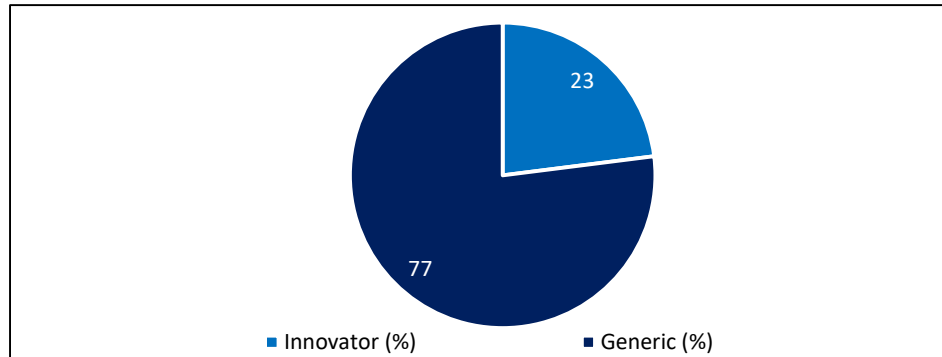
Source: Company RHP, CEBPL

- **Generic CAGR (2022-26):** 14.0%
- **Innovator CAGR (2022-26):** 1.9%
- **Volume CAGR between 2022-26:** 7.5%
- **Patent Expiry:** Year 2020
- **Key API Consumers (by volume):** Novartis, Biocon, and Hikma Pharma accounting for 78% share by volume
- **Concord's Prowess:** 1) Estimated volume share of 9% in 2022.

## Market Dynamics - Global Small Molecule Fermentation API Market – Anti-Infectives

- Since several anti-infective drugs, particularly the antibacterial and antifungals, are fermentation-derived, the anti-infective drug APIs accounted for the lion's share in 2022 by volume. Anti-bacterial were amongst the first fermentation-derived APIs. Antibiotics are used to treat a wide variety of bacterial infections, such as respiratory and gastrointestinal infections, sexually transmitted infections, dermatological infections, ear, and eye infections, resulting in consistent growth in the segment.

### Anti-Infectives Fermentation based API by Innovation Type: Volume (%) 2022



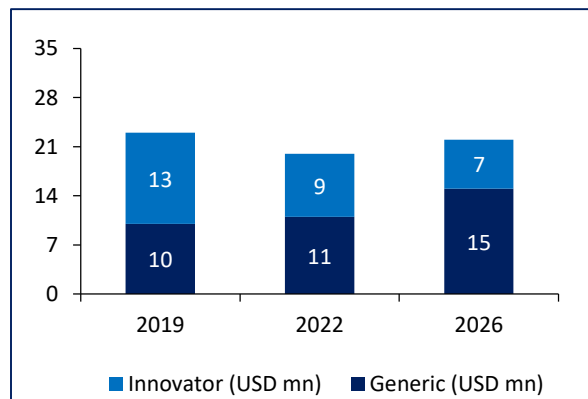
Source: Company RHP, CEBPL

- Value share in 2022:** 28-30% (approx. USD 3.2bn)
- Volume share in 2022:** 74%
- Volume CAGR between 2022-26:** 2-4%

## Market Dynamics - Global Small Molecule Fermentation API Market – Anti-Infectives – Teicoplanin API

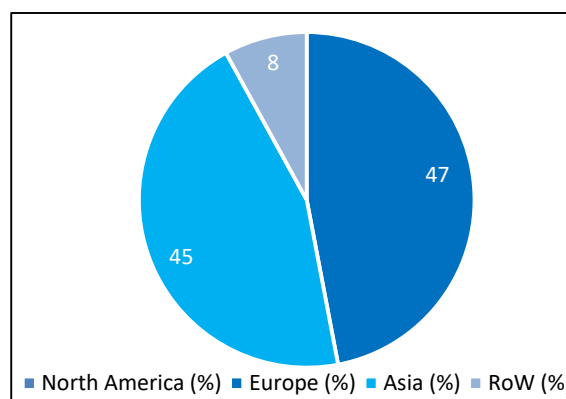
- Teicoplanin is an antibiotic used to treat severe bacteremia, complicated skin and soft tissue infections, bone and joint infections, infective endocarditis, peritonitis, community-acquired pneumonia, and community-acquired urinary tract infections.

### Teicoplanin API market sales by Innovation type



Source: Company RHP, CEBPL

### Teicoplanin API market volume distribution (%)



Source: Company RHP, CEBPL

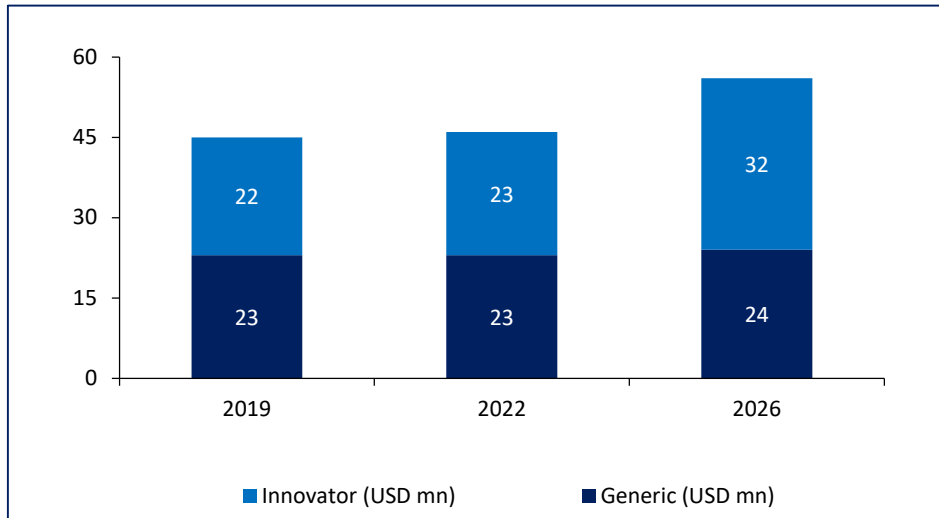
- Generic CAGR (2022-26):** 8.3%
- Innovator CAGR (2022-26):** (4.2)%
- Volume CAGR between 2022-26:** 3.3%
- Key API Consumers (by volume):** Sanofi (38%), Hikma, Kolmar Korea, and Zhejiang Medicine Co with 10% each.
- Regulated market API suppliers:** Only 5 companies with active DMF.



**Market Dynamics - Global Small Molecule Fermentation API Market – Anti-Infectives – Mupirocin and Mupirocin Calcium**

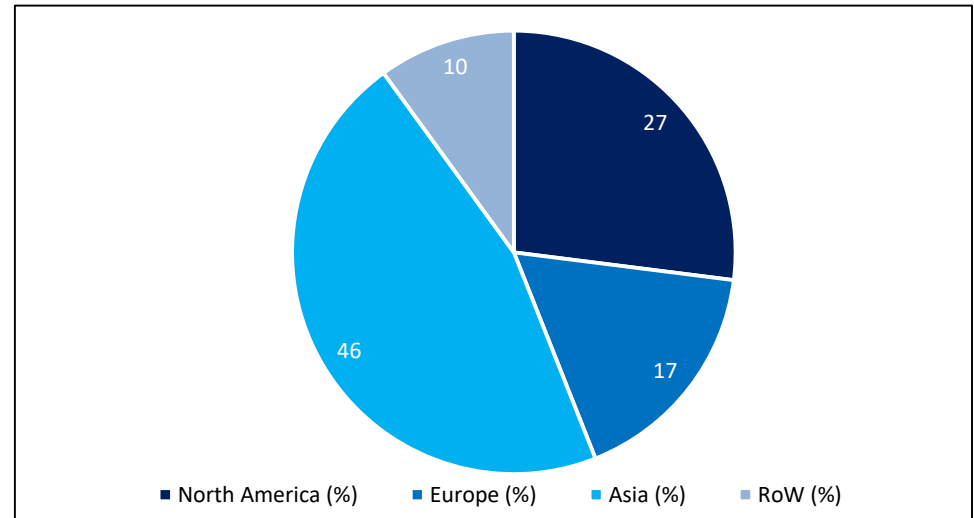
- Mupirocin is an anti-bacterial ointment used to treat superficial skin infections such as impetigo caused due to bacteria such as Staphylococcus aureus and Streptococcus pyogenes.

**Mupirocin and Mupirocin Calcium API market sales by Innovation type**



Source: Company RHP, CEBPL

**Mupirocin and Mupirocin Calcium API market volume distribution by geography**



Source: Company RHP, CEBPL

- **Generic CAGR (2022-26):** 0.7%
- **Innovator CAGR (2022-26):** 9.1%
- **Volume CAGR between 2022-26:** 5.2%
- **Key API Consumers (by volume):** GSK plc. (23%) and Glenmark Pharma, Teva and Sun Pharma cumulatively accounted for 27%
- **Regulated market API suppliers:** A total of 8 regulated market API suppliers
- **Concord’s Prowess:** 1) Estimated volume share of approx. 22% in 2022; 2) working with at least one global formulation company amongst the top five.

## Fermentation based API Segment –Differentiated offerings built over time

















- **Macro Discussion:** There are more than 3,000 API manufacturers worldwide. However, only 542 API manufacturers can meet the cGMP requirements. The number shrinks further for fermentation API companies. As fermentation is a challenging process, there are a limited number of companies globally that have successfully and sustainably established and scaled up fermentation-based API manufacturing capabilities.
- **Company Attributes:** Concord Biotech is one of the leading global developers and manufacturers of fermentation based APIs. The company's strength lies in its focused niche fermentation API's which is backwardly integrated to KSM. It has an expansive portfolio of fermentation-based APIs across a wide range of therapeutic areas including immuno-suppressants, oncology and anti-infective including anti-bacterial and anti-fungal. The company has 128 DMF filings across several countries and 23 fermentation APIs. It is one of the very few companies when compared to peers with a presence in all the key regions, including the US, Europe, and Japan

| Therapies           | Molecule              | Concord Biotech | Biocon     | Brightgene | CCSB       | CKD Bio    | Hisun      | Huadong Medicine | Teva       |
|---------------------|-----------------------|-----------------|------------|------------|------------|------------|------------|------------------|------------|
| Immuno-Suppressants | Cyclosporine          | US, JAP,EU      |            |            |            | US, EU     |            | US, JAP,EU       | US, JAP,EU |
|                     | Mycophenolate Mofetil | US, JAP,EU      | US,EU      |            | US         | US         | US,EU      |                  | US, JAP,EU |
|                     | Mycophenolate Sodium  | US,EU           | US         |            | US         |            |            |                  | US         |
|                     | Mycophenolic Acid     | EU              |            |            |            |            | US         |                  |            |
|                     | Pimecrolimus          | US              | US         | US         |            |            |            |                  |            |
|                     | Sirolimus             | US, JAP         | US         | US         | US, JAP    |            | US         | US               |            |
|                     | Tacrolimus            | US, JAP,EU      | US,EU      |            |            | US, JAP,EU | US, JAP    | US,EU            | US, JAP,EU |
| Anti- Bacterial     | Mupirocin             | US,EU           |            |            |            |            |            | US,EU            | US,EU      |
|                     | Mupirocin Calcium     | US,EU           |            |            |            |            |            | US,EU            | US, JAP,EU |
|                     | Vancomycin            | US,EU           |            |            |            | US,EU      |            |                  | JAP        |
| Oncology            | Dactinomycin          | US              |            |            |            |            | US         |                  |            |
|                     | Everolimus            | US,JAP          | US, EU     | US,JAP     | US, EU     | US, EU     |            | US               |            |
|                     | Midostaurin           | US              |            | US         | US         |            |            |                  |            |
|                     | Mitomycin             | US,EU           |            |            |            |            | US,EU      |                  | US, JAP,EU |
|                     | Romidepsin            | US              |            |            |            |            |            |                  | US         |
|                     | Temsirolimus          | US              | US         |            |            |            |            |                  |            |
| Others              | Lovastatin            | US,EU           | US         |            |            |            | US,EU      |                  | US,EU      |
|                     | Pravastatin           | US,EU           | US, JAP,EU |            | US, JAP,EU |            | US, JAP,EU |                  | US, JAP,EU |
|                     | Staurosporine         | US              |            | US         |            |            |            |                  |            |

Source: Company RHP, CEBPL

## Fermentation based API Segment – Competitive edge established in niche and complex APIs

- Concord Biotech has one of the widest range of small molecule fermentation-based immunosuppressant APIs is one of the leading global developers and manufacturers of immunosuppressants and oncology in terms of market share based on volume in 2022. The company commanded a market share of over 20% by volume in 2022 across identified fermentation-based API products, including tacrolimus, mycophenolate sodium, cyclosporine, sirolimus, and mupirocin.

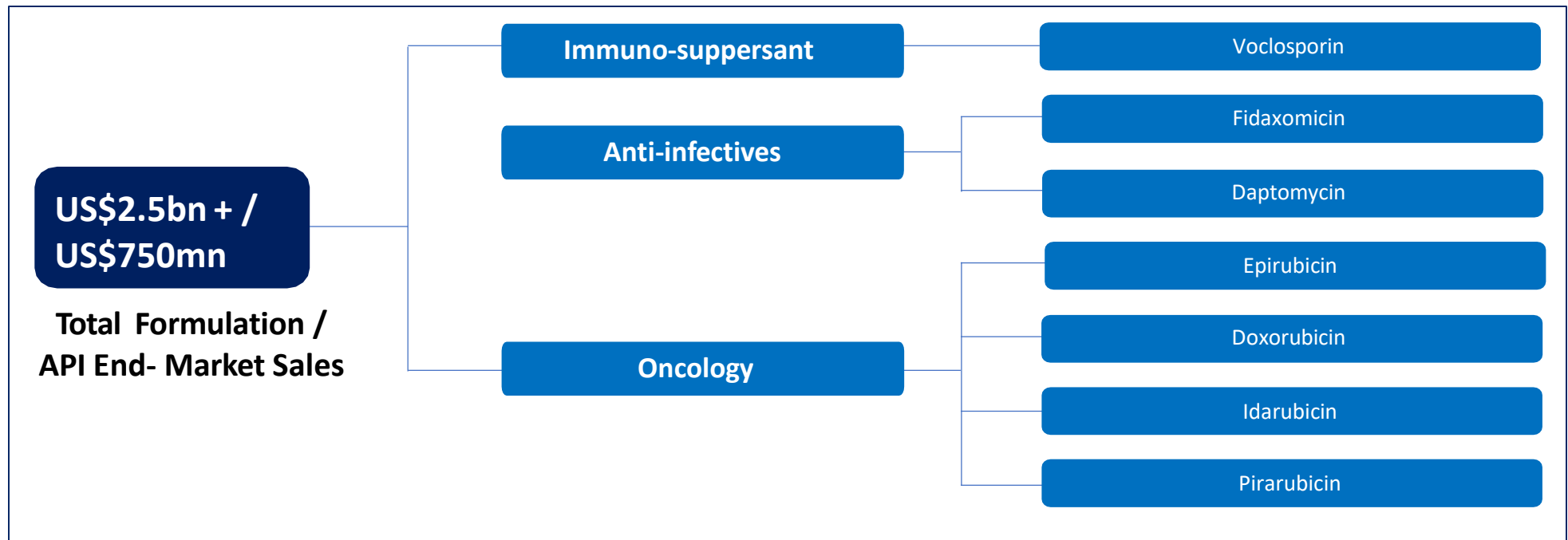
| Therapy             | Molecules                       | Market Size* | Concord's Market Share by Volume | DMF Fillings  |
|---------------------|---------------------------------|--------------|----------------------------------|---|
| Immuno-Suppressants | Tacrolimus                      | ~US\$ 3 bn   | 40%+                             |          |
|                     | Cyclosporine                    | ~US\$ 3 bn   | 30%+                             |          |
|                     | Mycophenolate Sodium            | ~US\$ 364 mn | ~28%                             |     |
|                     | Mycophenolate Mofetil           | ~US\$ 973 mn | ~15%                             |          |
|                     | Pimecrolimus                    | ~US\$ 228 mn | 4%+                              |    |
| Oncology            | Everolimus                      | ~US\$ 1 bn   | ~9%                              |    |
| Anti-Infectives     | Mupirocin and Mupirocin Calcium | ~US\$ 291 mn | ~22%                             |     |

Source: Company, CEBPL

## Fermentation based API Segment – Key growth drivers

- The company's API segment will continue to be the core focus of the business. Further, in order to leverage its leadership position across therapeutics areas and to keep expanding the API business, it plans to do the following:
  - **Increasing the wallet share from existing API customers:** Concord has plans of increasing the sales to existing customers and also focus on cross-selling other API products. For the purpose of execution capabilities, it has significantly invested and expanded its manufacturing capacities with new facility at Limbasi (800 cu.m in FY22). This has enabled the company to be in a strong position to increase its wallet share.
  - **Marketing existing APIs to new customers:** The investment towards expansion of manufacturing capacities has resulted in capabilities to serve additional customers with existing API portfolio. Hence, the company intends to acquire new customers globally and expand its international customer base, by increasing marketing activities for its APIs. It has been able to add around 25 companies in the API and formulation business in H1FY24.
  - **Expanding the API portfolio:** Concord has plans to leverage its technical expertise in developing niche and complex fermentation-based products. It wants to capture the opportunities in the low-volume high value fermentation-based APIs which will go off-patent. The product pipeline includes 6-7 molecules in the development stage across therapies such as oncology and anti-infectives which are slated for commercialization over the next 2-3 years. The addressable market for the new products is ~\$2.5bn at the formulation level and ~\$750mn on the API level.

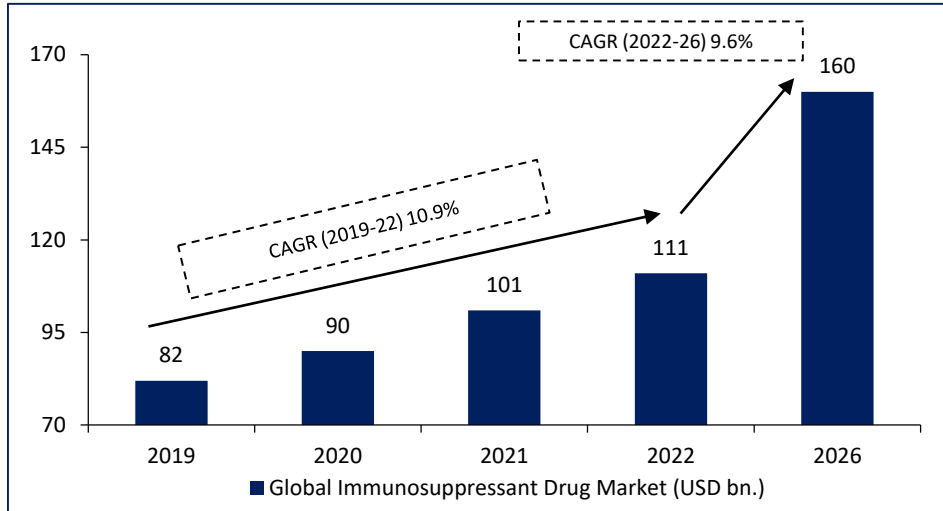
## Expanding the API portfolio – Attractive API Product pipeline



Source: Company, CEBPL

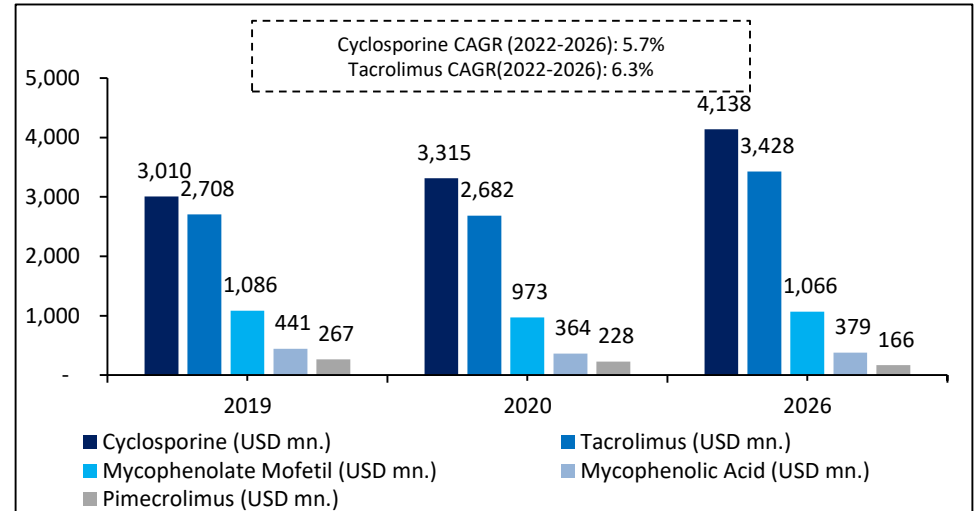
Formulation Segment: Market Dynamics - Global Drug Market

Global Immunosuppressant drug market to register CAGR of 9.6% between 2022-26



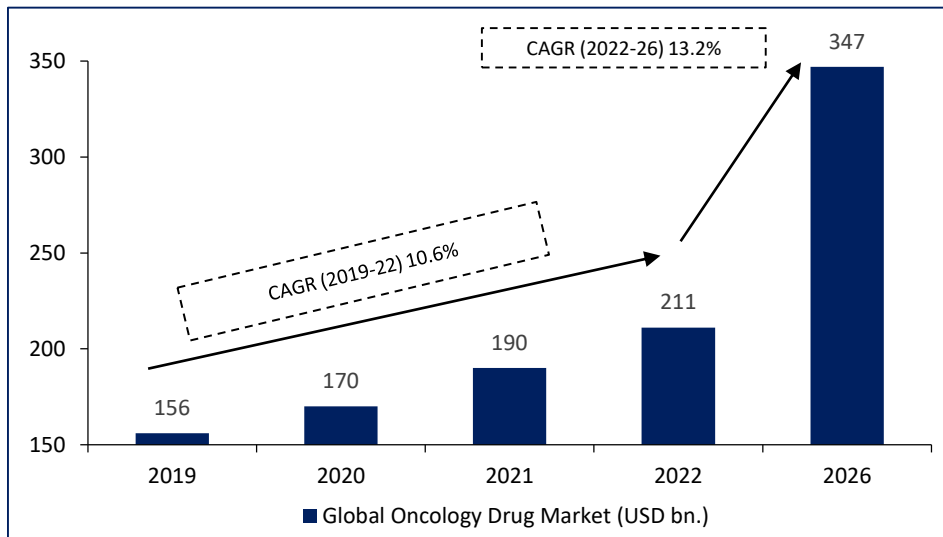
Source: Company RHP, CEBPL

Select Immunosuppressant Drug Market



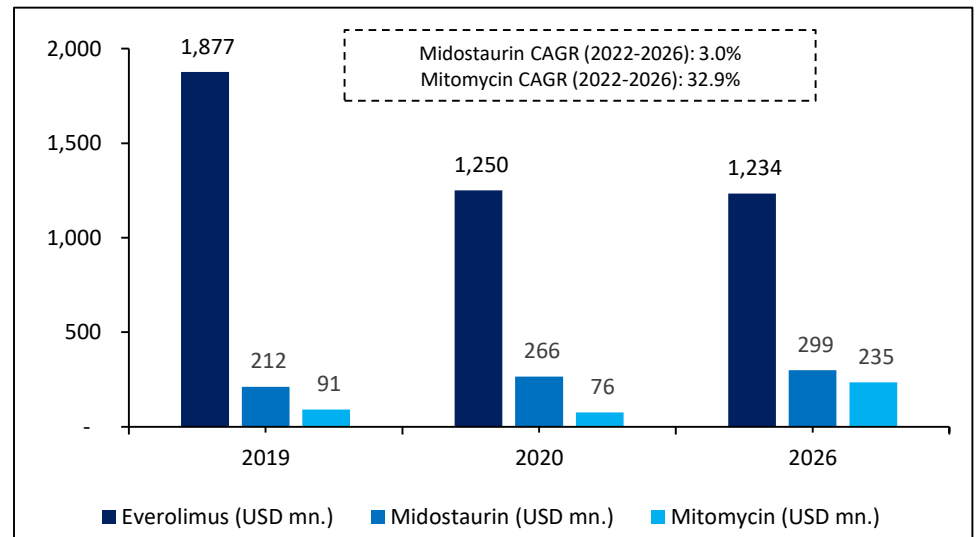
Source: Company RHP, CEBPL

Global Oncology drug market expected to outperform the historical growth



Source: Company RHP, CEBPL

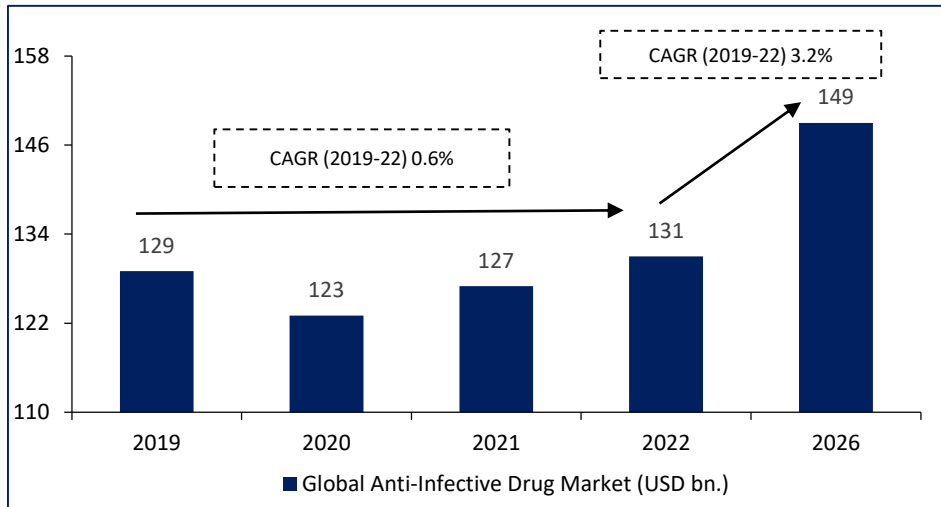
Select Oncology Drug Market – Mitomycin to grow at robust rate



Source: Company RHP, CEBPL

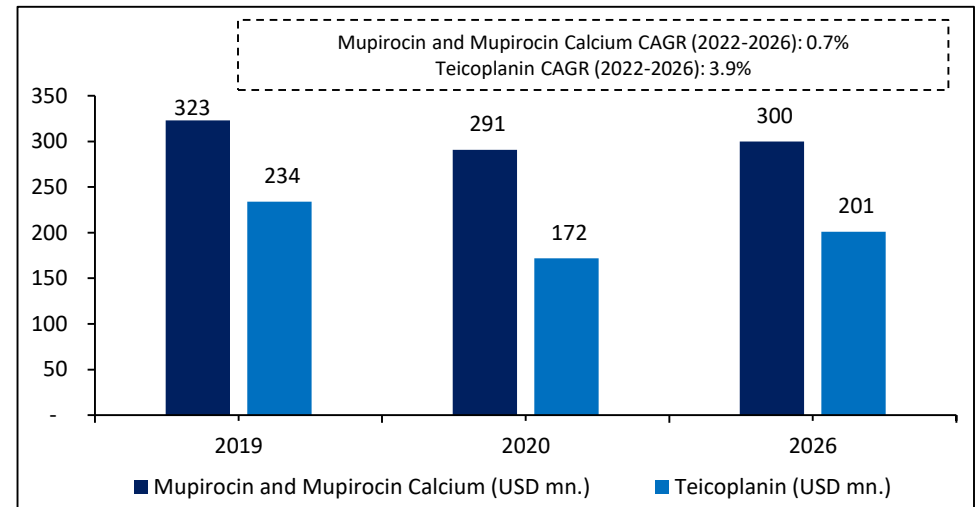
Formulation Segment: Market Dynamics - Global Drug Market

Global Anti-Infective drug market to register healthy CAGR of 3.2% between 2022-26



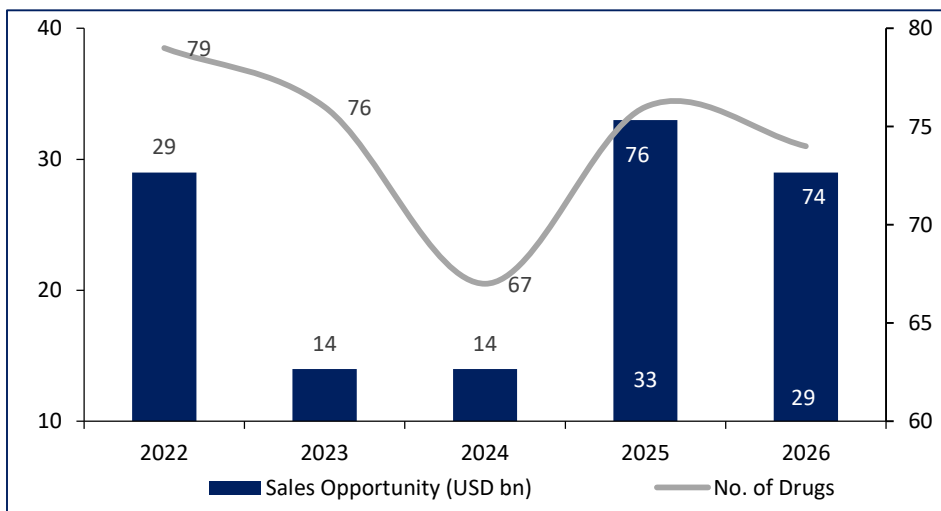
Source: Company RHP, CEBPL

Select Anti-Infective Drug Market



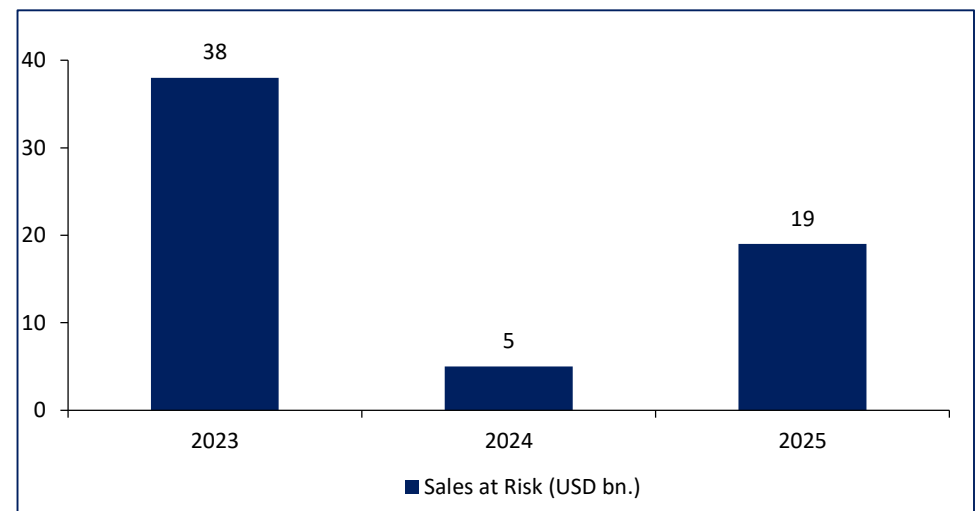
Source: Company RHP, CEBPL

Big opportunity lies in terms of patent expiry of small molecules between 2024-26



Source: Company RHP, CEBPL

USD 24bn worth sale of Fermentation-based Formulations are at risk of patent Expiry



Source: Company RHP, CEBPL

## Formulation Segment – Wide range of product portfolio spread across markets

- The company forayed into the formulation business in 2016 to capitalize on the benefits of backward integration. It manufactures immunosuppressant formulations which are offered under own brands in India, and sold across emerging countries in Asia, Africa and Latin America and the United States, primarily through arrangements with distributors. In addition, it offers nephrology drugs and anti-infectives for critical care which are in-licensed in India under its own brands. Concord has 77 approved formulation products and 4 ANDA approvals for 6 products from US FDA.

## Immunosuppressants – Covering 7 formulations

| Sr. No. | Molecule              | Geography | Trade name                                | Doasge Form               |
|---------|-----------------------|-----------|---|---------------------------|
| 1       | Tacrolimus            | India     | Tacrocord                                 | Capsules                  |
|         |                       | US        | Tacrolimus Capsules USP                   | Capsules                  |
|         |                       | Others    | Tacrocord & Placord                       | Capsules                  |
| 2       | Mycophenolate Mofetil | India     | Mofecon                                   | Tablets                   |
|         |                       |           | Mofecon OS                                | Oral suspension           |
|         |                       | US        | Mycophenolate Mofetil USP                 | Capsules                  |
|         |                       |           | Mycophenolate Mofetil USP                 | Tablets                   |
|         |                       | Others    | Mofecon & MMF Cord                        | Capsules<br>Tablets       |
| 3       | Mycophenolate Sodium  | India     | Mofecon-S                                 | Tablets                   |
|         |                       | US        | Mycophenolic Acid Delayed Release Tablets | Tablets                   |
|         |                       | Others    | Mycophenolic Acid Delayed Release Tablets | Tablets                   |
| 4       | Cyclosporine          | India     | Conimune ME<br>Cyclograf ME               | Capsules<br>Oral solution |
| 5       | Everolimus            | India     | Evercon                                   | Tablets                   |
| 6       | Rituximab             | India     | Conimab                                   | Injection                 |
| 7       | Valganciclovir        | India     | Valocon                                   | Tablets                   |

Source: Company RHP, CEBPL

## Nephrology Drugs – 17 nephrology drug (in-licensed in India) manufactured by third parties under Concord's brands'

| Sr. No. | Molecule                       | Trade name | Form                 |
|---------|--------------------------------|------------|----------------------|
| 1       | Darbepoetin Alfa               | Darbecon   | Injection            |
| 2       | Iron Sucrose                   | Coniron    | Injection            |
| 3       | Cinacalcet                     | Cinacet    | Tablets              |
| 4       | Sevelamer Carbonate            | Sevecord   | Tablets              |
| 5       | Pre-probiotics                 | Milipro90  | Capsules             |
| 6       | Alpha Ketoanalogue             | Valolog    | Tablets<br>Sachets   |
| 7       | Sunflower Oleodistillate       | UPShield   | Cream                |
| 8       | Sodiumbicarbonate              | Nabosis    | Tablets              |
| 9       | Calcium Acetate                | Cacecon    | Tablets              |
| 10      | Levocarnitine                  | Kanilev    | Tablets<br>Injection |
| 11      | Calcium Polysterene Sulphonate | Picatol    | Sachets              |
| 12      | Calcitriol                     | Kalcord    | Capsules             |
| 13      | Febuxostat                     | Unuric     | Tablets              |
| 14      | Acetyl Cysteine + Taurine      | Noxiteine  | Tablets              |
| 15      | Erythropoietin                 | Epocord    | Injection            |
| 16      | Amphotycin B Liposomal         | Amfoeva    | Injection            |
| 17      | Enoxaparin Sodium              | Anxacord   | Injection            |

Source: Company RHP, CEBPL



### Anti-infectives for Critical Care – 20 anti-infective drugs being manufactured from third parties under Concord's brands

| Sr. No. | Molecule                 | Trade name        | Form      |
|---------|--------------------------|-------------------|-----------|
| 1       | Anidulafungin            | Anicord           | Injection |
| 2       | Micafungin               | Micacord          | Injection |
| 3       | Daptomycin               | Dapute            | Injection |
| 4       | Teicoplanin              | Teicocord         | Injection |
| 5       | Meropenem                | Mepecon & Meroeva | Injection |
| 6       | Meropenem + Sulbactam    | Mepecon-SB        | Injection |
| 7       | Tigecycline              | Tigicon           | Injection |
| 8       | Colistimethate Sodium    | Cricolist         | Injection |
| 9       | Polymyxin B              | Pobix             | Injection |
| 10      | Fosfomycin Sodium        | Fosutrac          | Injection |
| 11      | Vancomycin Hydrochloride | Vanogard          | Injection |
| 12      | Minocycline              | Mnocrit           | Injection |
| 13      | Voriconazole             | Vorixia           | Tablets   |
| 14      | Liposomal Amphotericin-B | Amfoterol         | Injection |
| 15      | Tofacitinib              | Tofajoint         | Tablet    |
| 16      | Leflunomide              | Arthimide         | Tablet    |
| 17      | Polymixin B              | Pobix             | Injection |
| 18      | Meropenem                | Mepecon EDTA      | Tablet    |
| 19      | Anidulafungin            | Anideva           | Injection |
| 20      | Ceftazidime + Avibactam  | Avycord           | Injection |

Source: Company RHP, CEBPL

### Other Formulation Drugs

| Sr. No. | Molecule                       | Trade name                    | Therapeutic Area  | Form                      |
|---------|--------------------------------|-------------------------------|-------------------|---------------------------|
| 1       | Caspofungin Acetate            | Caspocon & Caspoeva           | Anti-fungal       | IV                        |
| 2       | Muprocin                       | Muprevent                     | Anti-bacterial    | Ointment                  |
| 3       | Piperacillin and Tazobactam    | Primataz & Hopeva             | Anti-bacterial    | IV                        |
| 4       | Cefoperazone + Sulbactam       | Nexmatch & Inpeva             | Anti-bacterial    | IV                        |
| 5       | Cefoperazone + Sulbactam       | Nexmatch Forte & Inpeva Forte | Anti-bacteria     | IV                        |
| 6       | Human Normal Albumin 20%       | Obulin & Conalb               | Plasma derivative | IV                        |
| 7       | Posaconazole                   | Picocord                      | Anti-fungal       | Tablets (Gastroresistant) |
| 8       | Human Normal Immunoglobulin 5% | Gamacon & Gammacord           | Plasma derivative | IV                        |

Source: Company RHP, CEBPL

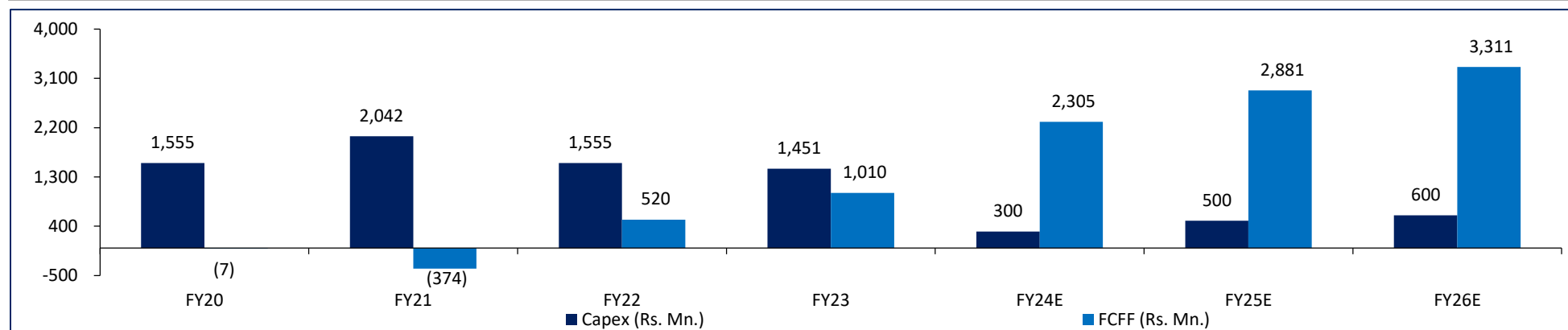
## Formulation Segment – Key growth drivers

- Concord Biotech has plan to grow formulation business by expanding geographic reach, launching newer dosage forms, and expanding formulation portfolio with a focus on improving profitability as well as utilizing the manufacturing capacity more efficiently.
- **Expanding geographic reach:** 1) India - Focus on growing presence through own sales force as well as distribution network with own brands. It plans further expand sales and distribution network in order to enter new geographies in the country; 2) **Emerging markets:** There are plans to expand portfolio of registrations and approvals across the emerging markets. It is in the process of filing new dossiers across emerging markets, including Mexico, Brazil and Indonesia; 3) **US:** Concord plans to expand its formulation business in the US by increasing sales of the existing products as well as launching new products and to make ANDA filings.
- **Launching new dosage forms:** Concord's existing formulations are primarily oral solids and oral liquids. It is expanding manufacturing facility to include a new injectables section. The injectable facility will manufacture delivery forms such as liquid vials and lyophilized vials, dry powder injections and sterile powder lyophilization. This is expected to be ready by end of FY24 and anticipate commercial production to commence from Q1FY25. It intends to use the facility to serve customers in India and emerging markets. The addition of injectables will diversify Concord's revenue streams and positively contribute to profitability. The facility will also allow it to further forward integrate some of its APIs into formulations and provide a platform to grow CDMO business.
- **Expanding the API portfolio:** Concord has plans to leverage its API capabilities to continue to develop new formulations. It intends to expand into new formulations having relatively higher growth potential and continually calibrate product mix to improve profitability. The company has 8 to 10 molecules in the pipeline (at different life cycles within the development and R&D stage) across different segments such as the Immunosuppressant, Oncology, and anti-infectives in the fermentation space which takes 6 to 7 years to develop the molecule. It intends to commercialize 1-2 molecules p.a.

### Completion of significant capex to result in FCF generation and drive ROIC upwards

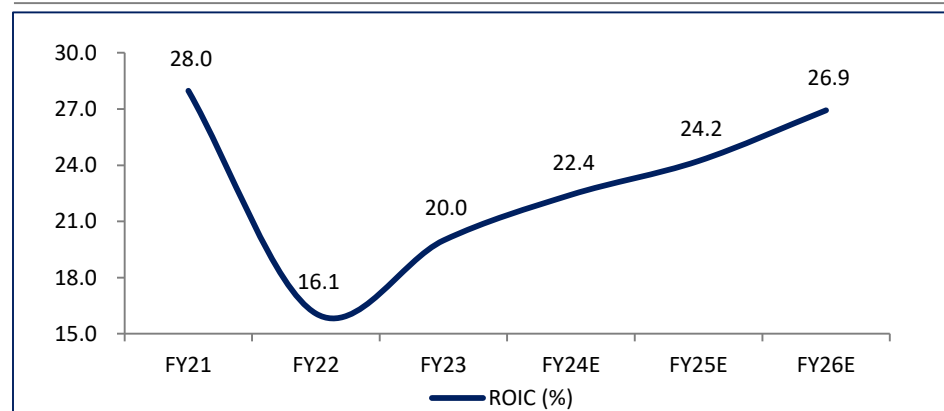
- Between FY20-23, the company incurred an aggregate capex of Rs. 6.6bn towards capacity expansion viz. 1) New API facility (Unit 3) at Limbasi, Gujarat with a capacity of 800 cu. mtr.; 2) Expansion of Formulation facility (Unit 2) at Valthera, Gujarat from 523mn units to 802mn units; and 3) New injectable line at Unit 2.
- We understand the significant capex is completed and there may not be major investment in capacities in next couple of years.
- We anticipate the company to reap benefits of the huge capacity and improve utilisation going forward. We estimate the company to generate FCF of Rs. ~8.5bn between FY24E-26E and improve its ROIC by 600-700bps.

### Capex cycle and FCF generation trend



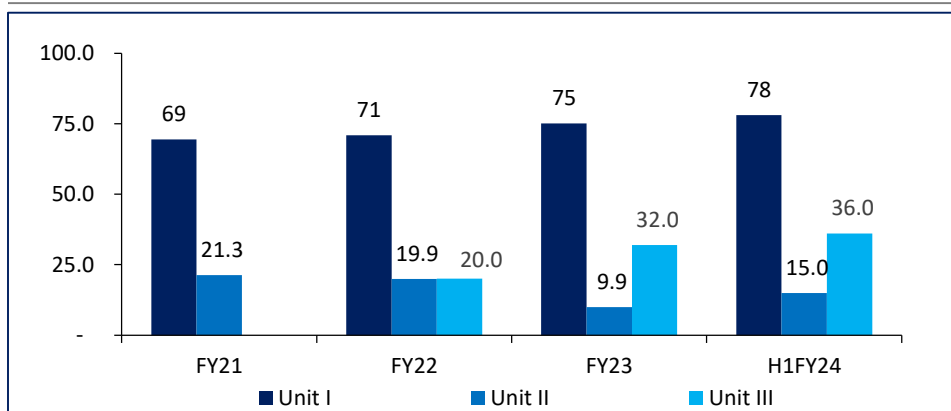
Source: Company RHP, CEBPL

### ROIC curve indicating efficient utilization of capital



Source: Company RHP, CEBPL

### Current utilisation level providing room for growth and operating leverage



Source: Company RHP, CEBPL

## R&D Strength

Concord has dedicated R&D units for APIs and formulations segment located in Dholka and Valthera. These units are approved by DSIR, India. The company employed 148 personnel at its R&D units, which constituted 11.99% of total permanent employees.

### ▪ API R&D Unit, Dholka

**Facilities:** Isolation of strain, mutation and passive selection of microbial strains and strain improvement, laboratory fermenters and pilot plant facility for scale-up of fermentation process.

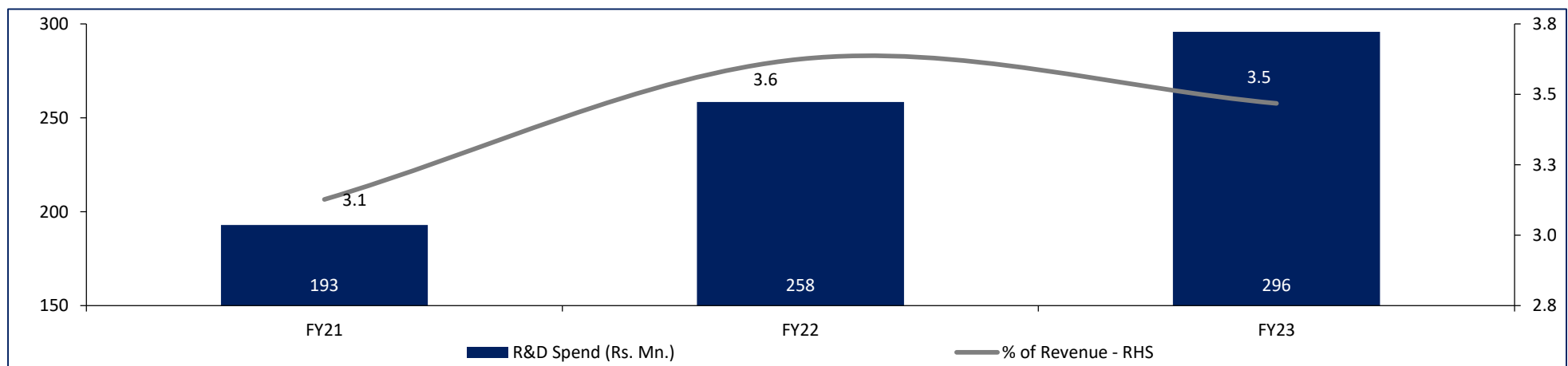
**R&D focus:** On (i) fermentation technology, including strain improvement, media optimization, process development, process scale-up, technology transfer at commercial scale, and process improvement; and (ii) chemical process, including downstream process development, semi-synthetic process development, non-infringing process development, process yield improvement, analytical method development and validation, impurity profiling, method transfer to quality control and technology transfer at commercial scale.

### ▪ Formulations R&D Unit, Valthera:




**Facilities:** Equipped with facilities to develop and commercialize niche formulations.

**R&D focus:** On (i) formulation development, including immediate and extended release oral solids, oral liquids, topical ointments and creams and liquid, lyophilized and dry powder parenterals; and (ii) analytical capabilities, including physical, chemical, microbiological and instrument analysis as per current Good Laboratory Practices (cGLP) requirements, stability indicating method development and method validation and material compatibility studies.

▪ **Services offered:** Concord offers a series of contract research and manufacturing services, including: (i) strain improvement; (ii) media optimization; (iii) process development and optimization to achieve efficiency and cost effectiveness; (iv) process scale-up to commercial scale; and (v) development of optimized biotransformation processes, (vi) pre-formulation and formulation development for wide range of sterile and non-sterile dosage forms for global markets.



## Manufacturing Capabilities

| Particulars                     | Unit I   | Unit III   | Unit II   | Injectable Facility  |
|---------------------------------|--|--|---|--|
|                                 |   |    |    |  |
| <b>Location</b>                 | Dholka, Gujarat  | Limbasi, Gujarat   | Valthera, Gujarat   | Valthera, Gujarat  |
| <b>Segment</b>                  | APIs   |  | Formulations  |  |
| <b>Commercialization (Year)</b> | 2000   | 2021   | 2016  | Q1FY25   |
| <b>Regulatory Standards</b>     | USFDA, Govt. of Upper Bavaria, Germany, PMDA of Japan and MFDS of Korea  | US FDA   | US FDA  | NA   |
| <b>Installed Capacity</b>       | cu. mtr.   |  | mn. units   |  |
| <b>FY21 / FY22 / FY23</b>       | 450  | 800  | 802   | NA   |
| <b>Capacity Utilisation (%)</b> | 69.4 / 70.9 / 75.1 / 78  | NA / 20 / 32 / 36  | 21.3 / 19.9 / 9.9 / 15  | NA   |
| <b>Other Details</b>            | <ul style="list-style-type: none"> <li>1st manufacturing facility for APIs.</li> <li>Comprises of 22 manufacturing blocks.</li> <li>Received 6 inspections from USFDA, 4 from Govt. of Upper Bavaria for EUGMP certification, 2 from PMDA of Japan and 1 from MFDS of Korea</li> </ul> | <ul style="list-style-type: none"> <li>Comprises of 22 manufacturing blocks (6 fermentation and 13 downstream processing blocks)</li> <li>It has 24 fermenters, 30 cu. mtr. each, 6 fermentation blocks as well as seed fermenters</li> <li>Capabilities to handle whole broth extraction, liquid-liquid separation, micro-filtration, nano-filtration, ultra-filtration and column chromatography with the downstream processing blocks.</li> </ul> | <ul style="list-style-type: none"> <li>Manufactures oral solids, including tablets and capsules, and oral liquids, including oral solutions and oral suspensions aim to develop specialty formulations</li> <li>Received 4 inspections from USFDA and 1 from WHO for GMP</li> </ul> | <ul style="list-style-type: none"> <li>Liquid and lyophilized vials, a dry powder injectable and a sterile powder bulk lyophilization dedicated to manufacturing of injectables, including injectable liquids, lyophilized injectables and dry powder injectables</li> </ul> |

## Shareholding Structure

|  | Sep-23         |
|--|----------------|
| <b>Promoters (A)</b>                             | <b>44.08%</b>  |
| Sudhir Vaid                                      | 28.84          |
| Manju Vaid                                       | 9.55           |
| Sudman Consultants LLP                           | 4.54           |
| Ankur Sudhir Vaid                                | 0.56           |
| Vaid Megha Ankur                                 | 0.52           |
| Sonal Kumra                                      | 0.07           |
| <b>FIs-</b>                                      | <b>7.30%</b>   |
| Government Pension Fund Global                   | 1.82           |
| <b>DIIs- (B)</b>                                 | <b>8.12%</b>   |
| Max Life Insurance Co Ltd A/C Participating Fund | 1.20           |
| <b>Public- (C)</b>                               | <b>40.50%</b>  |
| Aryavir Jhunjunwala Discretionary Trust          | 8.03           |
| Aryaman Jhunjunwala Discretionary Trust          | 8.03           |
| Nishtha Jhunjunwala Discretionary Trust          | 8.03           |
| 1575773 Ontario Inc                              | 5.39           |
| Amal N Parikh                                    | 1.93           |
| Ravindra Raichand Dharamshi                      | 1.93           |
| Chanakya Corporate Services Private Limited      | 1.11           |
| <b>Total (A+B+C)</b>                             | <b>100.00%</b> |

Source: Company, CEBPL

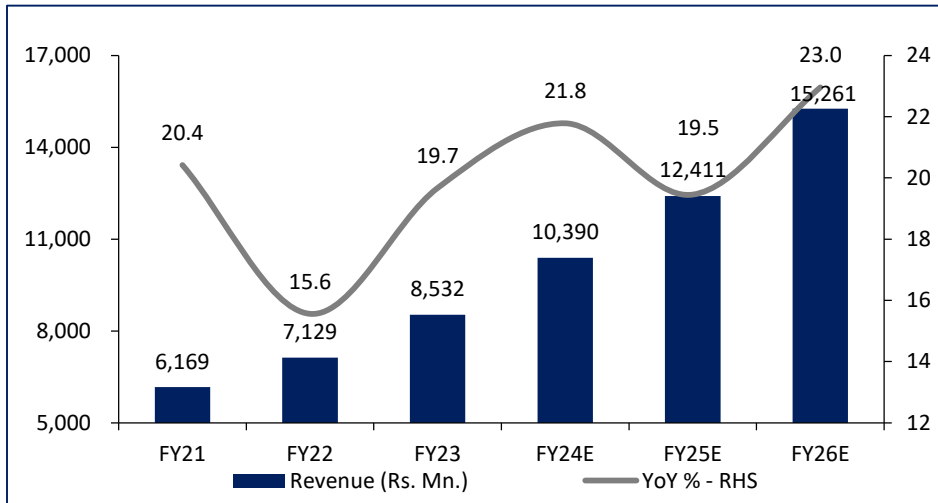
## Leadership & Management Team

| Name and Designation  | Brief Description   |
|---|---|
| <b>Mr. Sudhir Vaid</b><br><b>Chairman &amp; Managing Director</b> | <p>Sudhir Vaid is a Promoter of the company and currently serves as its Chairman and Managing Director. He holds a science degree from Punjab Agricultural University. Before assuming his present position, he gained experience at Ranbaxy Laboratories Limited and Lupin Chemicals Limited. In his capacity as a consultant at M/s. Sudman Consultants, he offered his expertise to companies such as Plus Chemicals S.A., Lek Pharmaceuticals &amp; Chemicals Co., and Biocon India Limited.</p>  |
| <b>Mr. Ankur Vaid</b><br><b>Joint MD and CEO</b>                  | <p>Ankur Vaid serves as one of the promoters, Joint Managing Director, and Chief Executive Officer of the company. He graduated with a Bachelor of Technology in Chemical Engineering from Rashtrasant Tukadoji Maharaj Nagpur University and holds a Master's in Business Administration from the Rochester Institute of Technology. With a tenure dating back to 2009, he brings over 15 years of expertise to the pharmaceutical industry. Throughout his association with the company, he played a pivotal role in establishing and enhancing the Research and Development division, and has made significant contributions to the company's market strategy.</p>   |
| <b>Mr. Lalit Sethi</b><br><b>Chief Financial Officer</b>          | <p>Lalit Sethi currently serves as the Chief Finance Officer of the company since March 14, 2022. He is a Chartered Accountant and holds a bachelor's degree in commerce from Delhi University. Prior to his role at the current company, he gained experience with organizations such as Tilaknagar Industries Limited, High Polymer Labs Limited, Dabur India Limited, British Health Products (India) Limited, East India Hotels Limited, and American Express Bank Limited.</p>   |
| <b>Mr. Prakash Sajnani</b><br><b>Company Secretary</b>            | <p>Prakash Sajnani holds the position of Company Secretary, Compliance Officer, and Assistant Vice President (Finance) at the company, having been part of the organization since February 15, 2006. He earned a bachelor's degree in commerce from LJ Commerce College, Gujarat University, and a master's degree in commerce from the University School of Commerce, Gujarat University. Additionally, he is a member of the Institute of Costs and Work Accountants and the Institute of Company Secretaries of India. With over 18 years of dedicated service, he has served as a General Manager overseeing various functional areas, including company secretarial, accounts finance, costing, and ensuring compliance with legal requirements.</p> |

Source: Company, CEBPL

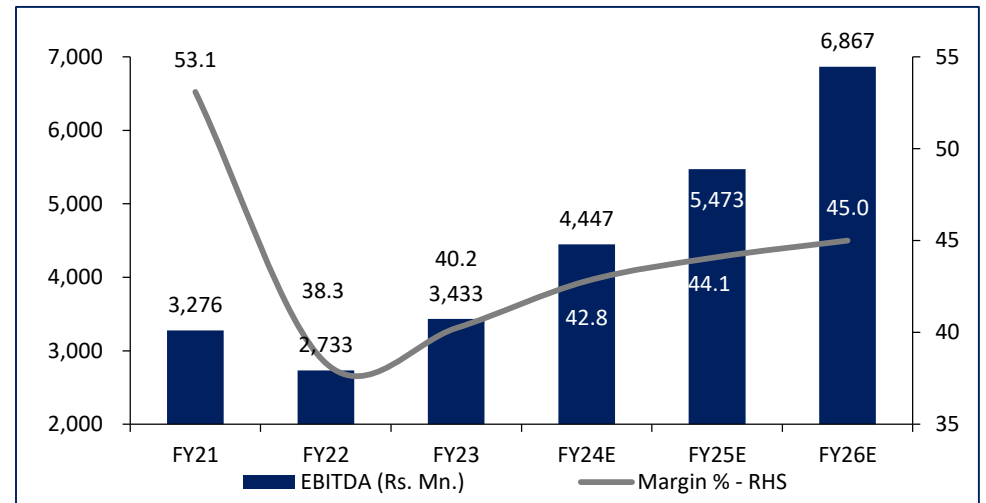
Story in Charts – Consolidated

Revenue to register a healthy CAGR of 21.4% between FY23-26E



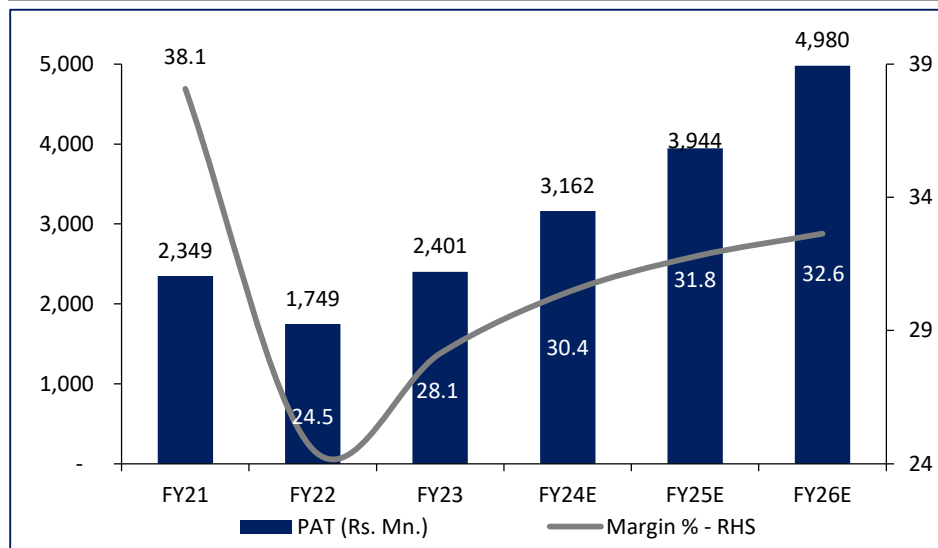
Source: Company, CEBPL

EBITDA Margin expansion of 220bps anticipated between FY23-26E



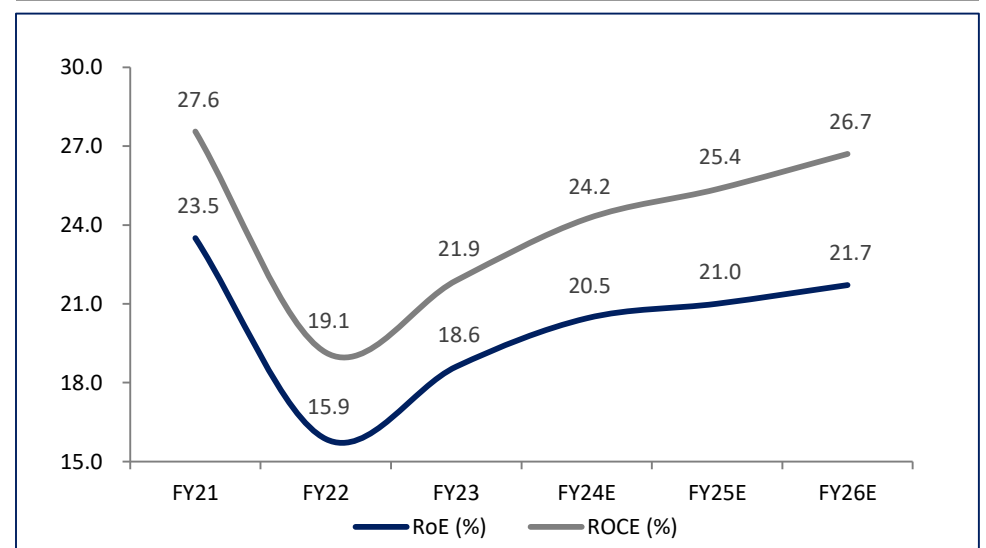
Source: Company, CEBPL

PAT to grow CAGR of 27.5% between FY23-26E



Source: Company, CEBPL

RoE and ROCE curve to move upwards

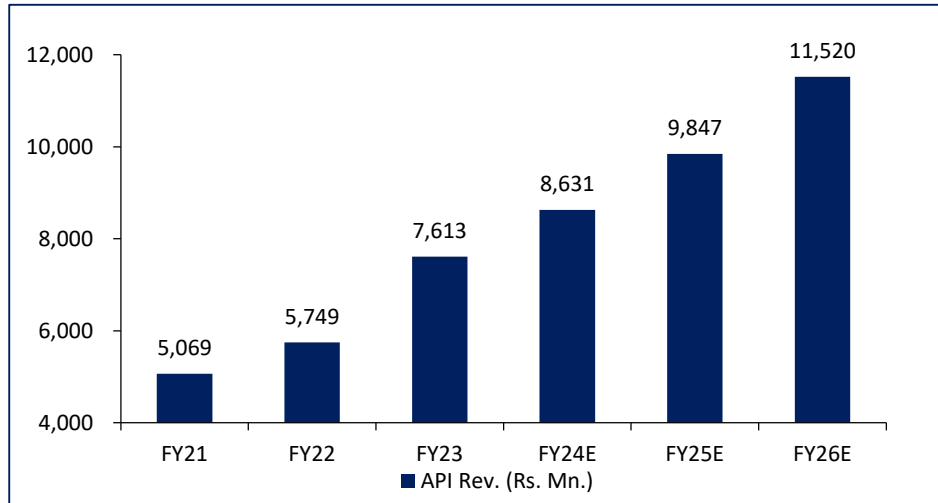


Source: Company, CEBPL



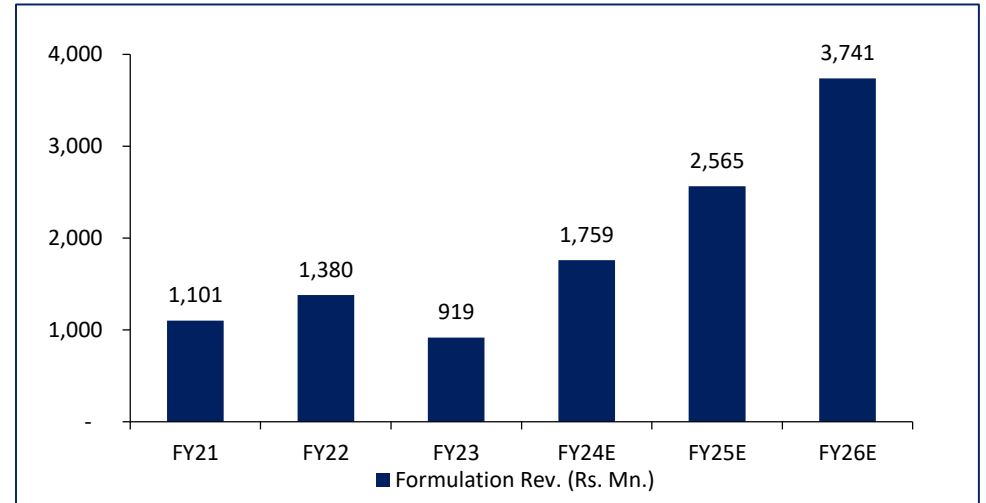
Story in Charts – Consolidated

API Segment Revenue expected to grow at CAGR of 14.8% between FY23-26E



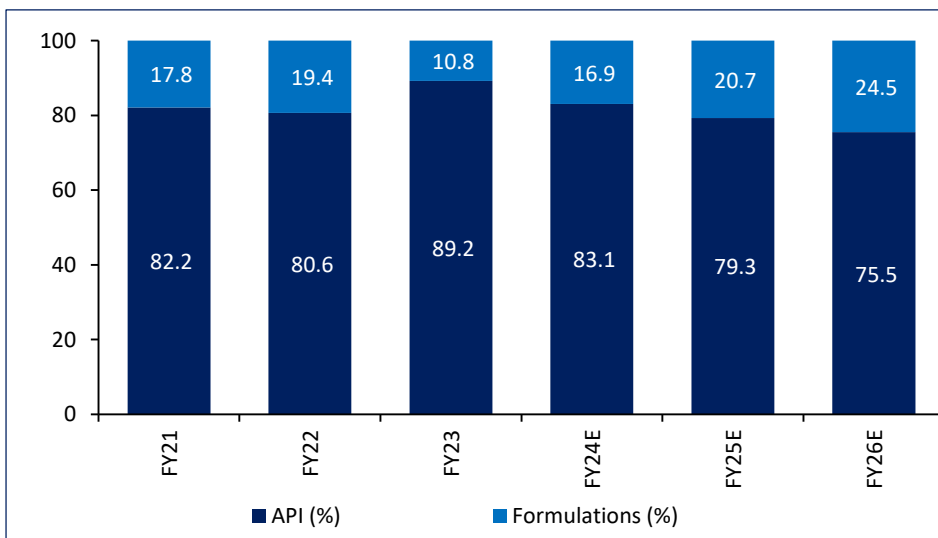
Source: Company, CEBPL

Formulations segment to witness robust growth



Source: Company, CEBPL

Formulations revenue share to increase between FY23-26E



Source: Company, CEBPL

## Peer Company Analysis

| Company         | Revenue (INR bn.) |       |       | Rev. CAGR<br>(FY23-26E) | EBITDA (INR bn.) |       |       | EBITDA CAGR<br>(FY23-26E) | Margin (%) |       |       |
|-----------------|-------------------|-------|-------|-------------------------|------------------|-------|-------|---------------------------|------------|-------|-------|
|                 | FY24E             | FY25E | FY26E |                         | FY24E            | FY25E | FY26E |                           | FY24E      | FY25E | FY26E |
| Divi's Lab      | 80.0              | 92.6  | 107.6 | 12.0                    | 23.6             | 30.3  | 37.5  | 16.5                      | 29.5       | 32.7  | 34.8  |
| Biocon          | 147.5             | 173.6 | 209.9 | 23.4                    | 33.4             | 42.3  | 53.1  | 35.8                      | 22.6       | 24.4  | 25.3  |
| Suven Pharma    | 12.3              | 14.7  | 16.5  | 7.4                     | 5.6              | 6.9   | 7.3   | 8.8                       | 45.6       | 46.8  | 44.2  |
| Laurus Labs     | 55.2              | 64.0  | 72.8  | 6.6                     | 10.3             | 15.0  | 18.7  | 5.9                       | 18.7       | 23.5  | 25.6  |
| Concord Biotech | 10.4              | 12.4  | 15.3  | 21.4                    | 4.4              | 5.5   | 6.9   | 26.0                      | 42.8       | 44.1  | 45.0  |

| Company         | PAT (INR bn.) |       |       | PAT CAGR<br>(FY23-26E) | ROE (%) |       |       | ROCE (%) |       |       | PE (x) |       |       |
|-----------------|---------------|-------|-------|------------------------|---------|-------|-------|----------|-------|-------|--------|-------|-------|
|                 | FY24E         | FY25E | FY26E |                        | FY24E   | FY25E | FY26E | FY24E    | FY25E | FY26E | FY24E  | FY25E | FY26E |
| Divi's Lab      | 17.1          | 21.9  | 27.1  | 14.1                   | 13.1    | 15.3  | 17.0  | 12.6     | 14.7  | 16.0  | 60.7   | 47.3  | 38.2  |
| Biocon          | 7.4           | 13.1  | 18.4  | 58.4                   | 4.6     | 7.0   | 7.5   | 28.7     | 29.8  | 33.4  | 40.5   | 23.0  | 16.3  |
| Suven Pharma    | 4.2           | 5.2   | 5.3   | 9.0                    | 22.0    | 21.9  | NA    | NA       | NA    | NA    | 43.8   | 35.9  | 34.8  |
| Laurus Labs     | 3.6           | 6.9   | 9.4   | 6.0                    | 9.9     | 16.4  | 18.1  | 9.1      | 14.2  | 16.1  | 64.2   | 33.4  | 24.6  |
| Concord Biotech | 3.2           | 3.9   | 5.0   | 27.4                   | 20.5    | 21.0  | 21.7  | 24.2     | 25.4  | 26.7  | 48.9   | 39.4  | 31.2  |

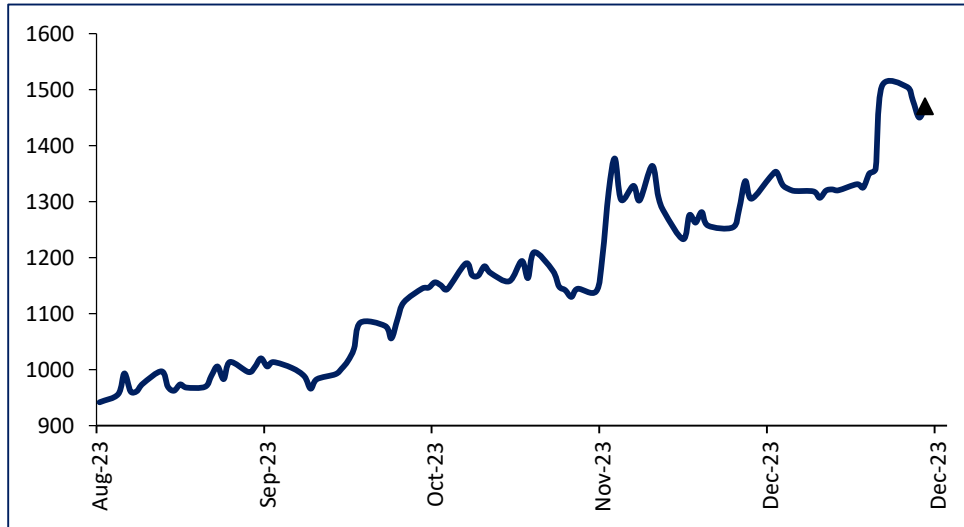
| Concord Biotech (INR mn)                 | FY22          | FY23          | FY24E         | FY25E         | FY26E         |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Income Statement</b>                  |               |               |               |               |               |
| Revenue                                  | 7,129         | 8,532         | 10,390        | 12,411        | 15,261        |
| Gross profit                             | 5,489         | 6,730         | 8,229         | 9,867         | 12,086        |
| EBITDA                                   | 2,733         | 3,433         | 4,447         | 5,473         | 6,867         |
| Depreciation                             | 501           | 540           | 626           | 682           | 738           |
| EBIT                                     | 2,232         | 2,893         | 3,821         | 4,791         | 6,129         |
| Other Income                             | 234           | 353           | 400           | 450           | 475           |
| Interest Expense                         | 55            | 45            | 38            | 22            | 10            |
| EO Items                                 | -             | -             | -             | -             | -             |
| Reported PAT                             | 1,786         | 2,381         | 3,137         | 3,914         | 4,945         |
| Adjusted PAT                             | 1,749         | 2,401         | 3,162         | 3,944         | 4,980         |
| EPS                                      | 16.7          | 22.9          | 30.2          | 37.7          | 47.6          |
| NOPAT                                    | 1,295         | 1,786         | 2,372         | 2,958         | 3,735         |
| <b>Balance Sheet</b>                     |               |               |               |               |               |
| Net worth                                | 11,032        | 12,900        | 15,462        | 18,707        | 22,887        |
| Deferred tax                             | 210           | 234           | 204           | 164           | 144           |
| Total debt                               | 625           | 314           | 300           | 200           | 100           |
| Other liabilities & provisions           | 19            | 23            | 21            | 18            | 25            |
| <b>Total Net Worth &amp; liabilities</b> | <b>11,886</b> | <b>13,472</b> | <b>15,988</b> | <b>19,089</b> | <b>23,156</b> |
| Net Fixed Assets                         | 5,730         | 5,930         | 6,303         | 6,421         | 6,482         |
| Capital Work in progress                 | 742           | 1,727         | 1,027         | 727           | 527           |
| Investments & Others                     | 1,065         | 1,575         | 3,101         | 4,652         | 6,204         |
| Cash & bank balance                      | 889           | 434           | 930           | 1,838         | 3,143         |
| Loans, Advances & Other Assets           | 430           | 612           | 642           | 674           | 708           |
| Net Current Assets                       | 4,350         | 4,240         | 5,556         | 7,289         | 9,943         |
| <b>Total Assets</b>                      | <b>11,886</b> | <b>13,472</b> | <b>15,988</b> | <b>19,089</b> | <b>23,156</b> |
| Capital Employed                         | 11,657        | 13,214        | 15,762        | 18,907        | 22,987        |
| Invested Capital                         | 10,768        | 12,780        | 14,833        | 17,068        | 19,844        |
| Net Debt                                 | (264)         | (120)         | (630)         | (1,638)       | (3,043)       |
| <b>Cash Flows</b>                        |               |               |               |               |               |
| Cash flows from Operations               | 2,075         | 2,460         | 2,605         | 3,374         | 3,905         |
| Capex                                    | (1,555)       | (1,451)       | (300)         | (500)         | (600)         |
| FCF                                      | 520           | 1,010         | 2,305         | 2,874         | 3,305         |
| Cash flows from Investing                | (1,118)       | (1,580)       | (1,801)       | (2,001)       | (2,102)       |
| Cash flows from Financing                | (1,002)       | (852)         | (652)         | (822)         | (910)         |

Source: Company, CEBPL

| Concord Biotech                   | FY22     | FY23     | FY24E    | FY25E    | FY26E    |
|-----------------------------------|----------|----------|----------|----------|----------|
| <b>Growth Ratios</b>              |          |          |          |          |          |
| Revenue (%)                       | 15.6     | 19.7     | 21.8     | 19.5     | 23.0     |
| EBITDA (%)                        | (16.6)   | 25.6     | 29.5     | 23.1     | 25.5     |
| PAT (%)                           | (25.5)   | 37.2     | 31.7     | 24.7     | 26.3     |
| <b>Margin Ratios</b>              |          |          |          |          |          |
| EBITDA margins (%)                | 38.3     | 40.2     | 42.8     | 44.1     | 45.0     |
| PAT Margins (%)                   | 24.5     | 28.1     | 30.4     | 31.8     | 32.6     |
| <b>Performance Ratios</b>         |          |          |          |          |          |
| OCF/EBITDA                        | 75.9     | 71.7     | 58.6     | 61.7     | 56.9     |
| OCF/IC                            | 19.3     | 19.3     | 17.6     | 19.8     | 19.7     |
| RoE (%)                           | 15.9     | 18.6     | 20.5     | 21.1     | 21.8     |
| ROCE (%)                          | 19.1     | 21.9     | 24.2     | 25.3     | 26.7     |
| RoIC (Post tax) (%)               | 16.1     | 20.0     | 22.4     | 24.2     | 26.9     |
| <b>Turnover Ratio (Days)</b>      |          |          |          |          |          |
| Inventory                         | 100      | 91       | 89       | 86       | 85       |
| Debtors                           | 119      | 117      | 115      | 112      | 110      |
| Payables                          | 43       | 40       | 40       | 38       | 37       |
| Cash Conversion Cycle             | 176      | 168      | 164      | 160      | 158      |
| <b>Financial Stability Ratios</b> |          |          |          |          |          |
| Net debt to Equity (x)            | (0.0)    | (0.0)    | (0.0)    | (0.1)    | (0.1)    |
| Net debt to EBITDA (x)            | (0.1)    | (0.0)    | (0.1)    | (0.3)    | (0.4)    |
| Interest Cover(x)                 | 40.7     | 64.1     | 101.8    | 217.6    | 612.0    |
| <b>Valuation Metrics</b>          |          |          |          |          |          |
| Fully diluted shares (mn)         | 105      | 105      | 105      | 105      | 105      |
| Price (INR)                       | 1470     | 1470     | 1470     | 1470     | 1470     |
| Market Cap(INR Mn)                | 1,53,786 | 1,53,786 | 1,53,786 | 1,53,786 | 1,53,786 |
| PE(x)                             | 88       | 64       | 49       | 39       | 31       |
| EV (INR Mn)                       | 1,53,521 | 1,53,665 | 1,53,156 | 1,52,148 | 1,50,743 |
| EV/EBITDA (x)                     | 56       | 45       | 34       | 28       | 22       |
| Book Value (INR/share)            | 105      | 123      | 148      | 179      | 219      |
| Price to BV (x)                   | 14       | 12       | 10       | 8        | 7        |
| EV/OCF (x)                        | 74.0     | 62.5     | 58.8     | 45.1     | 38.6     |

Source: Company, CEBPL

## Recommendations and Target Price



## Concord Biotech

1. 01-01-2024 Outperform, Target Price - Rs.1,715

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|                     |   |
|---------------------|---|
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| <b>ADD</b>          | The security is expected to generate greater than 5% to less than 15% returns over the next 12 months |
| <b>NEUTRAL</b>      | The security expected to show downside or upside returns by 5% over the next 12 months                |
| <b>REDUCE</b>       | The security expected to show less than -5% to greater than -15% over the next 12 months              |
| <b>UNDERPERFORM</b> | The security is expected to generate returns in excess of -15% over the next 12 months                |

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