



SMC Ranking
 ★★☆☆☆ (2.5/5)

Issue Highlights

Industry	Life sciences
Offer for sale (Shares)	23,932,732
Fresh Issue (Shares)	16,814,159
Net Offer to the Public	40,746,891
Issue Size (Rs. Cr.)	1752-1842
Price Band (Rs.)	430-452
Employee Discount	Rs 30 per share
Offer Date	6-May-24
Close Date	8-May-24
Face Value	2
Lot Size	33 shares

Issue Composition

Issue Composition	In shares
Total Issue for Sale	40,746,891
QIB	20,373,446
NIB	6,112,034
Retail	14,261,412

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	0.00%	0.00%
QIB	72.35%	68.08%
NIB	27.48%	25.81%
Retail	0.17%	6.12%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilise the Net Proceeds towards funding the following objects:

Repayment/prepayment of indebtedness of one of the Material Subsidiaries, ILSL Holdings, Inc.;

Funding the capital expenditure requirements of the Company and one of the Material Subsidiaries, Indegene, Inc.; and

General corporate purposes and inorganic growth.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- Citigroup Global Markets India Private Limited
- J.P. Morgan India Private Limited
- Nomura Financial Advisory and Securities (India) Private Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Indegene Limited, established in 1998, offers digital services to the life sciences industry, aiding in drug development, clinical trials, regulatory submissions, pharmacovigilance, complaints management, and sales/marketing support. The company's services can be divided into following categories a. Enterprise Commercial Solutions b. Omnichannel Activation c. Enterprise Medical Solutions d. Enterprise Clinical Solutions and consultancy services. The subsidiary of the company, DT Associates Limited, provides consulting services under the "DT Consulting" brand. It helps life sciences companies manage their digital transformation efforts to ensure continued success in customer experience. The company received the Platinum Level award at the 2023 Healthy Workplace Conference and Awards, a recognition given by Arogya World India Trust in partnership with the Public Health Foundation of India. As of December 31, 2023, the company had 65 clients actively engaged with its services. As of December 31, 2023, the company employed 5,181 people worldwide. Of these, 4,461 are based in India, 530 work in North America, 105 in Europe, 73 in China, and 12 in other regions.

Strength

Domain expertise in healthcare: Its understanding of the healthcare domain enables it to efficiently modernize and digitize the key functions involved in the life sciences commercialization process. The team has extensive healthcare expertise, with 20.49% of its delivery employees (i.e., employees who do not belong to corporate and support functions, which include sales and marketing, R&D, finance, human resources, admin, and legal) as of December 31, 2023, having healthcare-related educational backgrounds including MD, MBBS, PhD, BDS, MPharm and BPharm degrees. Its domain expertise assists the company in contextualizing the use of technology to, among other things, optimize sales and marketing costs, drive omnichannel activation at scale, enable faster recruitment of patients for clinical trials and accelerate time taken to make regulatory submissions.

Robust digital capabilities and in-house developed technology portfolio: Over the years, it has developed a suite of proprietary tools and platforms, including applications that automate and create AI-based efficiencies using AI, ML, NLP and advanced analytics capabilities that are core components of its solutions. Its technology innovation is supported by a dedicated team of 650 individuals who work on data science, data engineering, NLP, Natural Language Generation ("NLG"), Gen AI, machine vision, speech-to-text conversion and classification, and prediction model development. It has built a Gen AI workbench that acts as an interface between technology team and life sciences subject matter experts ("SMEs"). Its technology team evaluates different Gen AI models and sets up the technology infrastructure. Its SMEs are able to interact with this workbench using natural language and contextualize Gen AI for different business use cases. With this model, it has been able to integrate Gen AI features in its NEXT suite of tools and platforms and improve the speed of launching new Gen AI-based tools.

Track record of establishing long-standing client relationships: It has long-standing relationships with marquee biopharmaceutical companies including each of the 20 largest biopharmaceutical companies in the world by revenue for the Financial Year 2023 (Source: Everest Report). Additionally, it also serves clients in the mid-sized pharma, emerging

biotech and medical devices industries. It typically enters into MSAs with its clients ranging from one to three years, which broadly set out terms of its engagements, and it executes separate work orders for individual engagements setting out commercial terms. It has high client stickiness and retention (based on its retention rates) since its solutions, once implemented, and is deeply integrated with its clients' workflow. Due to the sticky nature of its solutions, recurring revenues account for a high proportion of its total revenues. Its retention rates (i.e., revenues from existing customers as a percentage of revenues from such customers earned in the previous year) were 122.83%, 159.89%, and 129.90% for the Financial Years 2023, 2022 and 2021, respectively.

Track record of creating value through acquisitions: Since 2005, it has successfully executed several acquisitions and has benefitted from the synergies, networks, technologies, and talent pools of the companies that it has acquired. In 2016, the company has acquired Encima Group, Inc. ("Encima") in the United States, a company which provided marketing analytics and campaign execution solutions to several large life sciences companies. This acquisition enhanced Indegene's Enterprise Commercial Solutions offerings by adding capabilities in digital marketing and campaign operations, as well as additions to its senior management team. More recently, in 2019, it acquired a minority stake in DT Associates Research and Consulting Services Limited ("DT Associates Limited"), a digital transformation and client experience consulting firm in the United Kingdom, to expand its strategic consulting capabilities, and which also added to its senior management team. In December 2020, it acquired a majority stake in DT Associates Limited. Post its acquisition, DT Associates Limited's revenues have grown from Rs. 14.10 crore in the Financial Year 2021 (beginning from January 2021, when it began consolidating DT Associates Limited) to Rs. 86.29 crore in the Financial Year 2023.

Strategy

Strengthen "go to market" engine: Leveraging the trend of digitization in the life sciences industry (Source: Everest Report), it provides solutions that digitize various aspects of its clients' business operations and workflow. It has successfully followed a "land and expand strategy", through which it enters at different stages of its clients' commercialization process and thereafter expands the range of solutions we provide them over time. After making initial inroads with clients, it scales its business by introducing them to the entire range of its solutions. Its wide portfolio of solutions include offerings that cater to the needs of each of these functions; and consequently, once it enters its clients' ecosystem, it is able to expand its services to various departments, both upstream and downstream, within its clients' organizations. It seeks to continue to strengthen its "go to market" approach through the following ways

- **Deepening relationships with existing clients.** As of December 31, 2023, it had 27 clients from whom it earned revenues between US\$1 million and US\$10 million, five clients from whom it earned revenues between US\$10 million and US\$25 million, and three clients from whom it earned revenues of more than US\$25 million, during the preceding 12 month period.
- **Establishing new client relationships.** Leveraging the experience and credibility that it has gained through its relationships with its existing client base, as well as its technology and its talent pool, it also focuses on expanding its client base to other large biopharmaceutical companies and mid-tier specialty biopharmaceutical companies.
- **Strengthening new market segments.** In addition to the biopharmaceutical sector, it endeavors to add more companies from the medical devices and emerging biotech industries to its client base by leveraging its existing capabilities, expertise and experience.
- **Focusing on high value opportunities.** It has set up a dedicated team that is focused on capitalizing on high value opportunities with its key clients to drive its revenue growth. The company aims to focus on providing tailored solutions to address its clients' specific needs, integrating offerings across its business units, and working closely with client stakeholders to increase the volume of business it wins under a single deal with its key clients.

- **Scaling nascent business verticals.** The company continues to focus on expanding its portfolio of solutions by adding adjacent business and services lines along the value chain.

Develop its technology portfolio: The Company has developed a wide range of tools and platforms including applications that automate and create AI-based efficiencies in developing commercial assets (such as marketing content), regulatory documents, and medical content. Its tools are used by clients to plan and digitize commercial operations by providing insights and predictions. In addition to these, it has applications that assist in managing various processes of its clients' workflow such as: (a) pharmacovigilance, i.e., case intake and processing in respect of safety incidents reported by patients and HCPs; (b) engagement with patients and HCPs; and (c) patient recruitment for clinical trials. Its applications are embedded with AI and NLP capabilities which help it in providing actionable insights to its clients. This assists in driving transformation across the R&D and commercialization lifecycle of drugs and medical devices. Its tools and platforms and its dedicated in-house technology team which includes data science and engineering professionals are a core part of its competitive strengths. The company aims to expand the scale and scope of operations by continuing to invest in technology.

Pursue strategic acquisitions: The company has considerable experience in strategically identifying, acquiring, and integrating various companies and businesses to expand its operations inorganically and widen its range of solutions. The company will continuously seek acquisition opportunities that fall in the following categories:

- **Capability buys.** Target companies that offer solutions which have an impact across the life sciences value chain.
- **Technology play.** Target companies that help us add technology capabilities to its solutions helping it deliver better outcomes to its clients or in improving delivery.
- **Efficiency play.** Target companies that allow it to bring its technology and medical expertise to the table to deliver their existing services more efficiently.
- **Tuck-ins / acqui-hires.** Target companies that help it fill small gaps in its portfolio of solutions or which help in scaling up its delivery capabilities.

It has a dedicated team that evaluates strategic opportunities, and its extensive industry experience enables it to identify suitable targets and effectively evaluate and execute potential opportunities.

Risk factor

- The business of the company is solely focused on the life sciences industry and may be adversely impacted by factors affecting the life sciences industry, including the growth of the overall life sciences industry, outsourcing and other trends.
- As its business is solely focused on the life sciences industry and a significant portion of its business is attributable to certain large clients located in North America and Europe, its business and profitability is dependent on factors affecting the life sciences industry and its continuing relationships with such key clients.
- Its business continuity and disaster recovery plans may be inadequate.
- The company relies on sub-contractors and third-party service providers who may not perform their obligations satisfactorily or in compliance with law, and it may have no recourse against such sub-contractors and service providers.

Peer comparison

There are no listed companies in India and globally that engage in a business that is similar to that of the Company.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.452, the stock is priced at pre issue P/E of 31.17x on Estimated Annualised FY24EPS of Rs. 14.50. Post issue, the stock is priced at a P/E of 33.53x on its EPS of Rs.13.48. Looking at the P/B ratio at Rs.452 pre issue, book value of Rs. 59.66 of P/Bvx 7.58x. Post issue, book value of Rs. 90.60 of P/Bvx 4.99x.

Considering the P/E valuation, on the lower end of the price band of Rs.430, the stock is priced at pre issue P/E of 29.65x on Estimated Annualised FY24EPS of Rs. 14.50. Post issue, the stock is priced at a P/E of 31.90x on its EPS of Rs.13.48. Looking at the P/B ratio at Rs.430 pre issue, book value of Rs. 59.66 of P/Bvx 7.21x. Post issue, book value of Rs. 90.60 of P/Bvx 4.75x.

Industry Outlook

The life sciences industry primarily comprises biopharmaceutical companies and medical devices companies, whose combined sales were estimated at Rs. 138.3 trillion (US\$1.8 trillion) in 2023, with biopharmaceutical companies constituting 69% or Rs. 95.4 trillion (US\$1.2 trillion) of such sales. Combined sales of biopharmaceutical companies and medical devices companies are estimated to reach Rs. 163.5 trillion (US\$2.1 trillion) by 2026 driven by a rise in aging population, increasing prevalence of chronic diseases and discovery of new diseases, among other factors. Life sciences operations expenditure (which includes spends on marketing and sales, drug discovery and clinical trials, regulatory and medical affairs, manufacturing, supply chain and distribution and pharmacovigilance or complaints management) was estimated at Rs. 12.0 trillion (US\$156 billion) in 2022 and is expected to grow at a CAGR of 6.5% to reach Rs. 15.5 trillion (US\$201 billion) in 2026 in line with growth in industry sales.

Outlook

Founded in 1998, Indegene Limited is a digital leader in commercialization services for the global life sciences industry. With a near-dominant market share driving over 98% of its revenue, the company is well-positioned in a rapidly growing sector. This could make Indegene an attractive option for long-term investors.

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

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	6-May-24
BID/ISSUE CLOSSES ON	8-May-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	9-May-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	10-May-24
Credit of Equity Shares to Demat Accounts of Allottees	10-May-24
Commencement of trading of the Equity Shares on the Stock Exchanges	13-May-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-23 (9 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	1916.61	2306.13	1664.61
Total expenditure	1549.90	1909.91	1377.69
Operating Profit	366.71	396.22	286.92
OPM%	19.13	17.18	17.24
Other Income	53.14	57.97	25.89
Total Net Income	419.85	454.19	312.81
Interest	37.11	31.33	5.96
PBDT	382.74	422.86	306.85
Depreciation	57.63	59.81	33.45
Re-stated Profit / (Loss) before exceptional items	325.11	363.05	273.40
Exceptional items (net)	0.00	0.00	-46.90
Re-stated Profit / (Loss) after exceptional items before Tax	325.11	363.05	226.50
Tax	83.21	96.95	63.68
PAT	241.90	266.10	162.82

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	32.05	40.62	33.67
Right-of-use assets	86.21	105.00	46.21
Goodwill	330.20	326.12	40.90
Other intangible assets	172.38	192.41	16.95
Financial assets			
Other financial assets	10.40	9.85	12.05
Deferred tax assets (net)	96.88	67.06	69.16
Non-current tax assets (net)	9.50	4.26	4.43
Other non-current assets	9.44	9.85	0.08
Total non-current assets	747.06	755.16	223.44
Current asset			
Financial Assets			
Investments	829.56	614.04	119.86
Trade receivables			
Billed	638.35	519.90	391.31
Unbilled	72.82	122.14	52.59
Cash and cash equivalents	119.94	73.59	506.28
Other bank balances	2.61	12.25	11.03
Other financial assets	40.36	39.75	8.25
Other current assets	67.45	67.05	40.71
Total current assets	1771.09	1448.71	1130.03
Total Assets	2518.15	2203.87	1353.47
Non-current liabilities			
Borrowings	338.81	394.34	10.94
Lease liabilities	70.48	85.20	32.93
Other financial liabilities	97.49	136.45	78.78
Provisions	40.42	35.01	26.47
Total Non- Financial liabilities	547.20	651.00	149.13
Financial Liabilities			
Borrowings	60.52	0.00	7.30
Lease Liability	21.14	23.05	14.58
Trades Payable - MSME	2.13	1.08	1.01
Trades Payable - MESE	79.57	72.21	73.21
Other financial liabilities	135.55	182.96	77.15
Other current liabilities	234.95	148.31	206.45
Provisions	57.45	49.51	35.42
Current tax liabilities (net)	52.63	12.04	25.32
Total Financial liabilities	643.95	489.15	440.44
Total	1191.15	1140.14	589.57
Net worth represented by:			
Equity Share Capital	44.35	44.30	0.35
Other equity	1282.65	1019.43	763.55
Net Worth	1327.00	1063.72	763.90

RANKING METHODOLOGY

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

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