

## WINDLAS BIOTECH LIMITED

Windlas Biotech Ltd. The company was incorporated in 2001 based in Dehradun. The Company operating with 3 business verticals - 1. CDMO Products and services, 2. Domestic trade generics and Over-the-counter (OTC) market 3. Exports. The company currently owns and operates four manufacturing facilities located at Dehradun in Uttarakhand. As of March 31, 2021, their manufacturing facilities had an aggregate installed operating capacity of 7,063.83 million tablets/capsules, 54.46 million pouch/ sachet and 61.08 million liquid bottles.

**Positives:** (a) Leading CDMO in India with a focus on the chronic therapeutic category. (b) Promoter having experience of over two decades in manufacturing both solid, liquid, and CDMO business along with a good regulatory compliance track record. (c) Innovative portfolio of complex generic products supported by robust R&D capabilities. (d) Provides CDMO services to 7 of the top-10 Indian Pharmaceutical formulations companies. Clients like – Pfizer, Sanofi, Cadila, etc.

**Investment concerns:** (a) High dependency on CDMO business, 85% of FY2021 revenues. Any slow down in CDMO business can hurt the company's growth outlook. (b) Companies top-10 customers contributed 58% of revenue, company highly dependent on them. (c) Working capital days have increased from 13 days in FY2020 to 70 days in FY2021.

**Outlook & Valuation:** Based on FY-2021 adjusted earnings, IPO is priced at PE of 22.2x and EV/EBITDA of 15.58x at the upper band of the IPO price, which is slightly better than the peer's companies. The Company has a very healthy balance sheet with negative Net Debt/ Equity. Quality CDMO business has huge potential in India in the near future and the company having a good regulatory compliance track record. We expect the upcoming expansion plan in Dehradun and increase in capacity utilization will be the next growth drivers for the company. We are assigning a "SUBSCRIBE" recommendation to the issue.

### Key Financials

Y/E March (` cr)	FY2019	FY2020	FY2021
Net Sales	206	263	300
% chg	-	27.6	14.1
Net Profit	21	38	52
% chg	-	84.0	38.3
EBITDA (%)	16.4	20.9	21.9
EPS (`)	9.0	17.0	23.6
P/E (x)	120.4	63.5	45.9
P/BV (x)	30.1	20.4	14.5
ROE (%)	50.0	38.3	36.8
ROCE (%)	29.0	22.4	24.1
EV/EBITDA	72.8	45.1	37.8
EV/Sales	11.9	9.4	8.3

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

## SUBSCRIBE

Issue Open: August 4, 2021

Issue Close: August 6, 2021

### Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹6.4 Cr

Issue Size: ₹401 Cr

Offer for Sale: ₹236.5 Cr

Fresh issue: ₹165 Cr

Price Band: ₹448-460

Lot Size: 30 shares and in multiple thereafter

Expected Listing : 17th August 2021

Post-issue mkt. cap: \* ₹976 Cr - \*\* ₹1,003 Cr

Promoters holding Pre-Issue: 78%

Promoters holding Post-Issue: 65.2%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post issue Shareholding pattern

Promoters	65.2%
Others	34.8%

Yash Gupta

+022 39357600, Extn: 6872

[yash.gupta@angelbroking.co](mailto:yash.gupta@angelbroking.co)

## Company background

Incorporated in 2001, Windlas Biotech Ltd is one of the leading companies in the pharmaceutical formulations contract development and manufacturing organizations (CDMO) segment in India. The company offers a range of CDMO services from product discovery to product development, licensing, and commercial manufacturing of generic products including complex generics.

It further sells its own branded products in the trade generics and OTC markets. Currently, the focus of the company is to launch complex generic products in the chronic therapeutic category related to lifestyle-related disorders. The business operates in 3 verticals; 1. CDMO Products and services, 2. Domestic trade generics and Over-the-counter (OTC) market (nutraceutical and health supplement products), and 3. Export.

Leading pharma companies i.e. Pfizer Ltd, Sanofi India Ltd, Cadila Healthcare Ltd, Emcure Pharmaceuticals Ltd, Eris Lifesciences Ltd, Intas Pharmaceuticals Ltd, and Systopic Laboratories Private Limited are some of the marquee customers of Windlas Biotech. Its manufacturing facilities are located at Dehradun with an installed operating capacity of 7,063.83 million tablets/ capsules, 54.46 million pouch/ sachet, and 61.08 million liquid bottles.

## Issue details

The issue comprises of offer for sale of upto ₹236.5 crore and Fresh issue of 165 crores with the price band of ₹448-460.

### Pre & Post Shareholding Pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	1,42,01,787	78.0%	1,42,01,215	65.2%
Public	40,05,632	22.0%	75,93,160	34.8%
<b>Total</b>	<b>1,82,07,419</b>	<b>100%</b>	<b>2,17,94,376</b>	<b>100%</b>

Source: Company, Angel Research

## Objectives of the Offer

- Purchase of equipment required for capacity expansion of their existing facility at the Dehradun. (50 Cr)
- Funding incremental working capital requirements of the Company. (47.5 Cr)
- Repayment of certain borrowings (20 Cr.)

## Key Management Personnel

**Vivek Dhariwal** is the Chairman and Non-Executive Independent Director of the Company. He holds a bachelor's degree in technology (chemical engineering) from the Indian Institute of Technology, Bombay and a master's degree in science (chemical engineering) from University of Kentucky.

**Ashok Kumar Windlass** is the Wholetime Director of our Company. He holds a diploma in civil engineering from Government Polytechnic, Ambala City. He has over 20 years of experience in the manufacturing and pharmaceutical business in India. He is one of Promoters and one of the founders of Company.

**Hitesh Windlass** is the Managing Director of Company. He holds a bachelor's degree in ceramic engineering from the Indian Institute of Technology, Banaras Hindu University, a master's degree in science in materials science and engineering from The Georgia Institute of Technology and a master's degree in business administration from the Graduate School of Business, University of Chicago. He has set up our Domestic Trade Generics, OTC Brands and Exports SBVs and plays a significant role in driving the technical operations, quality, R&D, manufacturing strategy and financial strategy of our Company.

**Manoj Kumar Windlass** is the Joint Managing Director of Company. He holds a bachelor's degree in business administration from Georgia State University, Atlanta. He has over 15 years of experience in product development, operations, procurement and portfolio functions of the medicine business. He has set up CDMO Services and Products SBV and plays a significant role in driving the product portfolio decisions and overall commercial operations.

**Pawan Kumar Sharma** is an Executive Director of our Company. He holds a bachelor's degree in Law from the Hemwati Nandan Bahuguna Garhwal University, Srinagar (Garhwal). He is responsible for the commercial and administrative activities of the Company. He has over 20 years of experience in the pharmaceutical industry.

## Consolidated Profit &amp; Loss Account

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
<b>Total operating income</b>	307	329	428
<i>% chg</i>	-	7.0	30.0
<b>Total Expenditure</b>	269	287	373
Cost of Material Consumed	188	224	271
Changes in Inventories	4	(13)	4
Employee Benefit Expenses	43	44	58
Other Expenses	34	32	40
<b>EBITDA</b>	39	41	55
<i>% chg</i>	-	7.7	31.9
<i>(% of Net Sales)</i>	12.5	12.6	12.8
Depreciation & Amortisation	11	9	13
<b>EBIT</b>	27.9	32.2	41.7
<i>% chg</i>	-	15.2	29.7
<i>(% of Net Sales)</i>	9.1	9.8	9.8
Finance costs	4.8	2.5	1.3
Other income	4.3	2.5	3.1
<i>(% of Sales)</i>	1.4	0.8	0.7
<b>Recurring PBT</b>	27.3	32.1	43.5
<i>% chg</i>	-	17.5	35.5
Gain/loss in Joint Venture/associate	(0.8)	(7.5)	(0.2)
Exceptional item	49.5	-	(21.6)
Tax	12.3	8.5	6.2
<b>PAT (reported)</b>	63.8	16.2	15.6
<i>% chg</i>	-	(74.6)	(4.0)
<i>(% of Net Sales)</i>	20.8	4.9	3.6
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	3.5	8.9	8.6

Source: Company, Angel Research

## Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	6.4	6.4	6.4
Other equity (Retained Earning)	187.2	203.2	192.7
<b>Shareholders Funds</b>	<b>193.6</b>	<b>209.7</b>	<b>199.1</b>
<b>Total Loans</b>	<b>22.9</b>	<b>22.2</b>	<b>30.2</b>
Other liabilities	2.6	2.3	2.8
<b>Total Liabilities</b>	<b>219.0</b>	<b>234.1</b>	<b>232.1</b>
<b>APPLICATION OF FUNDS</b>			
Property, Plant and Equipment	59.7	66.1	92.5
Capital work in Progress	4.6	-	0.0
Right of Use	4.2	3.6	3.0
Goodwill	-	-	-
Other Intangible Assets	0.4	0.6	0.5
Investments	101.5	94.0	-
<b>Current Assets</b>	<b>120.5</b>	<b>168.0</b>	<b>194.3</b>
Inventories	19.0	49.3	41.5
Investments	20.9	22.3	23.1
Trade Receivables	61.7	63.9	79.4
Cash and Cash Equivalents	12.9	18.1	15.9
Bank Balance other than cash and cash equivalents	0.3	0.3	15.2
Other Financial Assets	0.1	0.1	0.5
Current Tax Assets (Net)	-	0.9	4.0
Other Current Assets	5.5	13.1	14.8
Current Liability	79.1	104.3	64.0
<b>Net Current Assets</b>	<b>41.3</b>	<b>63.7</b>	<b>130.3</b>
Other Non Current Asset	7.4	6.2	5.8
<b>Total Assets</b>	<b>219.0</b>	<b>234.1</b>	<b>232.1</b>

Source: Company, Angel Research

## Consolidated Cash Flow Statement

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
Operating profit before working capital changes	42.2	42.0	58.0
Net changes in working capital	(11.5)	(3.5)	(40.0)
Cash generated from operations	30.7	38.4	18.0
Direct taxes paid (net of refunds)	(12.1)	(13.4)	(6.5)
<b>Net cash flow (used in)/from operating activities</b>	<b>18.7</b>	<b>25.0</b>	<b>11.5</b>
Purchase of property, plant & equipment	(9.0)	(15.3)	(5.8)
Interest received	0.7	0.9	1.7
Others	3.0	0.1	(16.0)
<b>Cash Flow from Investing</b>	<b>(5.3)</b>	<b>(14.3)</b>	<b>(20.2)</b>
Proceeds/(Repayment) of Short-Term Borrowings	(4.4)	3.9	8.5
Share Issue Expense	-	0	(1.3)
Proceeds from issue of equity shares	4.8	-	-
Repayment of Long-Term Borrowings	(1.3)	(6.3)	(4.6)
Repayment of Lease liabilities (principal portion)	(0.4)	(0.4)	(0.5)
Interest paid (including interest on lease liabilities)	(5.0)	(2.5)	(1.4)
<b>Cash Flow from Financing</b>	<b>(6.2)</b>	<b>(5.4)</b>	<b>0.8</b>
Inc./(Dec.) in Cash	7.2	5.2	(8.0)
<b>Opening Cash balances</b>	<b>7.2</b>	<b>12.9</b>	<b>18.1</b>
<b>Cash acquired on acquisition</b>	<b>(1.5)</b>	<b>-</b>	<b>5.8</b>
<b>Closing Cash balances</b>	<b>12.9</b>	<b>18.1</b>	<b>15.9</b>

Source: Company, Angel Research

## Key Ratio

Y/E March	FY2019	FY2020	FY2021
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	130.6	51.7	53.8
P/CEPS	11.3	32.8	29.4
P/BV	4.3	4.0	4.2
EV/Sales	2.8	2.6	2.0
EV/EBITDA	22.0	20.3	15.6
<b>Per Share Data (Rs)</b>			
EPS (Basic)	3.52	8.9	8.6
EPS (fully diluted)	3.5	8.9	8.6
Cash EPS	40.9	14.0	15.7
Book Value	106.3	115.2	109.4
<b>Returns (%)</b>			
ROE	33.0	7.7	7.8
ROCE	12.7	13.7	18.0
<b>Turnover ratios (x)</b>			
Receivables (days)	73.3	71.0	67.8
Inventory (days)	22.6	54.7	35.4
Payables (days)	-	-	-
Working capital cycle (days)	95.9	125.7	103.2

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)Website: [www.angelbroking.com](http://www.angelbroking.com)

## DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.