

# SML

## DISCUSSION DOCUMENT – TIA CONFERENCE FEB 2024

**CMP: Rs. 379 (17<sup>th</sup> Feb 2024); MCAP: Rs. 3,290 Cr.;  
Net Debt: Rs. 850 Cr.;**

**FY23 Rev Rs. 1,046 Cr.; FY23 EBITDA Rs. 120 Cr.; FY23 PAT (loss) Rs. (31) Cr.**

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- **Co-founder & Fund Manager, MK Ventures**, a proprietary investment firm. **Partner, INVEXA CAPITAL.**
- 18+ years of cross-functional, cross-industry experience including **7 years in consulting and 11+ years in investing.**
- Before MK Ventures, I was Assistant Vice President – Investments at Reliance Capital Ltd., and part of the investment team at **Nippon India Asset Management**. Previously, I have also worked at Accenture Management Consulting and Tata Consultancy Services Ltd.
- I lead the team's investment initiatives in **Pharma / Healthcare, Telecom, Emerging Technologies & Business Models** and have also extensively worked in other sectors including **Consumer, IT, Automotive, Chemicals, and Real Estate.**
- Bachelor of Engineering degree (Electronics & Telecommunications) from Mumbai University and an **MBA (PGDM) from the Indian Institute of Management Calcutta (IIM C)**
- Besides investing, I am also very passionate about writing, and maintain my own **blog** (<https://thestormcatcher.com>). I have also authored a **book** titled "**Ouch! Middle Age!**", available on Amazon Kindle.

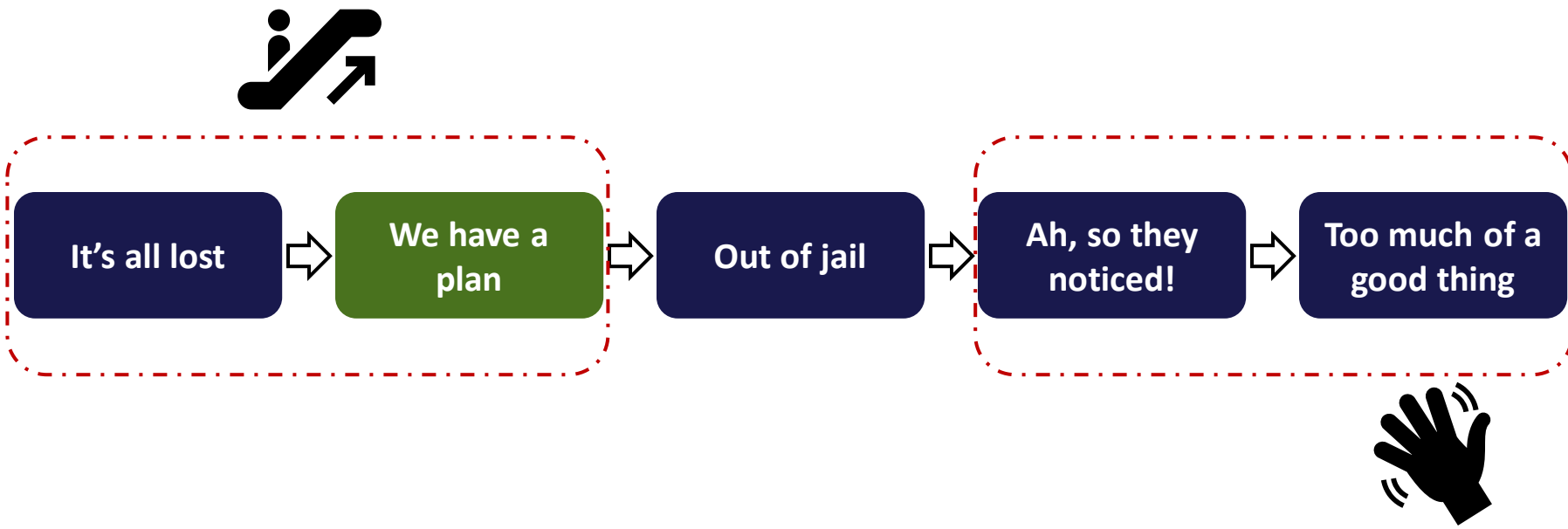
- **Strong business models with reasonable but certain growth characteristics**
- **Passionate promoter with a clear and well articulated vision for the company**
- **Significant upside optionality – like Business Optionality, Turnarounds and Perception Gaps**
- **Superior / Improving - balance sheet / return ratios / cashflows**
- **Valuations that I can relate to**

**Situations that we  
thrive in as investors**



# Investing process can never be static; for businesses / themes are rarely so...

## The different stages of participating in a turnaround story



The cost of being early, is often a lonely wait...

**Missing out, usually, is the cost of being late!**

## **Introduction – Shilpa Medicare Ltd.**

# Let's begin by highlighting the behavioural disconnect in our current investment

## Shilpa Medicare – where we think differently from the street

### What the market perceives!



VS

### What we are reasoning

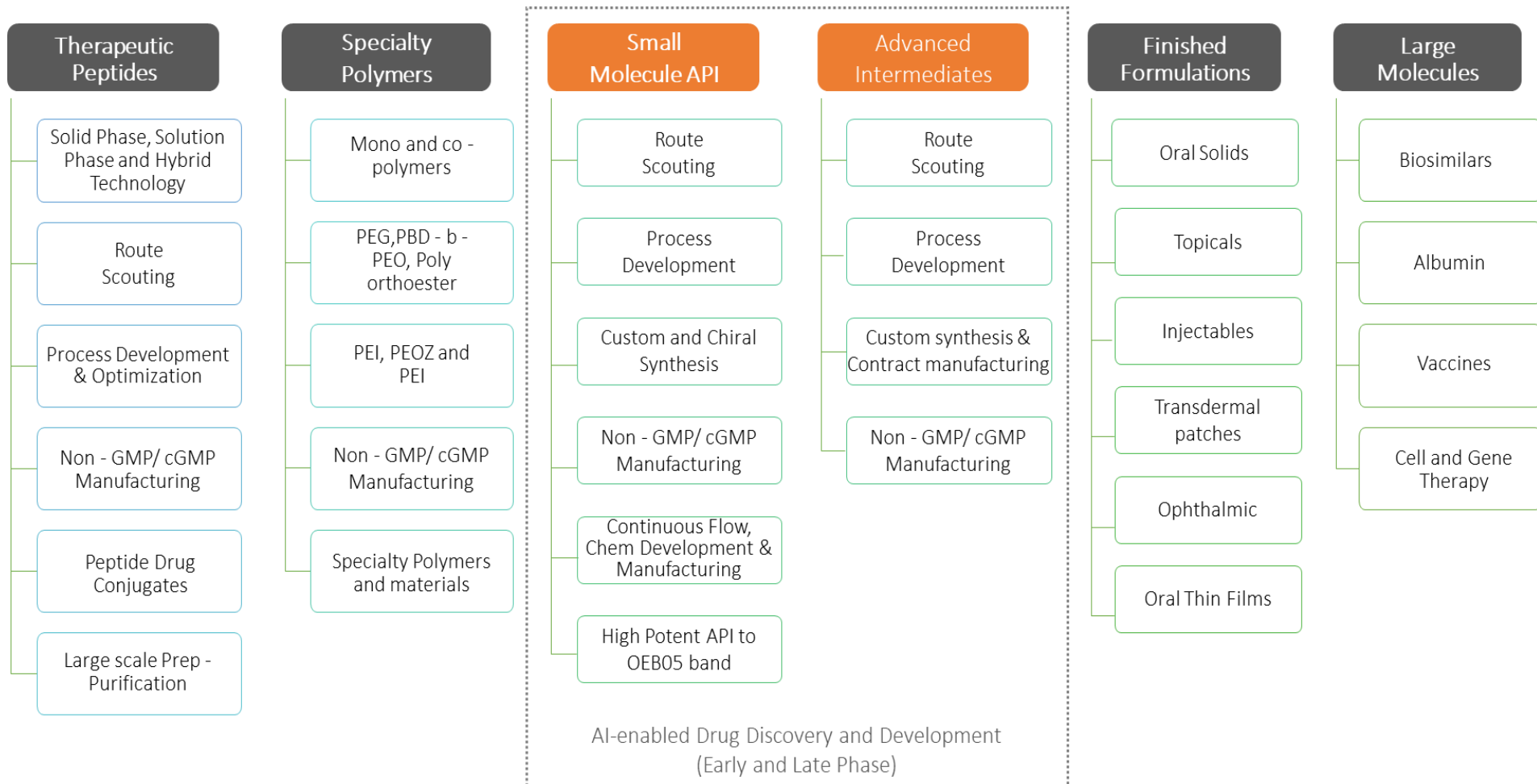


\*Our reasoning is based on study of imminent triggers and inherent capabilities by segment, overlaying publicly available guidance on top of it



# Shilpa Medicare is one of the most diversified and integrated midcap pharma cos in India, with capabilities straddling the entire spectrum of products available

## Shilpa – Range of products / solutions



*Standalone or integrated solutions with full analytical development and regulatory support*

# The capabilities are underpinned by a strong R&D framework, IP & manufacturing infrastructure (1/2)

## Shilpa – Manufacturing and R&D



### Unit 1

- Raichur; API - Onco & Non-onco
- 7 API blocks; 325KL capacity
- USFDA/EUGMP/WHO GMP etc.



### Unit 5

- Dharwad; Biosimilars, Albumin, CDMO
- GMP / GLP certified



### Unit 2

- Raichur; API - Onco & Non-onco, CRAMS
- 10 API blocks; 522KL; 100% EOU
- USFDA/EUGMP/WHO GMP etc.



### Unit 6

- Bengaluru; TD / ODF
- 7 API blocks; 325KL capacity
- WHO GMP / UK MHRA etc.



### Unit 3

- Hyderabad; FD – Ophthalmic, Injectable, Derma
- WHO GMP



### Unit 7

- Hyderabad; R&D Lab
- Analytical Services (API & FD), Centralized Biopharma & Bio analytical services, Pharmacovigilance
- USFDA (for ASD), GLP/GMP



### Unit 4

- Telengana SEZ;
- FD – OSD (2 lines), Injectable (2 liquid-lyophilization)
- High potency drugs
- USFDA/EUGMP/WHO GMP etc.

### Albumin New Block

- Kadechur
- Fermentation technology

# The capabilities are underpinned by a strong R&D framework, IP & manufacturing infrastructure (2/2)

## Shilpa – Manufacturing and R&D

540+ patents filed

Licensing rev. 100 Cr.+ (FY24)

~10+ products licensed

In-house cell clones

200+ scientists

10+ Biosimilars

239 DMFs (45 US, 28 EU)

US (27 ANDA / 3 NDA) EU (69), ROW (465)

Over 40 Onco and 50 overall APIs

~50 cosmetic + generic peptides

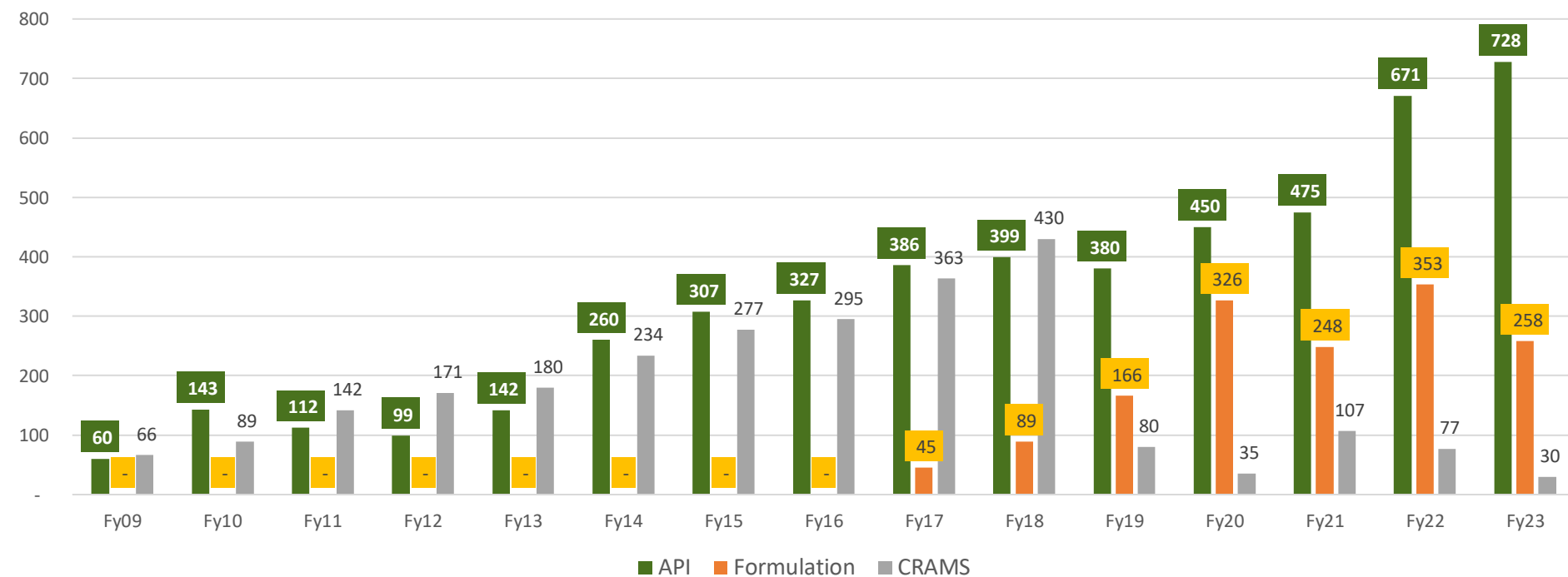
8 units – Mfg + R&D

**What's gone wrong...**

# Contrary to popular perception of no/low overall growth, API business has delivered strong growth and profits for Shilpa over last 15 years, along with high margins / ROCE and cashflows

## Shilpa – Historical revenue breakup

Shilpa - Revenue Composition



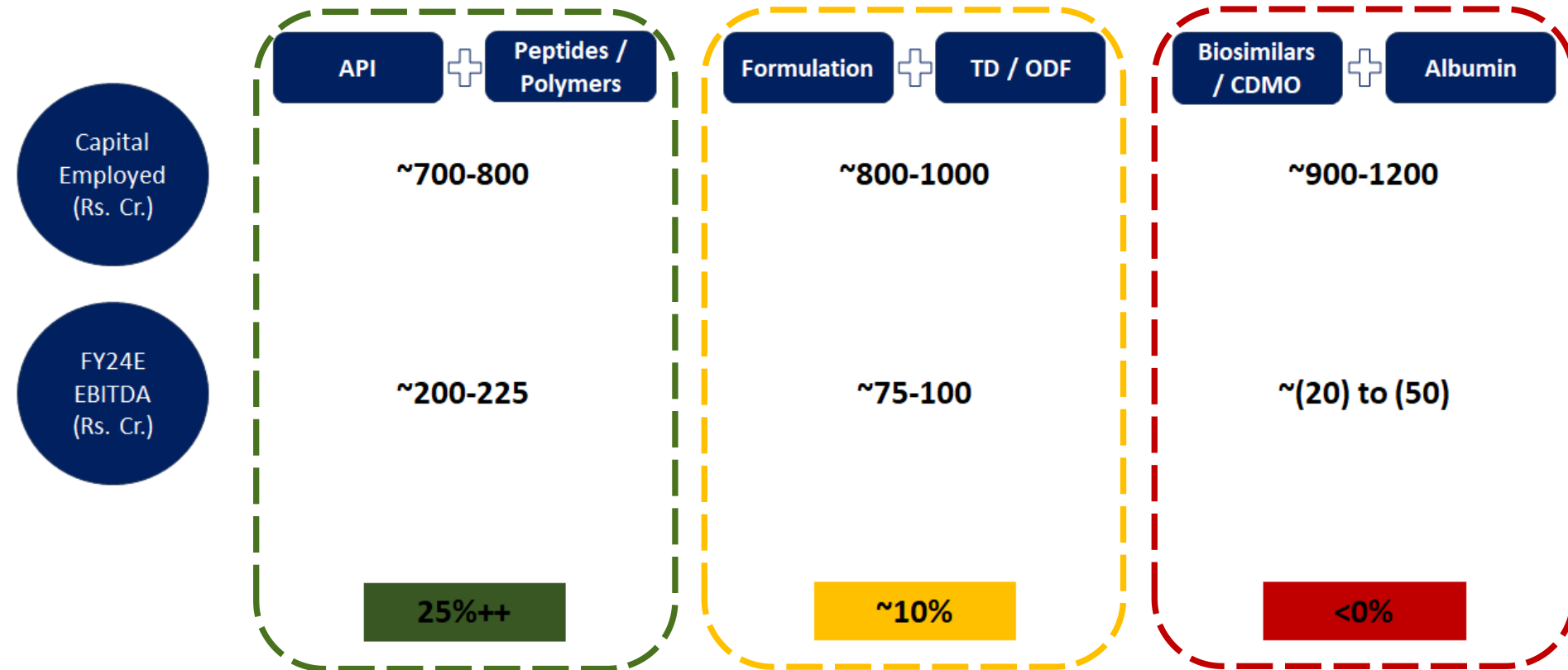
- **At an est. ~800-850 Cr. in FY24, API business has grown almost 15x in the last 15 years (~doubler every ~4 years).**
- **Legacy CRAMS business wound down beginning FY19, while parallelly formulations business saw aggressive scale-up**
- **FDA issues struck the formulations plant towards end of FY20 just as the business was poised for vertical take-off. Consequently, they have had revenue stagnancy last 3 years, with management substituting loss of business from US through IP monetization**

Source: Shilpa Annual Reports / Subsidiary ARs / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research. Data from multiple sources has been used to arrive at a logical estimate

# Leveraging returns from API business, Shilpa acquired / re-invested significant capital into building capabilities in FDs, Biologics (Mammalian / Microbial)

## Shilpa – est. Capital Allocation Breakup

Total Capital Allocated ~2700-3000 Cr. including gross block (~2000 Cr.), CWIP (~400 Cr.), NWC (~400-500 Cr.)



Source: Shilpa Annual Reports / Subsidiary ARs / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research. Data from multiple sources has been used to arrive at a logical estimate

# The overall profitability / growth of the company has suffered in last few years as the scaled up investments into non API businesses are not yet yielding returns

## Shilpa – Key Points of Disconnect

Rs Cr	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
<b>Sales</b>	<b>571</b>	<b>614</b>	<b>719</b>	<b>779</b>	<b>789</b>	<b>733</b>	<b>908</b>	<b>899</b>	<b>1,141</b>	<b>1,046</b>
% Growth YOY		7%	17%	8%	1%	-7%	24%	-1%	27%	-8%
Expenses	455	485	566	614	634	585	688	718	940	947
Material Cost (% of Sales) <b>1</b>	58%	53%	52%	54%	40%	35%	32%	37%	34%	39%
Power and Fuel	3%	3%	3%	3%	4%	5%	4%	4%	5%	5%
Other Mfr. Exp	3%	3%	3%	3%	4%	5%	4%	6%	6%	6%
Employee Cost	12%	13%	13%	<b>2</b> 16%	19%	24%	22%	26%	23%	27%
Selling and Admin Cost	5%	6%	7%	6%	7%	7%	<b>3</b> 13%	12%	14%	11%
<b>Operating Profit</b>	<b>116</b>	<b>129</b>	<b>153</b>	<b>165</b>	<b>155</b>	<b>148</b>	<b>219</b>	<b>181</b>	<b>202</b>	<b>99</b>
Operating Profit Margin <b>4</b>	20%	21%	21%	21%	20%	20%	24%	20%	18%	9%
Depreciation	23	21	29	31	37	42	44	54	<b>5</b> 80	96
Interest	4	4	7	3	3	4	5	<b>6</b> 22	41	59
Tax	20	35	23	42	34	26	34	49	42	-7
<b>Net profit</b>	<b>75</b>	<b>73</b>	<b>99</b>	<b>104</b>	<b>103</b>	<b>110</b>	<b>155</b>	<b>146</b>	<b>61</b>	<b>-31</b>
% Growth YOY		-3%	36%	6%	-2%	6%	41%	-5%	-59%	-151%
Net Profit Margin	13%	12%	14%	13%	13%	15%	17%	16%	5%	-3%

### Observations

- Gross margins remain healthy, indicating core business not seeing too much challenge (except in FY23 over FY22)
- Employee cost went up sharply as co. hired resources for newer business initiatives and expanded capacity
- Admin costs up from FY20 onwards for 2-3 years because of regulatory reasons among other points.
- Despite this, margins remained healthy until couple of years back; FY23 is where it all unravelled
- Both depreciation and interest cost have gone up sharply over FY20-23, synonymous with sharp gross block expansion, mainly fuelled by debt being accrued into balance sheet relative to equity
- Note that Shilpa acquired parts of formulation business and the entire biologics business (Navya) from other companies to cut short on the long gestation time; and are towards the completion of capital undertaken for these initiatives

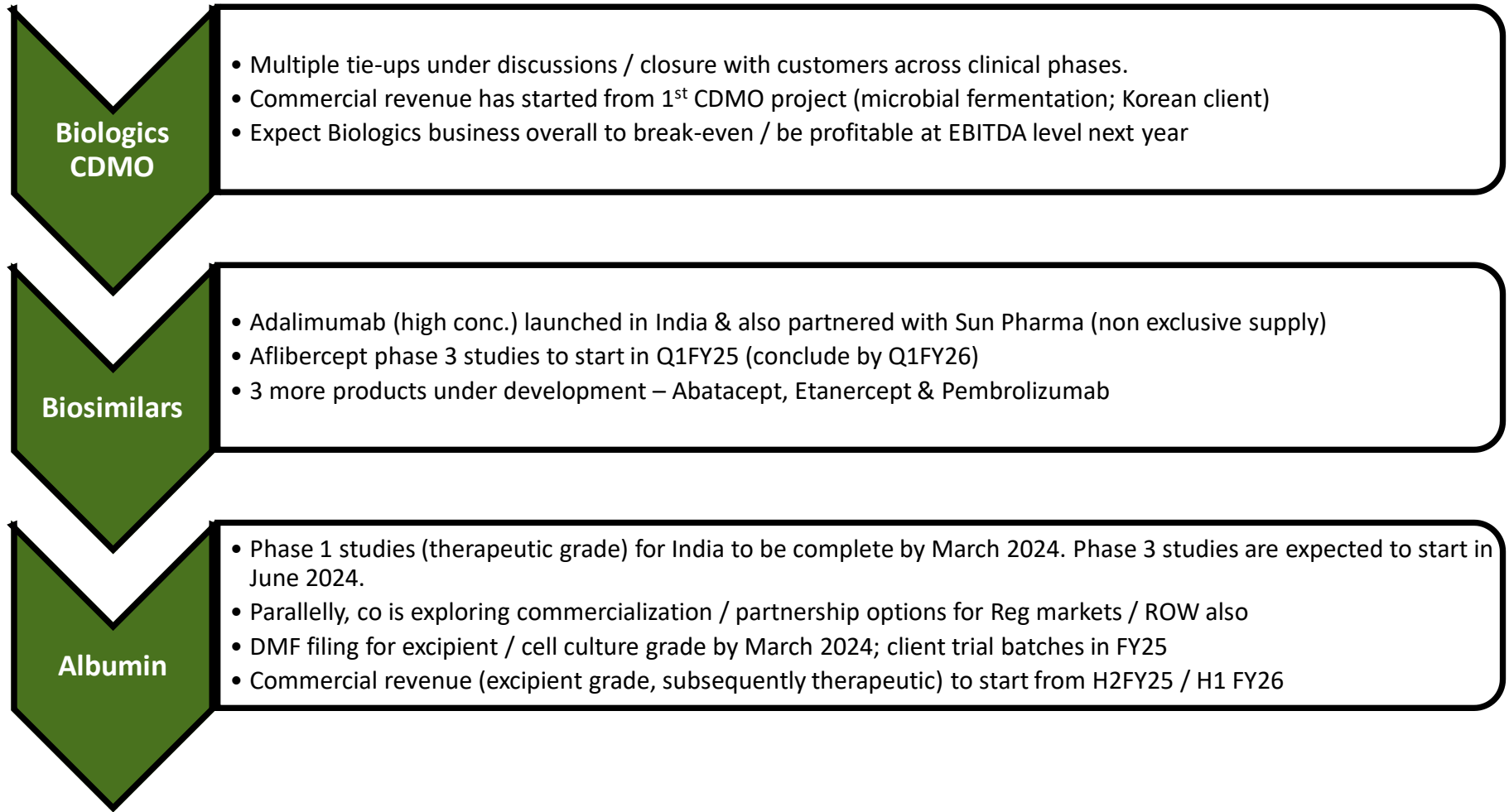
Source: Shilpa Annual Reports / Subsidiary ARs / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research. Data from multiple sources has been used to arrive at a logical estimate

**What's changing now...**



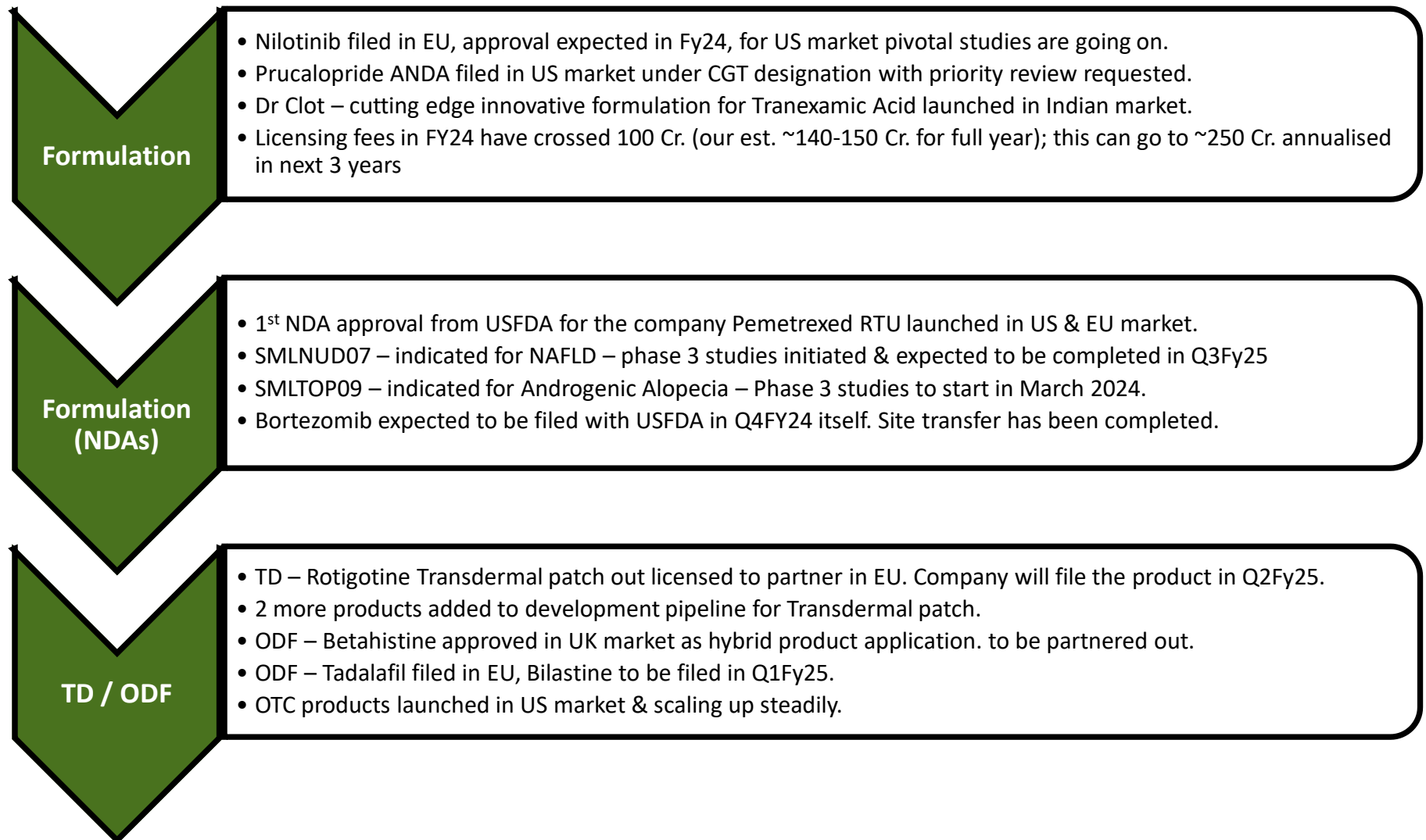
# Shilpa's long gestation investments are now coming to a monetization stage, beginning with Biologics

## Shilpa – segment wise current status - Biologics



# In Formulations – the company is using licensing route to monetize its pipeline, and also working on maximization thru specific opportunities (like Pemetrexed, Bortezomib)

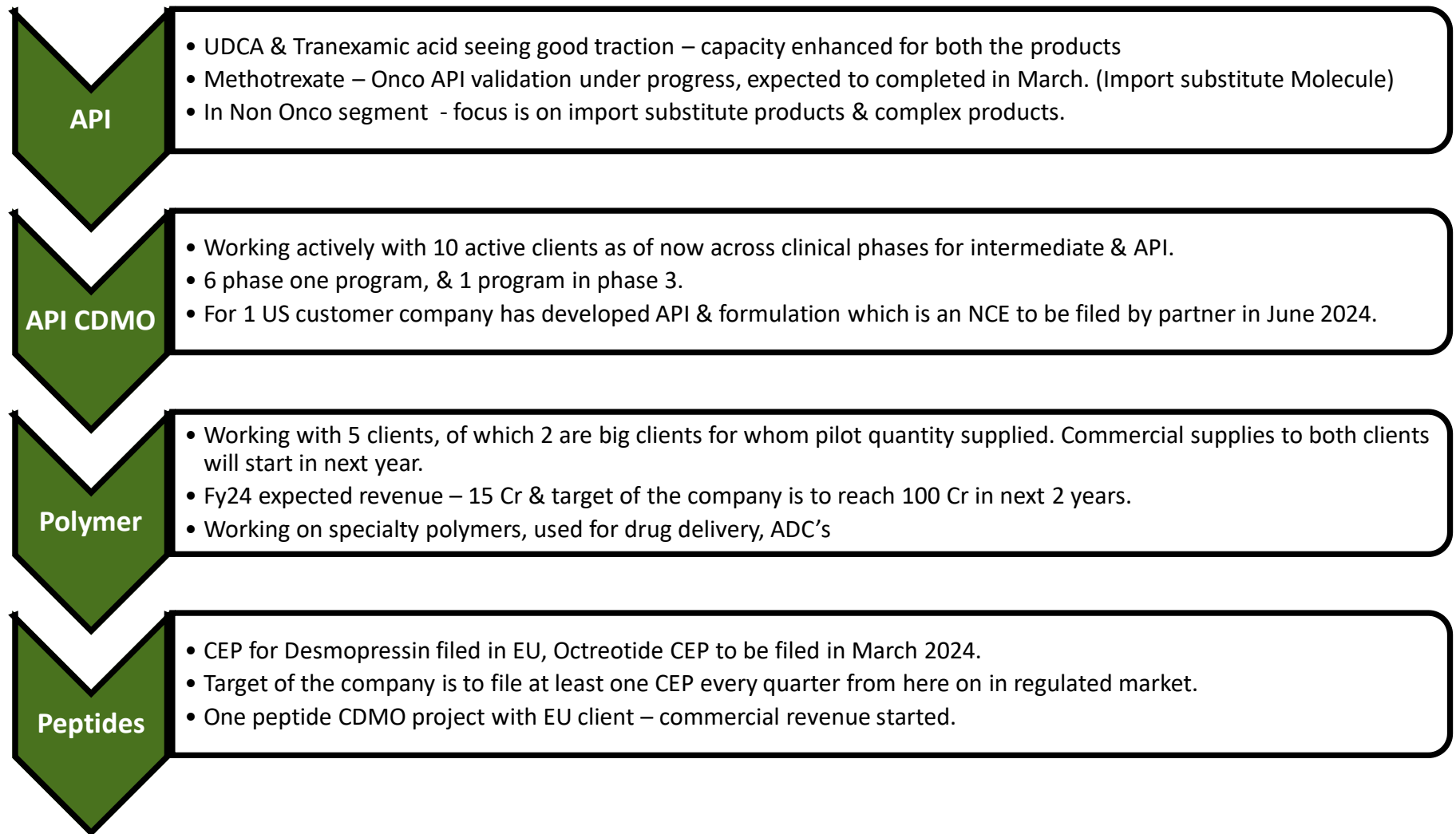
## Shilpa – segment wise current status - Formulations



Source: Shilpa Annual Reports / Subsidiary ARs / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research.

# In APIs – the company is leveraging core capabilities to win niche CDMO business, also steadily working on commercialization opportunities for Peptides and Polymers.

## Shilpa – segment wise current status - API



# We believe Shilpa Medicare is at the cusp of a major turnaround in the business as all sectors will see meaningful commercialization / scale-up beginning FY25

## Shilpa - segment wise outlook

All business lines in Shilpa will be positively contributing to EBITDA FY25 onwards; and to PAT FY26 onwards

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	Remarks
API	Green	Green	Yellow	Green	Green	Green	Green	FY23, FY24 – Intas issue affected Onco APIs
FD	Red	Red	Yellow	Green	Green	Green	Green	FY21 – Import Alert; FY24 – licensing picks up, Pemetrexed launch
TD/ODF	Red	Red	Yellow	Green	Green	Green	Green	FY23 – scale-up begins in ODF; FY24 – segment turns profitable (due to licensing income)
Biosimilars	Red	Yellow	Yellow	Green	Green	Green	Green	Adalimumab launch, Aflibercept Phase 3 trial permissions – FY24
Vaccine/Biologics CDMO	Green	Red	Red	Yellow	Green	Green	Green	Vaccine play in Covid (3 xlients – Zydus, DRL, Serum); fizzled out post Covid; CDMO picks up beginning FY24
Albumin	Red	Red	Red	Yellow	Green	Green	Green	FY24 - Enters clinical trials in India, excipient grade DMF to be filed. FY25 commercialization / scale up...

**Further, the co. has taken several steps to fix current issues on operations & balance sheet; we would like to believe management is committed to walk the talk on way forward...**

### **Shilpa – Management actions to reduce stress in business**

- ✓ **R&D Optimization:** Management has consolidated its R&D operations and optimizing resources, to sustainably bring down costs. At peak, R&D costs for Shilpa (across IP, resources and filing costs etc.) were as high as ~35-40% of pre R&D EBITDA (partly capitalized though)
- ✓ **Overall cost of operations:** Several operating cost rationalization measures are being taken and we should see to this effect in financials in FY25, beginning with employee costs and other operating costs. Also looking at bringing down costs in overseas subsidiaries
- ✓ **IP Monetization:** prioritizing specific products within the overall portfolio; aggressively chasing licensing income (which should possibly touch ~140-150 Cr. this year)
- ✓ **Balance Sheet Issues:** Company has restructured / refinanced its debt to significantly improve near term cashflow / liquidity and align the liability profile more in line with expected cashflows from business. We are also hopeful that they will be able to bring down interest costs in next 4-6 quarters and subsequently also bring down debt to much lower levels (as higher business cashflow kicks in)
- ✓ **Raising Equity Capital:** Approvals in place for 500 Cr. fund raise, which we believe will be the last round of equity injunction they will need for a long time. At a time when capital accessibility is genuinely good across all strata of corporates, Shilpa can permanently fix its business and balance sheet issues with this fund raise; post FY25 / FY26 we do not see it ever coming to such stretch on its BS again!
- ✓ **Addressing Regulatory Issues:** Shilpa has managed to remediate its formulations plant (stuck for 3 years post Import Alert in FY21) and also recently got it reinspected. We believe this is a step in the right direction, and the plant should likely see full resolution in FY25 or early FY26. They have also managed to site transfer all critical products (e.g. Bortezomib) and hence FD earnings will anyways rebound sharply from here. Regulatory compliance costs should also come down meaningfully next year

**A combination of business turnaround, optimization of ops & capital structure, operating leverage and contribution from high margin near term opportunities will ~double EBITDA between FY24E-FY26E**

**Shilpa – brief near term projections for key metrics**

**Sharp operating leverage to be clearly visible in the profitability ramp-up from FY24-26**

<b>Rs. Cr.</b>	<b>Fy24</b>	<b>Fy25</b>	<b>Fy26</b>	<b>2Y CAGR</b>
<b>Revenue</b>	<b>1,205</b>	<b>1,410</b>	<b>1,590</b>	<b>14.9%</b>
<b>EBITDA</b>	<b>262</b>	<b>372</b>	<b>460</b>	<b>32.5%</b>
<b>EBITDA Margins</b>	<b>22%</b>	<b>26%</b>	<b>29%</b>	<b>14.8%</b>
<b>PAT</b>	<b>16</b>	<b>130</b>	<b>161</b>	<b>217.2%</b>
<b>Networth</b>	<b>1,791</b>	<b>1,921</b>	<b>2,083</b>	<b>7.8%</b>
<b>Net debt</b>	<b>800</b>	<b>650</b>	<b>450</b>	<b>-25.0%</b>
<b>FCF</b>	<b>77</b>	<b>184</b>	<b>280</b>	<b>90.7%</b>

Source: Shilpa Annual Reports / Investor ppts / Website / Filings / Concalls, publicly available info, Internal Research.

\*Numbers above do not factor any fund raise, and also do not factor sharp upside optionality from Albumin, which is probably likely only by late FY26 / early FY27 22

# If upside optionality kicks in, can we see “5x in 5y” in Shilpa Medicare?

## Shilpa – blue sky scenario!

Multiple upside optionalities in Biologics, Formulations base business / NDAs, Licensing income – EBITDA could double again over FY26E-FY28E to touch ~1,000 Cr.

Rs. Cr.	Fy26	Fy28
	Base Case	Blue Sky
<b>EBITDA</b>	<b>460</b>	<b>1,000</b>
<b>EV/EBITDA</b>	<b>15</b>	<b>20</b>
<b>Enterprise Value</b>	<b>6,900</b>	<b>20,000</b>
<b>Net Debt</b>	<b>~450-500</b>	<b>-</b>

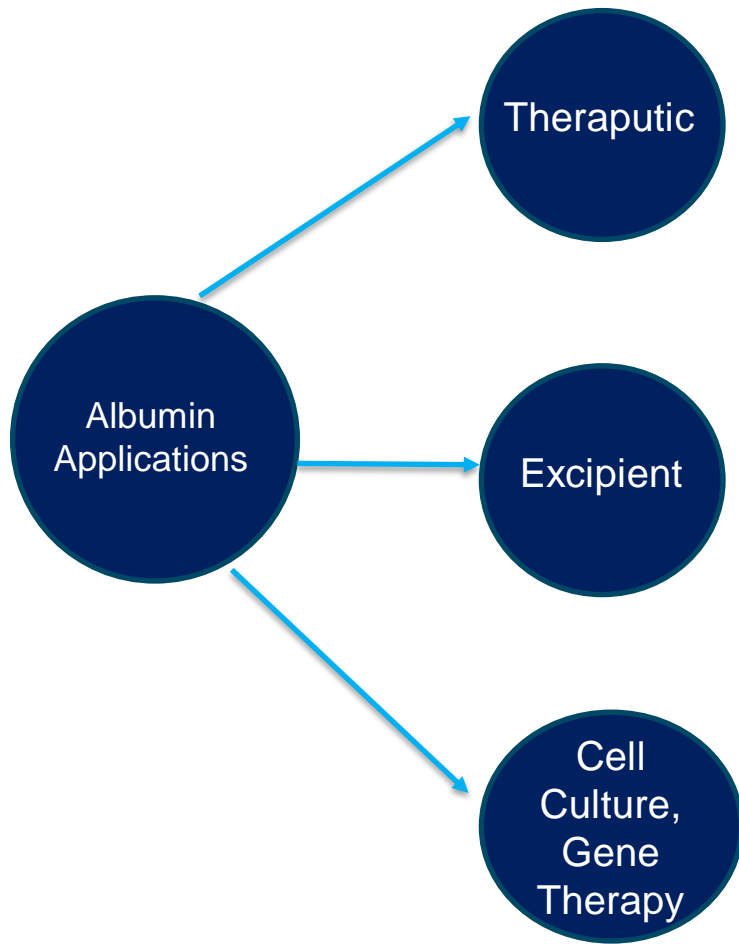
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\*Base case is what we are comfortable SML will more or less achieve by FY26; Blue Sky numbers is what we hope it will achieve by FY28!

**What kind of upside optionality exists?**



**1. Albumin – est. 8-10bn USD global drug with perennial shortage!**



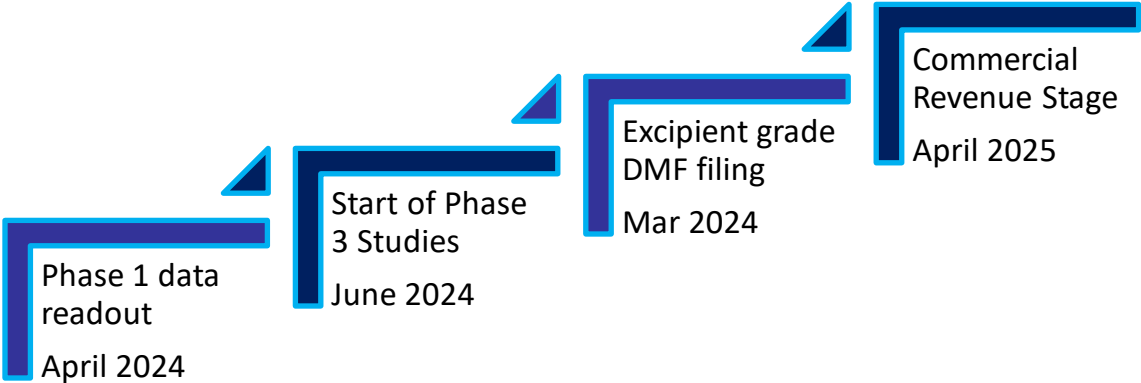
- As a drug It is primarily used to treat Hypovolemia associated with a range of diseases
- New indications for Albumin as a drug (potential to be used in Alzheimer Disease, other liver cirrhosis and liver insufficiency indications)

- Act as a carrier molecule/scaffold in drug delivery to transport therapeutic peptides and proteins
- Serve as a coating on medical devices
- Be used as a component in nanoparticle albumin-bound formulations

- Used as a medium component for:
  - Cell culture
  - Cryopreservation
  - Stem cell expansion

# Shilpa's Progress on Recombinant Albumin: On the right track

- Albumin can be manufactured synthetically (termed as Recombinant Albumin) through **yeast culture**, but it has challenges pertaining to large impurities.
- Shilpa has developed one of the most cost-effective processes for purification of Recombinant Albumin in the world. This process has been granted **a patent in US and Europe**.
- It will enable Shilpa to manufacture commercial scale Albumin with 99.9% purity in a cost effective and commercially viable way.
- Shilpa plant for commercial manufacturing of Recombinant Albumin is about to get completed by June 2024.



## **2. NDA Opportunities like Pemetrexed / Bortezomib**

## Pemetrexed RTU: first 505(b)(2) NDA approval for the company from USFDA

- ✓ Used in the treatment of non-small cell lung cancer in combination with other chemotherapy agents
- ✓ A novel ready-to-use injection which eliminates the need for reconstitution and dilution before administration to the patient.
  - Alimta, the original branded Pemetrexed from Eli Lilly, is a powder that needs to be reconstituted by pharmacists, which can be a long process.
  - Other branded alternative to Pemetrexed, Eagle's Pemfexy, is a Ready-To-Dilute (RTD) liquid offering that eliminates the step for reconstitution. But it still needs to be diluted and needs to be stored at 2-8 degree Celsius.
- ✓ Ready-to-use formulation of Shilpa, enables reduction of dosing errors, ease of administration and accurate dosing based on patient body weight.
- ✓ Shilpa's product will be sold by Amneal under milestone-based licensing income, cost of manufacturing + pre-determined mark-up and profit share.
- ✓ **Pemetrexed sales last year in US alone were 532mn USD**
- ✓ **Pemetrexed can be an 100mn USD+ annual sales potential opportunity for next few years (until 2032) at Amneal level, however it could translate into ~20-25mn USD annually kind of opportunity for Shilpa Medicare (with ~70%+ margins).** Product will take couple of years to build out though, so full potential to be realized only beginning FY26.
- ✓ Shilpa's product has got J Code registration. J-codes are permanent reimbursement codes used by healthcare providers, government payers and commercial insurers to facilitate billing of Medicare Part B treatments, which must be administered by a healthcare professional. **Code "J" enables marketing the product as a niche product**

## Historical Financials

## Profit & loss

INR Cr	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CAGR (FY18-23)
<b>Net Revenue</b>	<b>318</b>	<b>371</b>	<b>571</b>	<b>614</b>	<b>716</b>	<b>779</b>	<b>789</b>	<b>733</b>	<b>908</b>	<b>901</b>	<b>1,146</b>	<b>1,050</b>	<b>5.9%</b>
<i>Y-o-Y</i>		16.7%	53.9%	7.4%	16.7%	8.8%	1.2%	-7.0%	23.8%	-0.7%	27.1%	-8.3%	
COGS	183	214	313	323	366	372	356	257	278	271	383	415	3.1%
<b>Gross Profit</b>	<b>135</b>	<b>157</b>	<b>258</b>	<b>291</b>	<b>350</b>	<b>407</b>	<b>433</b>	<b>476</b>	<b>630</b>	<b>630</b>	<b>762</b>	<b>635</b>	<b>8.0%</b>
<b>Gross Profit Margin%</b>	<b>42.4%</b>	<b>42.4%</b>	<b>45.2%</b>	<b>47.4%</b>	<b>48.9%</b>	<b>52.3%</b>	<b>54.9%</b>	<b>65.0%</b>	<b>69.4%</b>	<b>70.0%</b>	<b>66.5%</b>	<b>60.4%</b>	
Employee Cost	34	43	68	82	90	128	149	176	197	235	264	287	14.0%
Other Operating costs	40	46	74	82	100	118	132	146	219	223	301	245	13.1%
<b>Total Expenditure</b>	<b>74</b>	<b>89</b>	<b>142</b>	<b>164</b>	<b>190</b>	<b>246</b>	<b>282</b>	<b>322</b>	<b>416</b>	<b>459</b>	<b>565</b>	<b>532</b>	<b>13.6%</b>
<b>EBITDA</b>	<b>61</b>	<b>69</b>	<b>116</b>	<b>126</b>	<b>160</b>	<b>162</b>	<b>151</b>	<b>154</b>	<b>215</b>	<b>172</b>	<b>197</b>	<b>102</b>	<b>-7.5%</b>
<b>EBITDA %</b>	<b>19.2%</b>	<b>18.5%</b>	<b>20.3%</b>	<b>20.6%</b>	<b>22.3%</b>	<b>20.7%</b>	<b>19.2%</b>	<b>21.0%</b>	<b>23.6%</b>	<b>19.1%</b>	<b>17.2%</b>	<b>9.7%</b>	
Other Income	8	6	9	7	11	29	33	16	22	40	21	17	-11.8%
Depreciation	14	15	23	21	23	31	37	42	44	54	80	96	20.7%
Interest	2	2	4	4	4	3	3	4	5	22	41	59	85.6%
Exceptional Items	1	0	-3	0	-2	-5	0	20	0	61	9	0	
Minority Interest	0	0	1	1	4	3	2	3	2	2	0	-2	
Share in Profit and Loss of Asso	0	0	0	0	0	0	0	0	0	0	0	-4	
<b>PBT</b>	<b>53</b>	<b>57</b>	<b>96</b>	<b>109</b>	<b>145</b>	<b>156</b>	<b>146</b>	<b>146</b>	<b>190</b>	<b>198</b>	<b>106</b>	<b>-40</b>	<b>Na</b>
Tax	12	10	20	35	36	42	34	26	33	49	42	-7	
<b>PAT</b>	<b>41</b>	<b>47</b>	<b>76</b>	<b>74</b>	<b>110</b>	<b>114</b>	<b>112</b>	<b>120</b>	<b>157</b>	<b>150</b>	<b>64</b>	<b>-33</b>	<b>Na</b>

Source: Secondary Research, Publicly available info, company filings

## Balance Sheet

INR Crore	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Share Capital	5	5	7	8	8	8	8	8	8	8	9	9
Total Reserves	271	316	389	539	632	979	1,077	1,189	1,321	1,471	1,814	1,775
<b>Shareholder's Funds</b>	<b>276</b>	<b>320</b>	<b>396</b>	<b>547</b>	<b>639</b>	<b>987</b>	<b>1,085</b>	<b>1,198</b>	<b>1,329</b>	<b>1,479</b>	<b>1,822</b>	<b>1,783</b>
Minority Interest	5	9	10	14	2	-3	-5	-8	-8	-11	-11	-9
Long Term Debt	19	86	88	130	17	149	93	107	225	601	479	289
Short Term Debt	41	45	30	58	74	92	98	87	165	243	203	507
<b>Total Debt</b>	<b>61</b>	<b>132</b>	<b>118</b>	<b>189</b>	<b>91</b>	<b>241</b>	<b>191</b>	<b>194</b>	<b>390</b>	<b>844</b>	<b>682</b>	<b>796</b>
Deferred Tax Liab.	20	21	26	38	51	85	59	48	42	47	55	14
Other LT Liab + Prov.	6	7	11	14	16	24	26	38	50	40	44	42
Trade Payables	57	51	93	76	106	112	104	81	93	77	146	144
Other CL + ST Prov.	9	11	23	27	25	26	39	60	93	141	137	132
<b>Current Liabilities</b>	<b>66</b>	<b>63</b>	<b>116</b>	<b>103</b>	<b>131</b>	<b>138</b>	<b>143</b>	<b>141</b>	<b>186</b>	<b>218</b>	<b>283</b>	<b>276</b>
<b>Total Liabilities</b>	<b>433</b>	<b>551</b>	<b>678</b>	<b>905</b>	<b>931</b>	<b>1,472</b>	<b>1,499</b>	<b>1,610</b>	<b>1,989</b>	<b>2,616</b>	<b>2,875</b>	<b>2,902</b>
<b>Net Block</b>	<b>167</b>	<b>181</b>	<b>294</b>	<b>316</b>	<b>393</b>	<b>492</b>	<b>534</b>	<b>558</b>	<b>650</b>	<b>1,111</b>	<b>1,342</b>	<b>1,368</b>
Capital Work in Progress	58	129	111	222	92	141	210	429	666	541	506	655
Non-Current Investments	0	0	0	0	34	28	21	2	10	21	34	43
Other LT L&A (Incl. Cap Adv)	21	29	38	39	57	82	62	76	38	57	106	68
Inventories	67	74	123	131	134	190	189	188	226	333	355	320
Sundry Debtors	41	42	68	81	125	171	220	204	247	234	386	324
Cash & Cash equivalents	2	17	9	18	11	100	74	95	45	124	34	22
Current Investments	68	50	10	65	60	225	120	0	0	0	0	0
Oth CA + ST L&A	10	29	23	32	24	44	70	59	106	172	112	102
<b>Total Current Assets</b>	<b>188</b>	<b>212</b>	<b>234</b>	<b>328</b>	<b>354</b>	<b>730</b>	<b>672</b>	<b>545</b>	<b>624</b>	<b>862</b>	<b>887</b>	<b>768</b>
<b>Total Assets</b>	<b>433</b>	<b>551</b>	<b>678</b>	<b>904</b>	<b>931</b>	<b>1,472</b>	<b>1,499</b>	<b>1,610</b>	<b>1,989</b>	<b>2,592</b>	<b>2,875</b>	<b>2,902</b>

Source: Secondary Research, Publicly available info, company filings



## Cash Flow statment

INR Crore	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Cum.
<b>Profit Before Tax</b>	<b>54</b>	<b>57</b>	<b>95</b>	<b>108</b>	<b>140</b>	<b>146</b>	<b>137</b>	<b>136</b>	<b>188</b>	<b>195</b>	<b>102</b>	<b>-38</b>	<b>1,320</b>
Depreciation	14	15	23	21	23	31	37	42	44	54	80	95	
Interest	2	1	4	4	4	3	3	4	5	22	41	59	
Others	-6	-5	-7	1	-6	-17	-21	-17	-7	-70	-12	-6	
<b>Adjustment</b>	<b>10</b>	<b>12</b>	<b>20</b>	<b>26</b>	<b>21</b>	<b>17</b>	<b>19</b>	<b>28</b>	<b>42</b>	<b>6</b>	<b>109</b>	<b>148</b>	
Trade Receivables	0	-1	-26	-14	-17	-47	-47	14	-33	13	-168	65	
Inventories	-24	-7	-49	-8	-3	-56	1	1	-41	-106	-38	35	
Trade & Other payables	30	-1	58	-9	14	17	9	1	20	21	115	48	
Others	-5	-5	-6	-10	3	-7	-34	3	-9	-34	20	0	
<b>Changes In WC</b>	<b>1</b>	<b>-14</b>	<b>-23</b>	<b>-40</b>	<b>-3</b>	<b>-93</b>	<b>-70</b>	<b>19</b>	<b>-63</b>	<b>-106</b>	<b>-72</b>	<b>149</b>	
<b>CF after changes in WC</b>	<b>64</b>	<b>55</b>	<b>92</b>	<b>94</b>	<b>158</b>	<b>71</b>	<b>86</b>	<b>183</b>	<b>167</b>	<b>95</b>	<b>140</b>	<b>259</b>	<b>1,462</b>
Tax Paid	-8	-11	-22	-25	-30	-34	-41	-36	-42	-48	-34	-32	-363
<b>CF From Operations</b>	<b>57</b>	<b>44</b>	<b>70</b>	<b>69</b>	<b>129</b>	<b>37</b>	<b>45</b>	<b>147</b>	<b>124</b>	<b>47</b>	<b>105</b>	<b>226</b>	<b>1,100</b>
Net Change in FA	-79	-97	-104	-145	-114	-116	-137	-297	-345	-349	-331	-271	-2,387
Net Change in Investment	-72	4	54	-55	4	-149	125	158	-10	-57	43	-9	37
Inc from Investment	7	3	3	4	3	2	4	3	5	2	3	1	41
Others	0	0	0	-1	0	1	0	-60	60	0	0	1	0
<b>CF from Investing Activities</b>	<b>-152</b>	<b>-95</b>	<b>-49</b>	<b>-195</b>	<b>-109</b>	<b>-262</b>	<b>-9</b>	<b>-196</b>	<b>-290</b>	<b>-404</b>	<b>-285</b>	<b>-278</b>	<b>-2,326</b>
Net Change in Borrowings	0	67	-21	59	15	148	-51	3	194	459	-163	114	822
Issue of Equity	13	4	0	81	0	172	0	0	0	0	297	0	568
Buyback/Dividend Paid (Incl. Tax)	-2	-3	-4	-5	-11	-5	-7	0	-17	0	-9	-10	-72
Interest (Paid)	-2	-2	-4	-4	-4	-3	-3	-4	-4	-22	-41	-58	-150
Others	1	0	0	4	0	0	0	11	7	0	-1	-1	22
<b>Cash from Financing Activities</b>	<b>10</b>	<b>66</b>	<b>-28</b>	<b>136</b>	<b>-20</b>	<b>313</b>	<b>-61</b>	<b>10</b>	<b>176</b>	<b>436</b>	<b>83</b>	<b>46</b>	<b>1,167</b>
<b>Net Cash Inflow / Outflow</b>	<b>-86</b>	<b>15</b>	<b>-7</b>	<b>10</b>	<b>0</b>	<b>88</b>	<b>-25</b>	<b>-39</b>	<b>10</b>	<b>79</b>	<b>-98</b>	<b>-7</b>	

Source: Secondary Research, Publicly available info, company filings

# Key Risks / Concerns / Monitorables

- ❑ **SML fails clinical trials in Albumin or is not able to commercialize the drug for any other reason**
- ❑ **Debt does not come down / or goes up further; balance sheet stress intensifies**
- ❑ **Capital Raise Failure**
- ❑ **Licensing opportunities – whether they can sustain**
- ❑ **Failure to capitalize on NDA opportunities such as Pemetrexed and Bortezomib**
- ❑ **Biologics CDMO does not pick up / asset remains unutilized**
- ❑ **Regulatory issues remain in FD plant / expand to other plants**

**Thank You**