Twitter Thread by ■■■s■ ■■■■■■



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@AnishA_Moonka

Windlas Biotech IPO notes ■

'What's in a name? that which we call a rose by any other name would smell as sweet' ~Shakespeare

Hit the 'retweet' & help us educate more investors

A thread ■■

#IPOwithJST

1/ Basics about the IPO ■

Incorporated in 2001

Fresh Issue of 165crs (50 for capex | 48 for Working capital | 20 for debt payment) + OFS of 237crs (Partially by promoter & PE Tano selling out as the fund tenure is up)

~ Total raise of 402crs

Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 165 Crore and Offer for sale of upto 5,142,067 Equity Shares

Issue size: ₹ 395 – 402 Cr
No. of shares: 8,825,102 - 8,729,023
Face value: ₹ 5/-

Price band : ₹ 448 – 460
Bid Lot: 30 Shares and in multiple thereof

Post Issue Implied Market Cap:
₹ 981 – 1,003 Cr

BRLMs: SBI Capital Markets, DAM Capital, IIFL Securities
Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Wednesday, **4th Aug'2021**
Issue closes on: Friday, **6th Aug'2021**

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-08-2021
Refunds/Unblocking ASBA Fund	12-08-2021
Credit of equity shares to DP A/c	13-08-2021
Trading commences	17-08-2021

2/ About the company (Not a Biotech company)

A Contract manufacturer for formulation cos. (204 in total) for Indian markets & a small domestic OTC biz

3279 products, 4 plants with 700cr tablets/capsules capacity

Emphasis on chronic (60% of rev) & complex generics (70% of rev)

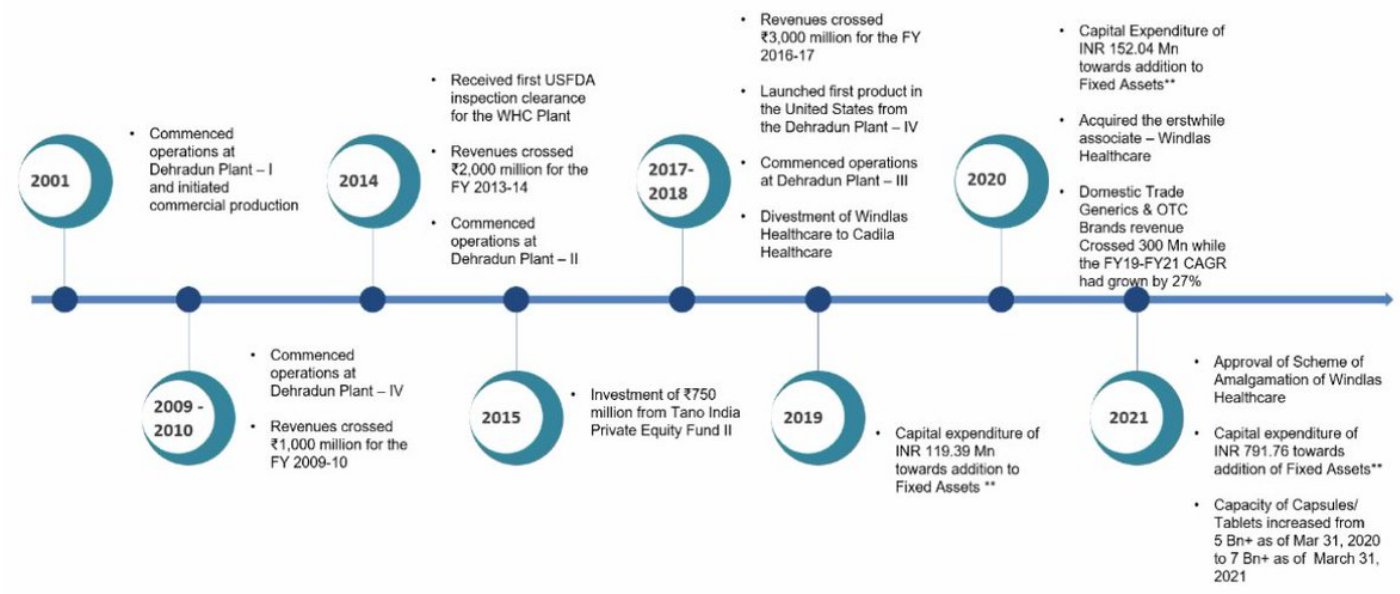


3/ History

Revenues:
FY11 - 100cr ■ FY14 - 200cr ■ FY21 - 400cr

Growth is similar to the Indian pharmaceutical sector, not gaining any market share even after increasing products.

Customers include Pfizer, Sanofi India, Eris, Cadila, etc.

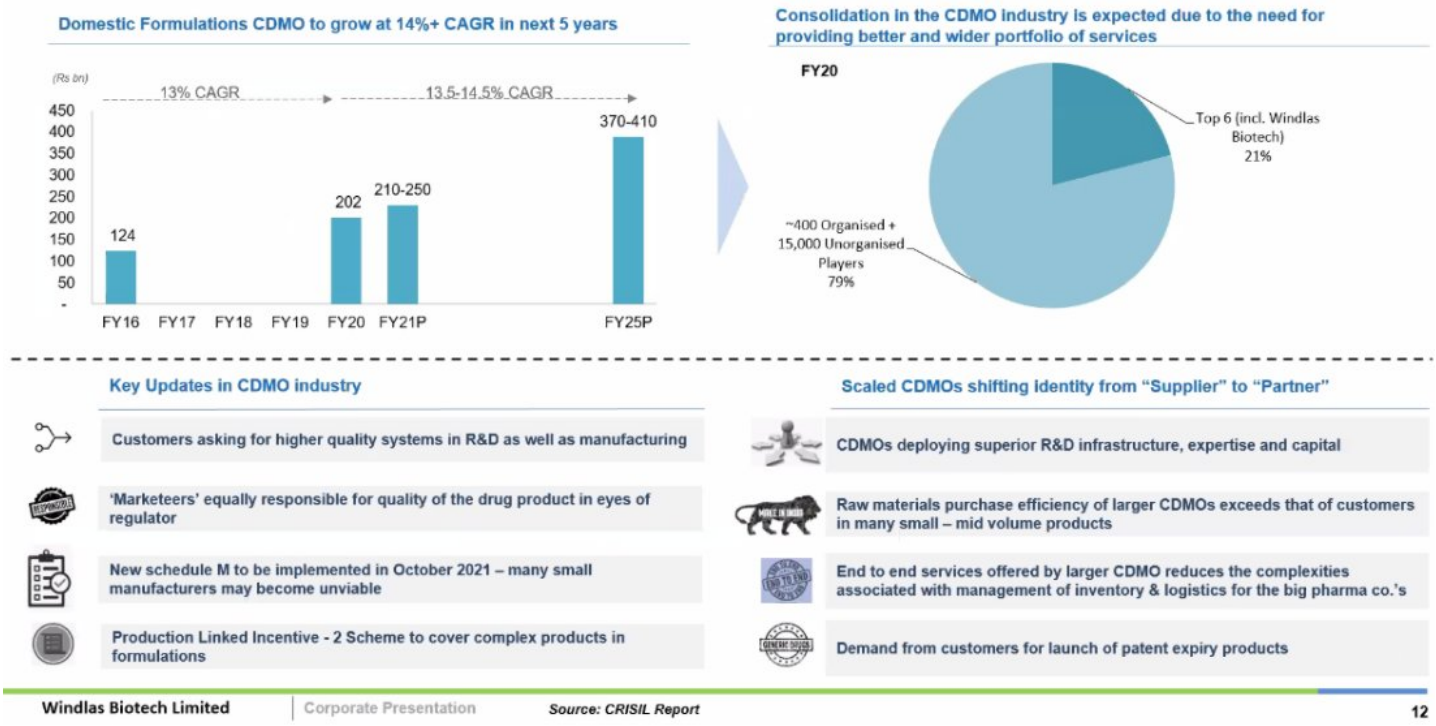


4/ Competition: No Moat

400+ organized & 15000 unorganized players in the same space: 2% market share

Some of the things that can drive consolidation: Customers preferring better compliance

However, a single customer usually has 35-40 contract manufacturers for products.



5/ Top competitors

Scale: Players much larger also show a lack of any improvement in metrics.

Remains a low margin & high asset turnover business.

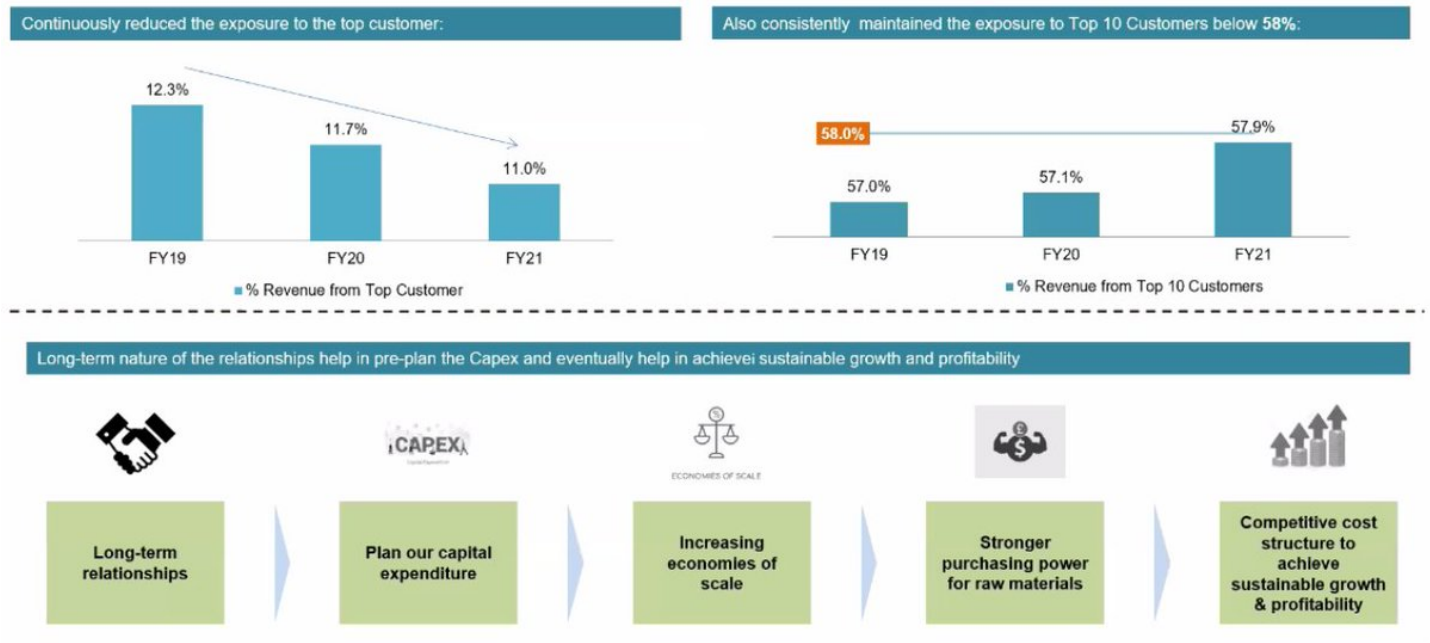
Company name	Incorporation date	Registered office location
Akums Drugs and Pharmaceuticals Ltd	2004	New Delhi
Synokem Pharmaceuticals Ltd	1983	New Delhi
Theon Pharmaceuticals Ltd	2005	Chandigarh
Innova Captab Ltd	2005	Mumbai
Windlas Biotech Ltd	2001	Dehradun
Tirupati Medicare Ltd	2005	Delhi

Source: Company annual reports and presentations, Company website, CRISIL Research

6/ Concentration

Top customer accounts for 11% of rev & Top 10 account for 58%

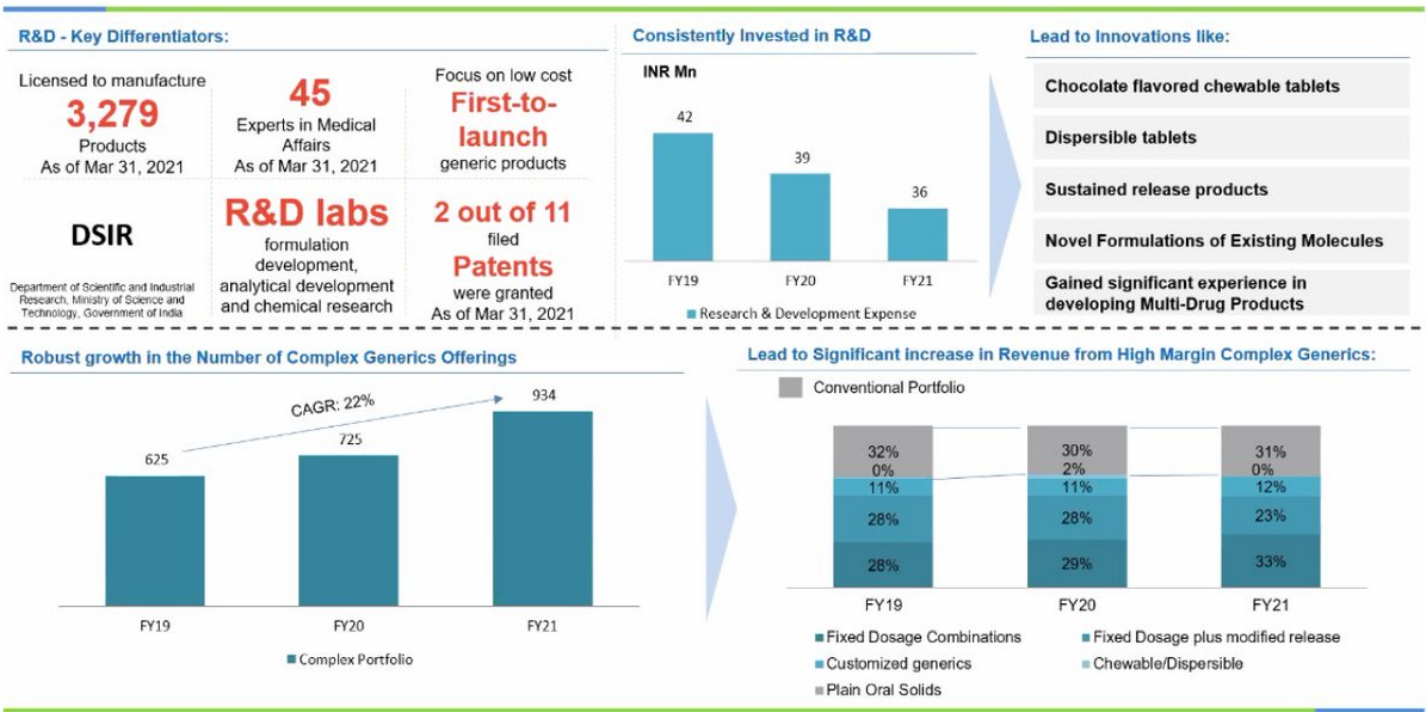
Interestingly, ramped up number of customers from 97 to 204 in the last 2yrs, however, the concentration remains constant.



7/ R&D

3-4crs spends: at 1% of sales, Increased complex portfolio to 934

Complex generic products have technical complexity in (i) manufacturing or handling of the API; or (ii) formulation; or (iii) route of delivery; or (iv) pairing with a device to make a drug-device combo.



8/ Manufacturing

Utilization at 35-40% currently, can go up to 60-65% before they would have to increase capacity again.

Manufacturing Plants - Key Highlights :

163
Employees in Quality Control
As of Mar, 2021

Significant investments made in **quality management systems; Moved** from a **'Paper based'** approach to **'Electronic-based'**

Net block of Fixed Assets*
INR 930.25 Mn
As of Mar, 2021

Successful Audits
done by MNCs & Large Domestic Customers

3 Plants are **WHO-GMP** compliant

INR 1,063.19 Mn
Invested in building PPE & Other Intangible Assets of Last 3 years (excluding CWIP/ROU/Intangible under development)



Plant 1
Commenced Operations in 2001



Plant 2
commenced operations in 2014



Plant 3
commenced operations in 2018



Plant 4
commenced operations in 2009

Capacity** (in Mn)	Tablets/ Capsules	Pouch/ Sachet	Liquid Bottles
Dehradun Plant – I	772.12	22.43	23.27
Dehradun Plant – II	4,277.15	20.39	37.81
Dehradun Plant – III	992.33	0.00	0.00
Dehradun Plant – IV	1,022.24	11.64	0.00
Total	7,063.83	54.46	61.08

Capacity as of and for the financial year ended March 31, 2021

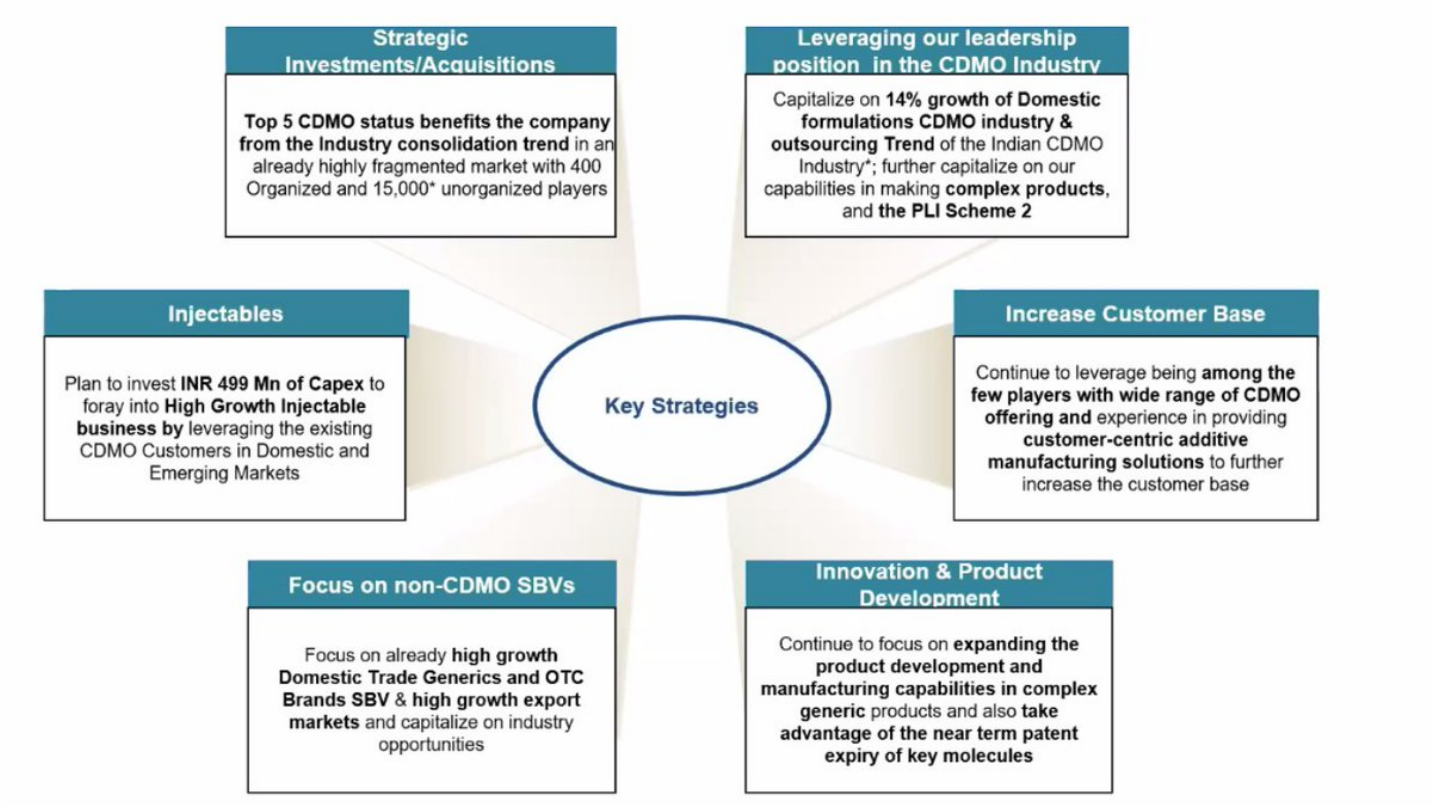




***Capacity is in terms of per annum**
Capacity definition is given in the main disclaimer

9/ Strategic areas going forward

- Will look for inorganic growth
- Industry to grow at 1.25-1.5x GDP: Increased capacities inline
- To invest 50crs in Injectables facility
- Increase customer base
- Scale-up Domestic OTC & trade generics business



10/ Financials

- Bad Cashflow conversion (20-30% EBITDA) due to huge WC investments
- Low margin business (4-5% net & 10-12% EBITDA & 35% gross margins)
- WC days to stay at 65-75 days
- Asset turnover at 4-5x & can take it to 6-7x
- Rev scaleup needs to be monitored

Windlas Biotech Limited (formerly known as Windlas Biotech Private Limited)
CIN: U74899UR2001PLC033407
Annexure I- Restated Consolidated Statement of Assets and Liabilities
(All amounts in Indian Rupees in millions, unless otherwise stated)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019 (Proforma)
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	3	925.05	661.03	596.69
Capital work in Progress	4	0.37	-	45.79
Right of Use	5	29.53	36.07	41.50
Goodwill	6	-	-	-
Other Intangible Assets	6 (a)	4.82	5.52	4.42
Intangible Assets Under Development	6 (b)	-	-	-
Financial Assets:				
(i) Investments	9	-	940.01	1,014.51
(ii) Loans	10	29.75	22.44	21.06
(iii) Other Financial Assets	11	0.10	-	-
Deferred Tax Assets (Net)	7	-	6.63	5.08
Other Non-Current Assets	12	28.50	32.89	48.15
		1,018.12	**1,704.59**	**1,777.20**
Current Assets				
Inventories	13	414.61	493.17	190.27
Financial Assets:				
(i) Investments	9	231.43	222.80	209.00
(ii) Trade Receivables	14	794.13	639.38	617.35
(iii) Cash and Cash Equivalents	15 (a)	159.30	180.78	128.55
(iv) Bank Balance other than cash and cash equivalents	15 (b)	151.82	3.06	3.41
(v) Other Financial Assets	11	4.51	0.95	0.91
Current Tax Assets (Net)	8	39.67	8.95	-
Other Current Assets	12	147.64	131.20	55.11
		1,943.11	**1,680.29**	**1,204.60**
Total assets		**2,961.23**	**3,384.88**	**2,981.80**
EQUITY AND LIABILITIES				
Equity				
(i) Equity Share Capital	16	64.11	64.11	64.11
(ii) Other Equity	17	1,927.08	2,032.48	1,871.74
		1,991.19	**2,096.59**	**1,935.85**
Liabilities				
Non-Current Liabilities				
Financial Liabilities:				
(i) Borrowings	18	8.32	12.13	58.16
(ii) Lease liability	19	5.17	10.33	15.05
(iii) Other Financial Liabilities	20	1.80	1.00	-
Provisions	21	13.73	11.94	10.57
Deferred Tax Liabilities (Net)	7	6.83	-	-
		35.85	**35.40**	**83.78**
Current Liabilities				
Financial Liabilities:				
(i) Borrowings	23	294.05	209.45	170.79
(ii) Trade Payables	24			
(a) total outstanding dues of micro enterprises and small enterprises		17.34	89.07	27.90
(b) total outstanding dues for creditors other than micro enterprises and small enterprises		381.99	742.29	551.44
(iii) Lease liability	19	5.16	4.70	4.29
(iv) Other Financial Liabilities	20	205.62	188.71	137.23
Other Current Liabilities	25	27.21	14.59	27.97
Provisions	21	2.82	4.08	2.59
Current Tax Liabilities (Net)	22	-	-	39.96
		934.19	**1,252.89**	**962.17**
Total equity and liabilities		**2,961.23**	**3,384.88**	**2,981.80**

11/ Risks:

- Dependence on their customers doing well: 90% in B2B business
- Highly competitive, no moat & gruesome business

- Shady dealings with a promoter owned subsidiary: Windlas Healthcare
- No geographical diversification wrt plants.

12/

- Formulations players backwardly integrating their operations: Eris doing the same as it helps them maintain consistent quality & achieve higher margins
- API prices going up (No long term contract with supplier)
- Litigations ■
- Loss-making Subsidiaries.

Nature of cases	Number of cases	Total amount involved^
Litigation involving our Company		
Against our Company		
Material civil litigation proceedings	1	Not quantifiable
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	5	42.20
Taxation proceedings	11	35.44
By our Company		
Material civil cases	Nil	Nil
Criminal cases	6	6.25
Litigation involving our Directors		
Against our Directors		
Criminal cases	1	Not quantifiable

13/

At valuations of 2.3x P/S, 19x P/EBITDA & 65x PE, this is valued much higher than most Indian branded formulations are; leaving little to nothing on the table for the investors.

End of Thread.

Industry terms that are mentioned above explained ■

Technical/Industry Related Terms/Abbreviations

Term	Description
AB-PMJAY	Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana
API	Active pharmaceutical ingredients
CAGR	Compounded annual growth rate
CDMO	Contract development and manufacturing organization
CDSCO	Central Drugs Standard Control Organization of India

Term	Description
CSR	Corporate social responsibility
DCGI	Drugs Controller General of India
Dehradun Plant – I	Our Dehradun Plant- I, located at 40/1, Mohabewala Industrial Area, Dehradun in Uttarakhand
Dehradun Plant – II	Our Dehradun Plant- II, located at Khasra no. 141 to 143 and 145, Mohabewala Industrial Area, Dehradun in Uttarakhand
Dehradun Plant – III	Our Dehradun Plant- III, located at Plot no. 39, Pharma City Selaqui Industrial Area, Dehradun in Uttarakhand
Dehradun Plant – IV	Our Dehradun Plant- IV, located at Plot no. 183 and 192, Mohabewala Industrial Area, Dehradun in Uttarakhand
DPCO	Drug Prices Control Order
EBITDA	EBITDA is calculated as profit before share of gain/ (loss) in joint venture and associates, exceptional items and tax plus share of gain/ (loss) in joint venture and associate company, finance costs and depreciation and amortization expenses less other income
EBITDA Margin	EBITDA Margin is the percentage of EBITDA divided by revenue from operations
ERP	Enterprise resource planning
FDA	Food and Drug Administration
GMP	Good Manufacturing Practices
IPM	Indian Pharmaceutical Market
Material margin percentage	Material margin ratio is calculated by dividing margin (which is calculated by deducting cost of goods sold from revenue from operations) by revenue from operations
NDDS	Novel drug delivery systems
NLEM	National List of Essential Medicines
NIPER	National Institute of Pharmaceutical Education and Research, S.A.S. Nagar
NPPA	National Pharmaceutical Pricing Authority
OTC	Over-the-counter
PAT Margin	PAT Margin is calculated by profit for the period/year before exceptional items divide by Revenue from operation
PLI	Production Linked Incentive
PMBJP	Pradhan Mantri Bhartiya Janaushadhi Pariyojana
R&D	Research and development
ROCE	Return of capital employed is calculated based on EBIT (calculated as EBITDA, Less Depreciation) divided by average capital employed
SBV	Strategic business verticals
Schedule M	Schedule M of the Drugs and Cosmetic Act, 1940
SKU	Stock keeping unit
US FDA	United States Food and Drug Administration
VMS	Vitamins, minerals and supplements
WHO	World Health Organization