

12 December 2024

Sai Life Sciences – SUBSCRIBE

Investment Thesis

Sai Life Sciences Ltd. (Sai Life Sciences) is coming out with an initial public offering (IPO) on December 11, 2024. The issue comprises of fresh issue of 17,304,189 equity shares worth Rs.9,500.00mn at highest price band and offer for sale of 38,116,934 equity share worth Rs.20,926.20mn. Objective of the issue is to repayment/prepayment in full or part, of all or certain outstanding borrowings availed by the Company and general corporate purposes.

Sai Life Sciences offers end-to-end services across the drug discovery, development and manufacturing value chain, positioning it as a one-stop solution for global pharmaceutical and biotech firms. Its unique integrated CRDMO platform allows seamless transitions between development stages, providing customers flexibility and efficiency. With specialized facilities near global innovation hubs and cost-efficient manufacturing bases in India, Sai Life Sciences ensures scalable, high-quality outputs. This combination of strategic global positioning, integrated services, and advanced infrastructure enables the company to cater to complex projects and foster long-term client relationships, making it a preferred partner for top-tier global pharmaceutical companies.

Sai Life Sciences has demonstrated its capability to secure and sustain relationships with global pharmaceutical giants. Serving 18 of the top 25 global pharmaceutical companies, the firm's reputation for delivering high-quality, reliable services is evident. Its ability to onboard mid-lifecycle products and transfer technology seamlessly underpins client trust. With 40 programs culminating in IND filings and 5 commercially approved drugs, Sai Life Sciences showcases a proven track record of success in delivering value across the drug development lifecycle, highlighting its reliability as a long-term partner.

Sai Life Sciences' product portfolio spans 38 products supporting 28 commercial drugs, including seven blockbuster drugs. It manages over 100 products in early development stages, demonstrating its strong pipeline and sustained innovation. This breadth ensures consistent revenue opportunities from multiple therapeutic areas, including oncology and rare diseases. The company's capabilities in APIs, highly potent active pharmaceutical ingredients (HPAPIs), and other complex chemistries enable it to stay competitive in a rapidly evolving market, bolstered by its ability to cater to both clinical and commercial needs.

Revenue from business Verticals

- Sai Life Sciences' revenue grew at a CAGR of 24.5% during FY21-24 while PAT grew by a CAGR of 10.7% during the same period.

Consol. (Rs.Mn.)	FY22	FY23	FY24	H1FY25
Revenue	8,696	12,171	14,652	6,753
EBITDA	1,249	1,689	2,871	1,283
EBITDA Margin (%)	14.4%	13.9%	19.6%	19.0%
PAT	62	100	828	280
EPS (Rs.) #	0.3	0.5	4.1	1.4
P/E (x) *#	1773.2	1105.8	133.4	
RoE (%) #	0.7%	1.1%	8.6%	

* At highest price band # Post listing

IPO Details

Issue Open Date	11 December 2024
Issue Close Date	13 December 2024
Price Band (Rs.)	Rs.522 – Rs.549
Issue Size*	Rs. 30,426.20Mn
Issue Size (Shares)	55,421,123
Market Lot	27 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 1/-

* At highest price band

Key Details

Fresh Issue*	Rs.9,500.00Mn
Issue Type	Book Building
Book Running Lead Manager	Kotak Mahindra Capital, Jefferies India, Morgan Stanley India and IIFL Securities
Issue structure	QIB: 20.0% Non Institutional: 15.0% Retail: 35.0% Anchor Investors: 30.0%
Credit of Shares to Demat Account	17 December 2024
Issue Listing Date	18 December 2024

* At highest price band

Key Business Highlights

- Sai Life Sciences is a leading innovator-focused Contract Research, Development, and Manufacturing Organization (CRDMO) offering end-to-end solutions across the drug discovery, development, and manufacturing value chain. It specializes in small molecule New Chemical Entities (NCE), serving global pharmaceutical innovators and biotechnology firms with integrated services, including discovery, contract research, chemistry, manufacturing, and control (CMC) and contract development and manufacturing (CDMO).
- Sai Life Sciences supports more than 60 clients in its CRO business and over 200 small molecule discovery programs. Its CDMO division manages a portfolio of over 170 innovator pharmaceutical products, offering comprehensive development and production of APIs and intermediates for clinical and commercial phases.
- With over 2,350 scientific staff, including 302 PhDs and 1,475 master's degree holders, Sai Life Sciences delivers excellence through globally accredited R&D and manufacturing facilities. Its facilities are recognized by regulatory bodies like the USFDA, PMDA, and CDSCO, ensuring quality and compliance.

Valuation

- Global CRDMO market is expected to grow at a 13% CAGR through FY27, driven by increasing demand for outsourcing and a focus on small molecule development. Sai Life Sciences leverages India's cost advantages and government initiatives like the PLI scheme to capitalize on this growth. Its strategic locations near Boston and Manchester enhance collaboration opportunities and access to cutting-edge R&D, reinforcing its competitive edge. Additionally, the shift in global supply chains away from China presents Sai Life Sciences with a significant opportunity to expand its footprint in regulated markets.
- Sai Life Sciences prioritizes excellence in regulatory compliance and sustainability. Its facilities, approved by regulatory agencies such as the USFDA and Japan's PMDA, ensure adherence to stringent quality standards. The company's investments in safety, waste management, and environmental practices enhance operational sustainability while minimizing risks. This commitment to quality and responsible operations not only ensures product reliability but also strengthens its reputation, positioning Sai Life Sciences as a trusted and ethical partner in the global pharmaceutical supply chain.
- With end-to-end services across the drug discovery, development and manufacturing value chain, capability to secure and sustain relationships with global pharmaceutical giants, product portfolio spans 38 products supporting 28 commercial drugs and prioritizes excellence in regulatory compliance and sustainability, we are recommending SUBSCRIBE rating to the IPO of Sai Life Sciences Ltd. (Sai Life Sciences) for medium to long term perspective.

Risk & Concern

- Uncertainty over US Biosecure Act may impact the pace of supply chain diversification of Sai Life Sciences.
- Any regulatory action or failure to meet the certification standards may impact the revenues and customer relations of Sai Life Sciences.
- Any negative fluctuations in foreign exchange rates or pricing pressure from customers may impact gross margin of Sai Life Sciences.

Graphs & Charts

Figure 1: Net Sales Trend

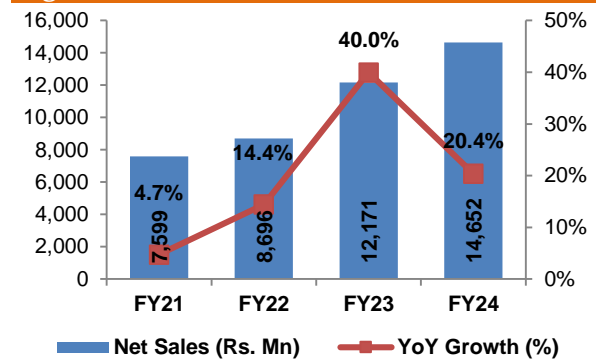


Figure 2: EBITDA & EBITDA Margin Trend

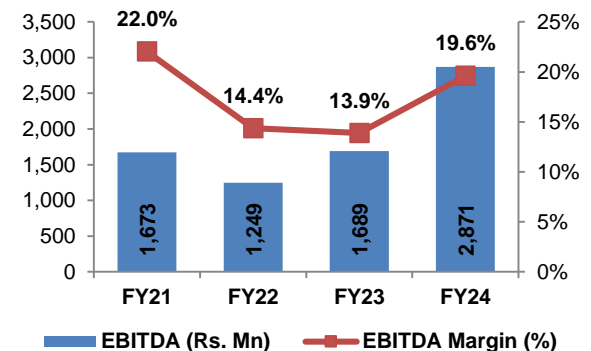


Figure 3: PAT Trend

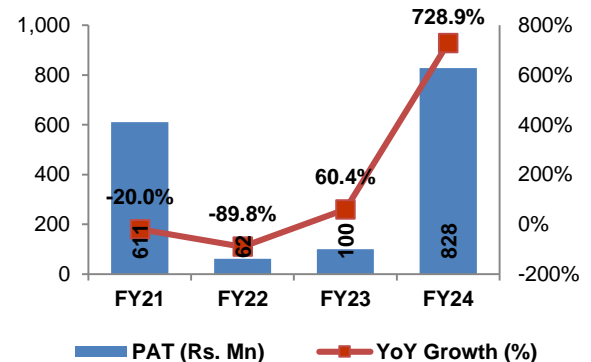
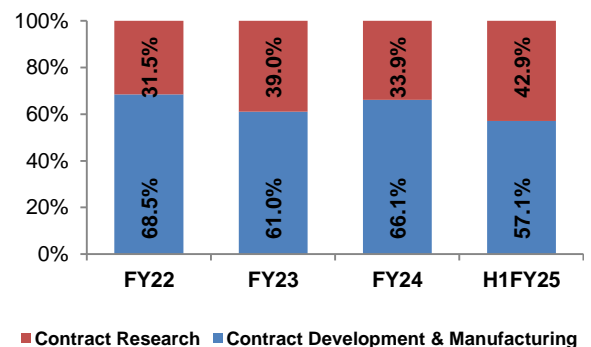


Figure 4: Segment-wise Revenue Mix Trend



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