

# Concord Biotech

BSE SENSEX  
66,988

S&P CNX  
20,133

## CONCORD BIOTECH

*Biotech for Mankind...*

### Stock Info

Bloomberg	CONCORDB IN
Equity Shares (m)	105
M.Cap.(INRb)/(USDb)	139 / 1.7
52-Week Range (INR)	1,397 / 741
1, 6, 12 Rel. Per (%)	15/-/-
12M Avg Val (INR M)	709
Free float (%)	56

### Financials Snapshot (INR b)

Y/E March	FY21	FY22	FY23
Sales	6.2	7.1	8.5
EBITDA	3.3	2.7	3.4
Adjusted PAT	2.3	1.7	2.4
EBIT Margin (%)	48.6	31.3	33.9
Cons. Adj EPS (INR)	22.4	16.7	22.9
EPS Growth (%)	39.0	-25.5	37.2
BV/Share (INR)	13.9	12.6	10.8

### Ratios

Net D-E	-0.1	-0.1	-0.1
RoE (%)	26.5	16.6	20.1
RoCE (%)	24.8	16.2	19.4
Payout (%)	0.0	0.0	0.0

### Valuations

P/E (x)	59.2	79.5	57.9
P/BV (x)	13.9	12.6	10.8
EV/EBITDA (x)	42.6	51.0	40.4
Div. Yield (%)	NA	NA	NA
FCF Yield (%)	-3.6	5.0	9.6
EV/Sales (x)	22.6	19.6	16.3

### Shareholding pattern (%)

As On	Sept-23
Promoter	44.1
DII	7.3
FII	8.1
Others	40.5

**CMP: INR1,325**

**Not Rated**

## Niche fermentation-focused business at work

- We met with the management of Concord Biotech (CONCORD) and visited its Limbasi (API)/Valthera (formulation) plants.
- Over the past two decades, CONCORD has established capabilities across the complex fermentation value chain to manufacture APIs.
- The company has also put in efforts to forward-integrate to manufacture formulations in therapeutic areas of immunosuppressants, oncology and anti-infectives.
- Overall, it has doubled its revenue/EBITDA/PAT over FY19-23 to INR8.5b, (~41% earnings CAGR). It is building enough levers in the API/formulation segments to achieve a 25% revenue CAGR over the next 5-6 years.

## Key highlights from management meet

### API (85% of 1HFY24 sales)- Strong moat in fermentation-based APIs

- The availability of strain for fermentation and the ability to scale up for commercialization are the key moats of CONCORD in API.
- CONCORD has a total capacity of 1,250m<sup>3</sup>. Since FY2000, it has invested INR1b in its Dholka facility to build 450m<sup>3</sup> capacity. The company invested INR4b in its Limbasi API plant to build 800m<sup>3</sup> capacity, which was commercialized in FY21. The overall asset turn in the API business can be 3x at peak utilization.
- The Limbasi plant has capacity utilization of 35%, and thus has enough scope to ramp up the production over the next 2-3 years.
- It has 41 manufacturing blocks and 387 reactors at its Dholka and Limbasi facilities, which provide flexibility in plant configuration to meet customer demands at a minimal cost of operations.
- Typically, it takes 45-60 days for completing one cycle of commercial level fermentation. The entire process can be split into upstream and downstream. The vial to inoculum to seeding to harvesting is called upstream process. The extraction of API using solvent/water is called downstream process.
- The company keeps sufficient inventory of APIs in the crude form to optimize the shelf life of its APIs.
- It has ~ 20% market share in fermentation-based APIs like mupirocin, sirolimus, tacrolimus, mycophenolate sodium and cyclosporine.
- Demand for immunosuppressant products is expected to be driven by organ transplantation, wherein patients would need to take immunosuppressant for the rest of their life.
- The medicines required during the transplant are Mycophenolate Mofetil/Na, Tacrolimus/Cyclosporine. Mycophenolate Mofetil is acceptable in regulated markets, while Mycophenolate Na is acceptable in emerging markets. Similarly, Tacrolimus is for regulated markets, and Cyclosporine is for emerging markets. CONCORD has covered the medicine spectrum required for transplants.

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**Formulation (15% of 1HFY24 sales)- efforts underway to build scale**

- CONCORD has a portfolio of 27 brands in the formulation segment across immunosuppressants, nephrology drugs and anti-infective drugs for critical care.
- With investment of INR1.2b, CONCORD has built an oral solid dosage facility with 802m unit capacity (tablets/capsules/dry syrup) at Valthera. It has further invested INR1.8b at Valthera to build an injectable facility, which would be commercialized in 1QFY25.
- In 1HFY24, it reported INR670m in sales. It has scaled its formulation business from revenue of INR430m in FY20 to INR920m in FY23.
- Currently, CONCORD has 4 approved ANDAs. Formulation business caters to domestic markets as well as exports. It has 180-200 people on ground in the domestic formulation market. It also has some business as a contract manufacturer to improve the utilization of its formulation facility.

**Other key highlights**

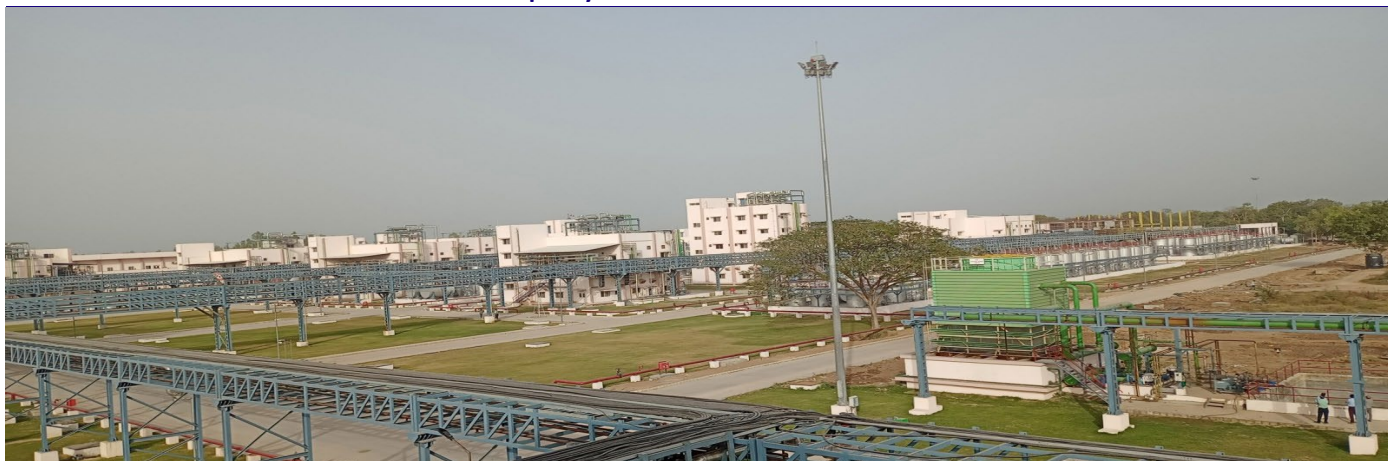
- Given the overall investment largely done for the API and formulation facilities, CONCORD would focus on scaling up the utilization at these facilities over the next 2-3 years. Thus, it would incur maintenance capex of INR150-200m annually over the next 2-3 years.

**Robust financial track record**

- Over FY20-23, the company posted a CAGR of 18.5% in revenue. In FY23, revenue grew by 20% YoY to INR8.5b due to an increase in sales volume to existing customers, sales to new customers and an increase in prices of a few products.
- In 1HFY24, revenue grew by 34% YoY owing to strong growth in API and formulation segments. Growth was also supported by the expansion in emerging and regulated markets.
- EBITDA saw a 19% CAGR over FY20-23. In FY23, EBITDA margin increased by 190bp due to a decrease in raw material costs and employee costs, offset by a slight increase in other expenses. In 1HFY24, margin improved due to the benefits of operating leverage.
- Over FY19-23, PAT registered a 12% CAGR. In FY23, PAT grew by 33% YoY due to higher other income and a lower tax rate. In 1HFY24, PAT grew by 90%.

**Key Management person**

- **Sudhir Vaid:** Mr. Sudhir is one of the promoters, Chairman and Managing Director of the company. Previously, he was associated with Ranbaxy Laboratories and Lupin Chemicals, and as part of M/s. Sudman Consultants, he acted as a consultant for companies such as Plus Chemicals S.A., Lek Pharmaceuticals & Chemicals and Biocon India.
- **Ankur Vaid:** Mr. Ankur is one of the promoters, Joint Managing Director and CEO of the company. He has been associated with CONCORD since 2009 and has more than 15 years of experience in the pharmaceutical industry. He has been involved in the development of the research and development division and contributed to the market strategy of the company.
- **Lalit Sethi:** Mr. Sethi is CFO of the company. He joined CONCORD in Mar'22. He is a Chartered Accountant and was previously associated with companies such as Tilaknagar Industries, High Polymer Labs, Dabur India, British Health Products (India), East India Hotels and American Express Bank.

**Exhibit 1: Limbasi API Plant with an installed capacity of 800m<sup>3</sup>**

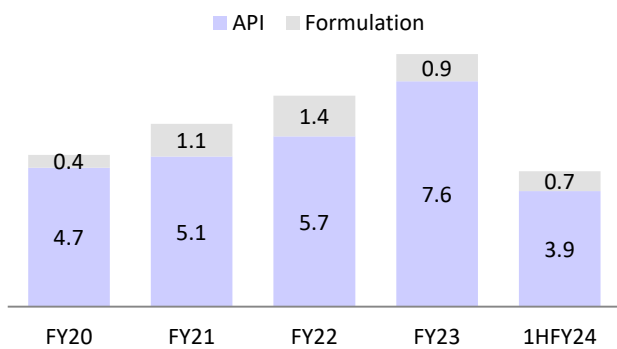
Source: MOFSL, Company

**Exhibit 2: Valthera Formulation Plant with an installed capacity of 802m units**

Source: MOFSL, Company

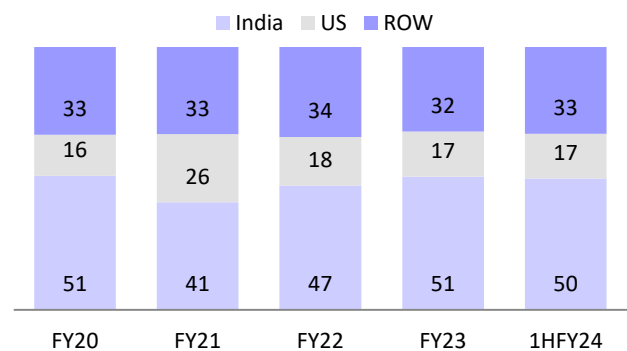
## Story in charts

**Exhibit 3: API revenue clocked 17% CAGR over FY20-23**



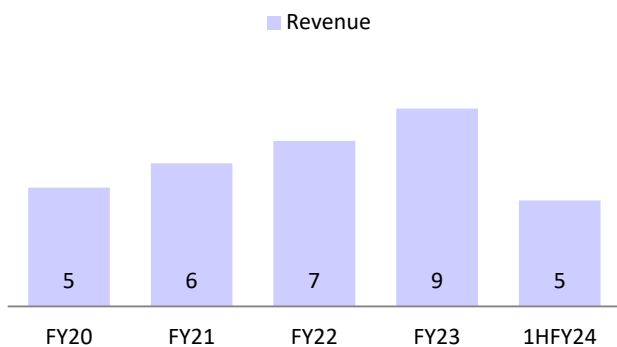
Source: MOFSL, Company

**Exhibit 4: India has 50% revenue share**



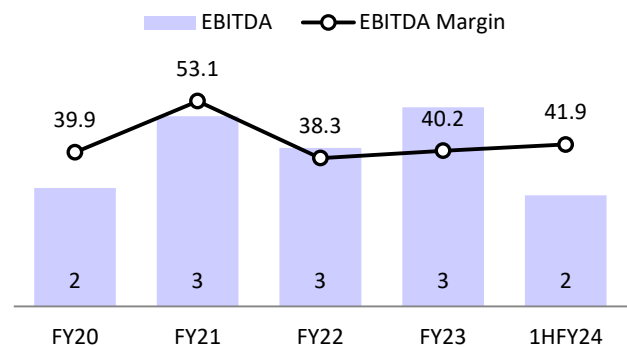
Source: MOFSL, Company

**Exhibit 5: Revenue saw 18.5% CAGR over FY20-23**



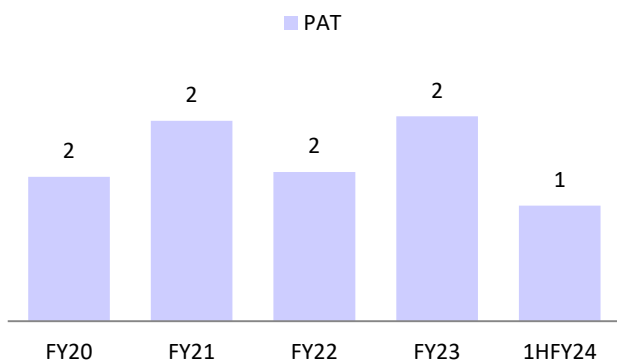
Source: MOFSL, Company

**Exhibit 6: EBITDA witnessed 19% CAGR over FY20-23**



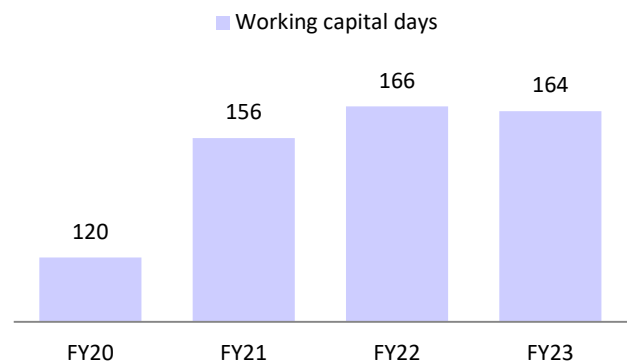
Source: MOFSL, Company

**Exhibit 7: PAT saw 12% CAGR over FY20-23**



Source: MOFSL, Company

**Exhibit 8: Working capital days rising since FY20**



Source: MOFSL, Company

## Financials and valuations

### Concord Biotech - Income Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	1HFY24
<b>Total Income from Operations</b>	<b>5,123</b>	<b>6,169</b>	<b>7,129</b>	<b>8,532</b>	<b>4,571</b>
Change (%)	17.5	20.4	15.6	19.7	34.5
<b>Total Expenditure</b>	<b>3,082</b>	<b>2,894</b>	<b>4,397</b>	<b>5,099</b>	<b>2,658</b>
% of Sales	60.1	46.9	61.7	59.8	58.1
<b>EBITDA</b>	<b>2,042</b>	<b>3,276</b>	<b>2,733</b>	<b>3,433</b>	<b>1,914</b>
Margin (%)	39.9	53.1	38.3	40.2	41.9
Depreciation	212	275	501	540	263
<b>EBIT</b>	<b>1,829</b>	<b>3,000</b>	<b>2,232</b>	<b>2,893</b>	<b>1,650</b>
Int. and Finance Charges	7	7	55	45	16
Other Income	313	138	234	353	148
<b>PBT bef. EO Exp.</b>	<b>2,135</b>	<b>3,132</b>	<b>2,412</b>	<b>3,201</b>	<b>1,782</b>
EO Items	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>2,135</b>	<b>3,132</b>	<b>2,412</b>	<b>3,201</b>	<b>1,782</b>
Total Tax	445	778	626	819	452
Tax Rate (%)	20.9	24.9	26.0	25.6	25.4
Minority Interest	2	-4	-36	20	25
<b>Reported PAT</b>	<b>1,691</b>	<b>2,349</b>	<b>1,749</b>	<b>2,401</b>	<b>1,355</b>
<b>Adjusted PAT</b>	<b>1,690</b>	<b>2,349</b>	<b>1,749</b>	<b>2,401</b>	<b>1,355</b>
Change (%)	42.7	39.0	-25.5	37.2	90.1
Margin (%)	33.0	38.1	24.5	28.1	29.6

### Concord Biotech - Balance Sheet

(INRm)

Y/E March	FY20	FY21	FY22	FY23
Share Capital	95	95	95	105
Other equity	7,607	9,899	10,937	12,795
<b>Net Worth</b>	<b>7,702</b>	<b>9,994</b>	<b>11,032</b>	<b>12,900</b>
Minority Interest	0	0	0	0
Total Loans	480	863	606	312
Deferred Tax Liabilities	151	175	210	234
Other Non-Current Liabilities	45	37	22	2
<b>Capital Employed</b>	<b>8,379</b>	<b>11,069</b>	<b>11,870</b>	<b>13,448</b>
Gross Block	3,102	6,433	7,188	7,929
Less: Accum. Deprn.	706	970	1,459	1,999
<b>Net Fixed Assets</b>	<b>2,396</b>	<b>5,462</b>	<b>5,730</b>	<b>5,930</b>
Goodwill on Consolidation	0	0	0	0
Capital WIP	1,414	179	742	1,727
<b>Total Investments</b>	<b>1,989</b>	<b>1,414</b>	<b>737</b>	<b>1,472</b>
Other Non-Current Assets	201	109	327	103
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>3,405</b>	<b>4,662</b>	<b>5,592</b>	<b>5,908</b>
Inventory	1,112	1,536	1,951	2,123
Account Receivables	1,835	1,775	2,322	2,738
Cash and Bank Balance	26	608	889	434
Loans and Advances	432	742	430	613
<b>Curr. Liability &amp; Prov.</b>	<b>1,026</b>	<b>756</b>	<b>1,258</b>	<b>1,691</b>
Account Payables	712	464	831	938
Other Current Liabilities	311	286	410	456
Provisions	3	7	17	298
<b>Net Current Assets</b>	<b>2,379</b>	<b>3,905</b>	<b>4,334</b>	<b>4,216</b>
<b>Appl. of Funds</b>	<b>8,379</b>	<b>11,069</b>	<b>11,870</b>	<b>13,448</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23
<b>Basic (INR)</b>				
<b>EPS</b>	<b>16.1</b>	<b>22.4</b>	<b>16.7</b>	<b>22.9</b>
Cash EPS	18.1	25.0	21.4	28.0
BV/Share	73.4	95.2	105.1	122.9
DPS	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>				
P/E	82.3	59.2	79.5	57.9
Cash P/E	73.1	53.0	61.8	47.3
P/BV	18.1	13.9	12.6	10.8
EV/Sales	27.1	22.6	19.6	16.3
EV/EBITDA	68.1	42.6	51.0	40.4
Dividend Yield (%)	NA	NA	NA	NA
FCF per share	0.0	-3.6	5.0	9.6
<b>Return Ratios (%)</b>				
RoE	23.3	26.5	16.6	20.1
RoCE	22.6	24.8	16.2	19.4
RoIC	30.7	32.6	18.0	22.3
<b>Working Capital Ratios</b>				
Asset Turnover (x)	0.6	0.6	0.6	0.6
Inventory (Days)	40	78	89	87
Debtor (Days)	131	105	119	117
Creditor (Days)	51	27	43	40
<b>Leverage Ratio (x)</b>				
Net Debt/Equity	-0.2	-0.1	-0.1	-0.1

### Concord Biotech - Cash Flow Statement

	<b>(INRm)</b>			
Y/E March	FY20	FY21	FY22	FY23
OP/(Loss) before Tax	2,136	3,127	2,375	3,220
Depreciation	212	275	501	540
Interest & Finance Charges	7	7	55	45
Direct Taxes Paid	-491	-752	-608	-703
(Inc)/Dec in WC	-217	-888	-221	-523
<b>CF from Operations</b>	<b>1,647</b>	<b>1,770</b>	<b>2,102</b>	<b>2,580</b>
Others	-99	-102	-27	-120
<b>CF from Operating incl EO</b>	<b>1,548</b>	<b>1,668</b>	<b>2,075</b>	<b>2,460</b>
(Inc)/Dec in FA	-1,553	-2,042	-1,554	-1,451
<b>Free Cash Flow</b>	<b>-5</b>	<b>-374</b>	<b>520</b>	<b>1,009</b>
(Pur)/Sale of Investments	430	641	725	-596
Others	-5	-551	-288	467
<b>CF from Investments</b>	<b>-1,128</b>	<b>-1,952</b>	<b>-1,118</b>	<b>-1,579</b>
Inc/(Dec) in Debt	388	383	-258	-293
Interest Paid	-17	-15	-70	-5
Others	-805	-57	-674	-553
<b>CF from Fin. Activity</b>	<b>-434</b>	<b>311</b>	<b>-1,002</b>	<b>-852</b>
<b>Inc/Dec of Cash</b>	<b>-14</b>	<b>27</b>	<b>-45</b>	<b>28</b>
Opening Balance	38	24	51	7
<b>Closing Balance</b>	<b>24</b>	<b>51</b>	<b>7</b>	<b>35</b>
FX and others	2	557	883	399
<b>Total Cash &amp; Cash Eq</b>	<b>26</b>	<b>608</b>	<b>889</b>	<b>434</b>

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