

Kuber Chauhan
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	18,418
Fresh Issue (No. of Shares in Lakhs)	168.1
Offer for Sale (No. of Shares in Lakhs)	239.3
Bid/Issue opens on	6-May-2024
Bid/Issue closes on	8-May-2024
Face Value	₹ 2
Price Band	₹ 430-452
Minimum Lot	33

Objects of the Issue

➤ Fresh issue: ₹7,600 million

- Repayment/prepayment of indebtedness of one of Material Subsidiaries, ILSL Holdings, Inc.
- Funding the capital expenditure requirements of Company and one of Material Subsidiaries, Indegene, Inc
- General corporate purposes and inorganic growth.

➤ Offer for sale: ₹10,818 million

Book Running Lead Managers	
Kotak Mahindra Capital	
Citigroup Global	
J P Morgan	
Nomura Financial	
Registrar to the Offer	
Link Intime India Pvt Ltd	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	800
Subscribed paid up capital (Pre-Offer)	445
Paid up capital (Post-Offer)	478

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	99.8%	82.8%
Public	0.2%	17.2%
Total	100.0%	100.0%

Financials

Particulars (₹ million)	9MFY24	FY23	FY22	FY21
Revenue from operations	19,166	23,061	16,646	9,663
Operating expenses	15,499	19,099	13,777	7,357
EBITDA	3,667	3,962	2,869	2,305
Other income	531	580	259	306
Depreciation	576	598	335	255
EBIT	3,622	3,944	2,794	2,356
Interest	371	313	60	70
PBT	3,251	3,630	2,734	2,287
Exceptional items	-		(469)	30
Tax	832	969	637	458
Consolidated PAT	2,419	2,661	1,628	1,859
Ratios	9MFY24	FY23	FY22	FY21
EBITDAM	19.1%	17.2%	17.2%	23.9%
PATM	12.6%	11.5%	9.8%	19.2%

Company Description

Incorporated on October 16, 1998, Indegene is a Provider of digital-led commercialization services for the life sciences industry, including biopharmaceutical, emerging biotech and medical devices companies and the sales and marketing of their products. Their solutions enable life sciences companies to develop products, launch them in the market, and drive sales through their life cycle in a more effective, efficient and modern manner. The company achieves this by combining over 2 decades of healthcare domain expertise and fit-for-purpose technology. Their portfolio of solutions covers all aspects of commercial, medical, regulatory, and R&D operations of life sciences companies.

Company's Enterprise Commercial Solutions and Omnichannel Activation solutions cater to the commercial functions of life sciences companies while their Enterprise Medical Solutions and Enterprise Clinical Solutions cater to their medical and R&D functions. Enterprise Commercial Solutions primarily involve assisting life sciences companies with their digital marketing operations.

Omnichannel Activation solutions help life sciences companies leverage a "digital first" approach for optimizing the last-mile promotion of biopharmaceutical products and medical devices to healthcare professionals HCPs across multiple channels.

Under the Enterprise Medical Solutions, indigene establishes Centres of Excellence ("CoEs") to consolidate large scale regulatory and medical operations for their clients.

Indegene also offers Enterprise Clinical Solutions and consultancy services. Their Enterprise Clinical Solutions help drive efficiencies in the drug discovery and clinical trial operations of life sciences companies. They provide consultancy services through their subsidiary, DT Associates Ltd, under the "DT Consulting" brand.

The company has established client relationships with each of the 20 largest biopharmaceutical companies in the world by revenue for the FY2023, having earned more than 69% of their total revenue from continuing operations for each of the FY2023, FY2022 and FY2021 from these 20 customers.

Since their inception, Indegene has completed a total of 13 acquisitions, and enjoyed synergistic benefits from each of these acquisitions.

As of December 31, 2023, company had 65 active clients whom they deliver solutions from their operation hubs located across North America, Europe, and Asia.

Valuation and Outlook

Indegene provides services for the life sciences industry. They assist with drug development, clinical trials, regulatory submissions, pharmacovigilance, complaints management, and sales/marketing support. The company has a proven track record of creating value through strategic acquisitions. Moreover, with a global footprint and delivery centers strategically located around the world, company offers support to clients on a global scale. This enables flexible collaboration, efficient project execution, and timely delivery of services across different regions.

At the upper price band company is valued at P/E of 40.6x with a market cap of ₹10,814 million post issue of equity shares.

We believe that valuation of the company is fairly priced and recommend a "Subscribe" rating to the IPO.

Company background

Indegene Limited (“Indegene”) is a Provider of digital-led commercialization services for the life sciences industry, including biopharmaceutical, emerging biotech and medical devices companies, that assist them with drug development and clinical trials, regulatory submissions, pharmacovigilance and complaints management, and the sales and marketing of their products. Their solutions enable life sciences companies to develop products, launch them in the market, and drive sales through their life cycle in a more effective, efficient and modern manner. The company achieves this by combining over 2 decades of healthcare domain expertise and fit-for-purpose technology. Their portfolio of solutions covers all aspects of commercial, medical, regulatory, and R&D operations of life sciences companies.

Indegene has established client relationships with each of the 20 largest biopharmaceutical companies in the world by revenue for the FY2023, having earned more than 69% of their total revenue from operations for each of the 9 months ended December 31, 2023 and 2022 and the FY2023, FY2022 and FY2021 from these 20 customers. As of December 31, 2023, they had a total of 65 active clients (i.e., clients from whom they earned US\$0.25 million or more in revenues during the 12 months preceding the relevant date). They had 27 clients from whom they earned between US\$1 million and US\$10 million in revenues, 5 clients from whom they earned between US\$10 million and US\$25 million in revenues, and 3 clients from whom they earned more than US\$25 million in revenues, during the 12 months ended December 31, 2023.

Life sciences enterprises require a talent pool with in-depth domain expertise on the journey of a drug or medical device from the research lab to the market to organize and analyse scientific and clinical data, navigate the regulatory landscape and the ethical guidelines within which the industry operates, and to develop the requisite medical content for healthcare professionals, patients, and payers. Scarcity of such talent is a major hindrance in operations. At the same time, drug pricing caps create margin pressures on biopharmaceutical companies, thus risking the overall profitability of the industry and consequently, operations spend. While there are such talent gaps and margin pressures, life sciences companies are placing greater emphasis on digital innovation and enterprise-wide transformation initiatives to improve operational efficiencies. The growing maturity of technology tools is also leading to requirements of domain-centric digital expertise. Life sciences companies are embracing technological partners with the requisite domain expertise to aid them in this digital journey and this is where company’s role lies.

The description of the company solutions

Enterprise Commercial Solutions:

Enterprise Commercial Solutions primarily involve assisting life sciences companies with their digital marketing operations. Sales and marketing was the largest segment of life sciences operations expenditure in 2022. Service providers in this segment assist life sciences companies by creating customized marketing plans and campaigns expanding their reach to healthcare professionals (“HCPs”) and providing insights on HCP preferences. Through their Enterprise Commercial Solutions, Indegene help life sciences companies drive scale efficiency as well as technology and analytics enabled personalization of their engagement strategies for HCPs and patients, and operations. Across products and geographies, Indegene helps their clients consolidate the widely fragmented activities involved in the development of promotional and educational content, as well as the design and execution of marketing campaigns directed at HCPs, i.e., physicians, and patients using digital communication channels such as websites, emails, and social media. The company also provides digital asset management, marketing automation, customer data management and analytics solutions to measure the effectiveness of marketing campaigns. Their Enterprise Commercial Solutions leverage their proprietary Natural Language Processing (“NLP”) based tools and platforms for achieving reduction in dependence on manpower, efficiency and driving regulatory compliance. The company offers analytics for Creation of HCP cohorts, optimization of channel and content mix, Recommendations and suggestions for content personalization, Forecasting, Measurement of content and campaign effectiveness and Client experience strategy.

Omnichannel Activation:

Omnichannel Activation solutions help life sciences companies leverage a “digital first” approach for optimizing the last-mile promotion of biopharmaceutical products and medical devices to HCPs across multiple channels. Here, Indegene plays the role that has traditionally been played by medical representatives who promote products to HCPs through face-to-face interactions. However, using digital technologies and proprietary analytics, they seek to achieve the same outcome at higher efficiencies and reduced costs. This ability to provide ‘Digital Rep Equivalence’ is delivered through their NEXT HCP Journey Optimization platform, which assists with customer segmentation and channel optimization activities, and also helps their clients deploy medical representatives more effectively. Through the Omnichannel Activation solutions, Indegene seeks to reduce marketing costs for their clients while achieving: (i) augmenting the impact of their field sales force; (ii) marketing to previously untapped clients; (iii) acceleration of sales for newly launched products by improving their visibility; and (iv) stemming any reduction in sales for mature products, including on account of loss of patent.

Enterprise Medical Solutions:

Under the Enterprise Medical Solutions, indigene establishes centres of excellence (“CoEs”) to consolidate large scale regulatory and medical operations for their clients. CoEs comprise multidisciplinary teams that work on one or more client engagements. Through these CoEs, they assist with: (i) writing medical content, regulatory submissions, product labels and other medical information; (ii) reviewing medical communications to ensure compliance with regulatory guidelines and ethical practices; (iii) pharmacovigilance services, i.e., the monitoring and processing of adverse occurrences arising from the use of biopharmaceutical products; and (iv) conducting real-world evidence (“RWE”) based medical research to support market access and pricing strategies. Their Enterprise Medical Solutions are offered through their proprietary NLP-based tools that are customized to handle medical information. Their tools help them improve the quality of medical content, ensure regulatory compliance of medical content, and achieve headcountindependent scalability.

Others:

Indegene also offers Enterprise Clinical Solutions and consultancy services. Their Enterprise Clinical Solutions help drive efficiencies in the drug discovery and clinical trial operations of life sciences companies. These solutions include digitally enabled patient recruitment for clinical trials,

clinical data management and assistance with regulatory submissions. They leverages real-world data (“RWD”) to help identify the right sites for clinical trials, relevant patient cohorts to recruit and thereby fast track site selection and patient recruitment. They also bring in their expertise in data management and analytics in helping biopharmaceutical companies seamlessly handle and analyse multiple sources of data during clinical trials and build a case for regulatory approvals. They provide consultancy services through their subsidiary, DT Associates Ltd, under the “DT Consulting” brand. Under their consultancy business, Indegene help life sciences companies take charge of their digital transformation efforts for continued customer experience success.

Company’s solutions are offered primarily under 2 delivery models:

Enterprise-wide technology-enabled CoEs:

The company has established CoEs which comprise individuals with subject expertise across multiple functional areas. These CoEs have the ability to stitch together multiple upstream and downstream activities and work with multiple business verticals or with different global and regional teams of the same organization.

They have established 2 types of CoEs

Commercial CoEs: They provide digital sales and marketing solutions by developing digital content at scale and delivering marketing and promotional information across brands and geographies to HCPs.

Medical CoEs: They provide solutions that assist biopharmaceutical companies with managing their regulatory, safety and medical processes.

Digital omnichannel activation capabilities: Indegene has developed digital capabilities that allow them to run marketing campaigns; and thereby reduce or eliminate the need for biopharmaceutical companies to engage medical representatives. Their NEXT HCP Journey Optimization platform allows them to develop digital profiles of HCP cohorts that help them engage with them using customized content through the channels they use frequently.

Strengths

➤ Robust digital capabilities and in-house developed technology portfolio

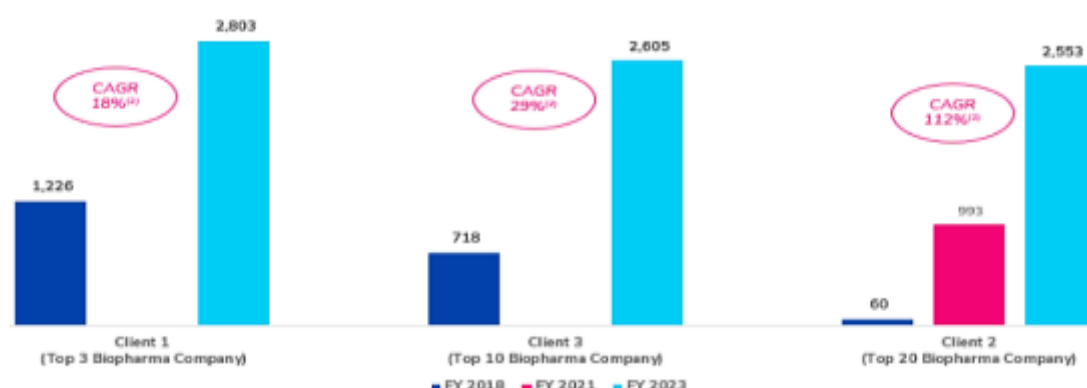
The company has developed a suite of proprietary tools and platforms, including applications that automate and create AIbased efficiencies using AI, ML, NLP and advanced analytics capabilities that are core components of their solutions. These proprietary “NEXT”-branded tools and platforms assist in driving transformation across the commercialization lifecycle of biopharmaceutical products and medical devices. They aim to drive efficiency, effectiveness, and quality in various aspects of the R&D and commercialization processes of life sciences companies. Their technology innovation is supported by a dedicated team of 650 individuals.

They have built a Gen AI workbench that acts as an interface between their technology team and life sciences subject matter experts (“SMEs”). Their technology team evaluates different Gen AI models and sets up the technology infrastructure. Their SMEs are able to interact with this workbench using natural language and contextualize Gen AI for different business use cases. Their NEXT suite of tools and platforms help them drive enterprise outcomes at scale in Content Management, Safety and pharmacovigilance, Regulatory intelligence and planning, Customer data management and advanced analytics, Clinical trials and Workflow management.

➤ Established long-standing client relationships

Indegene 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. They typically enter into MSAs with their clients ranging from 1 to 3 years, which broadly set out terms of their engagements, and they execute separate work orders for individual engagements setting out commercial terms. Due to the sticky nature of their solutions, recurring revenues account for a high proportion of their total revenues. Their retention rates were 122.83%, 159.89% and 129.90% for the Financial Years 2023, 2022 and 2021, respectively.

The growth of revenues from the 3 largest clients (in Rs. millions) over the last 6 Financial Years



➤ Track record of creating value through acquisitions

Since 2005, Indegene has successfully executed several acquisitions and have benefitted from the synergies, networks, technologies, and talent pools of the companies that they have acquired. Their acquisitions have helped them in accessing new technologies, markets and clients; and have helped

them in expanding the range of solutions that they offer to their clients. The company expects this acquisition to augment their commercialization portfolio by adding brand strategy and marketing development capabilities along with patient engagement platforms.

➤ **Global delivery model**

Company's solutions are offered primarily through 2 delivery models, namely their enterprise-wide technology-enabled COEs and the digital Omnichannel Activation solutions. Their COEs comprise individuals with subject expertise across multiple functional areas who work closely with their clients to deliver their technology-enabled solutions. These CoEs work closely with their clients to deliver their multi-year, enterprise-wide, global solutions. Their digital Omnichannel Activation capabilities allow them to run sales and marketing campaigns digitally; and thereby reduce or eliminate the need for biopharmaceutical companies to engage medical representatives.

➤ **Domain expertise in healthcare**

Company's domain expertise assists them 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. Their teams have extensive healthcare expertise, with 20.49% of their delivery employees as of December 31, 2023, having healthcare-related educational backgrounds. They support life sciences companies across the commercialization value chain with their end-to-end capabilities and expertise.

Key Strategies

➤ **Develop the technology portfolio**

Indegene 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. In addition to these, they have applications that assist in managing various processes of their clients' workflow such as:

- Pharmacovigilance, i.e., case intake and processing in respect of safety incidents reported by patients and HCPs;
- Engagement with patients and HCPs; and
- Patient recruitment for clinical trials. Company's applications are embedded with AI and NLP capabilities which help them in providing actionable insights to their clients. This assists in driving transformation across the R&D and commercialization lifecycle of drugs and medical devices. Their tools and platforms and their dedicated in-house technology team which includes data science and engineering professionals are a core part of their competitive strengths. They are working on new Gen AI-enabled solutions that can help them improve their clinical, pharmacovigilance and regulatory offerings and increase their market share in these areas.

➤ **Strengthen the "go to market" engine**

The company has successfully followed a "land and expand strategy", through which they enter at different stages of their clients' commercialization process and thereafter expand the range of solutions they provide them over time. Company's wide portfolio of solutions include offerings that cater to the needs of each of the functions; and consequently, once they enter their clients' ecosystem, they are able to expand their services to various departments, both upstream and downstream, within their clients' organizations. The company seeks to continue to strengthen their "go to market" approach through Deepening relationships with existing clients; Establishing new client relationship; Strengthening new market segments; Focusing on high value opportunities; and Scaling nascent business verticals.

➤ **Pursue strategic acquisitions**

The company continuously seeks acquisition opportunities that fall in Capability buys, Technology play, Efficiency play and Tuck-ins/acqui-hires. Since their inception, Indegene has completed a total of 13 acquisitions, and enjoyed synergistic benefits from each of these acquisitions. Most recently, on March 22, 2024, they completed the acquisition of Trilogy, which offers medical writing consultancy services to customers across Europe, the United Kingdom, the United States and Canada.

➤ **Focus on operational excellence**

Indegene is committed to a continuous focus on operational excellence, which they aim to achieve by Hiring and nurturing talent, focusing on quality and driving operational efficiency. They aim to identify candidates with the relevant skill sets, strong potential for performance and fits closely with organizational culture. They have also implemented quality control systems, processes and benchmarks including periodic audits.

Industry Snapshot

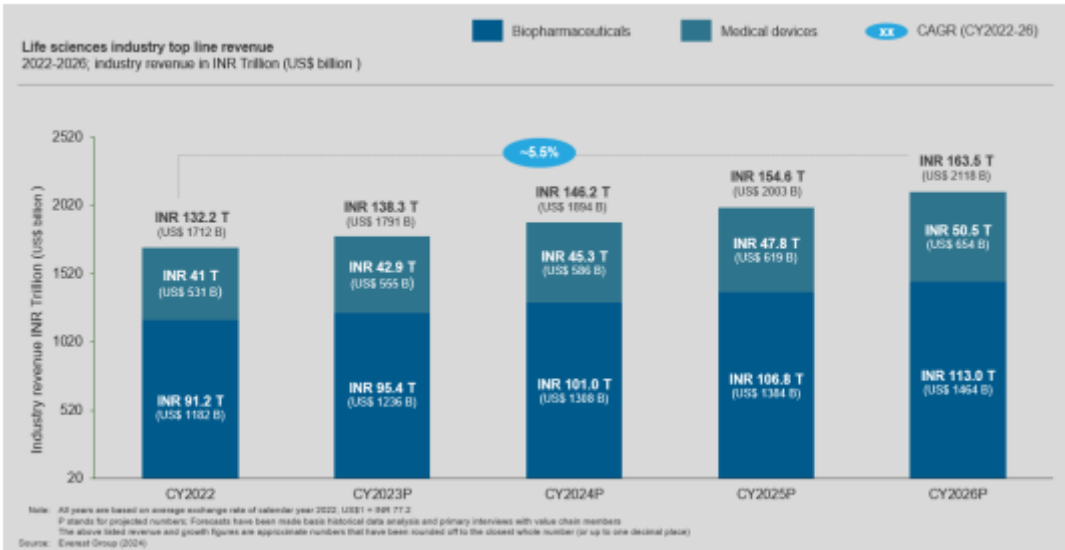
Global Life Sciences Market

The life sciences industry comprises entities engaged in the research, development, and manufacturing and marketing of drugs and medical devices. The two main segments within this industry are the biopharmaceutical and medical devices segments:

- **Biopharmaceutical:** This segment comprises companies that discover, develop, manufacture, and sell drugs (chemical and biological-based) to cure, vaccinate, or alleviate symptoms of medical conditions or diseases.
- **Medical devices:** This segment comprises companies involved in the research, development, production, and sale of systems and devices of medical applications, i.e., to treat or diagnose diseases or medical conditions. The combined sales of the biopharmaceutical and medical devices

segments was estimated at ₹138.3 trillion (US\$1.8 trillion) in 2023, with biopharmaceuticals constituting 69% or ₹95.4 trillion (US\$1.2 trillion). By 2026, the combined sales of the biopharmaceutical and medical devices segments are expected to reach ₹163.5 trillion (US\$2.1 trillion) with biopharmaceuticals constituting 69% or ₹113 trillion (US\$1.4 trillion).

Top Line Revenues (2022 to 2026)

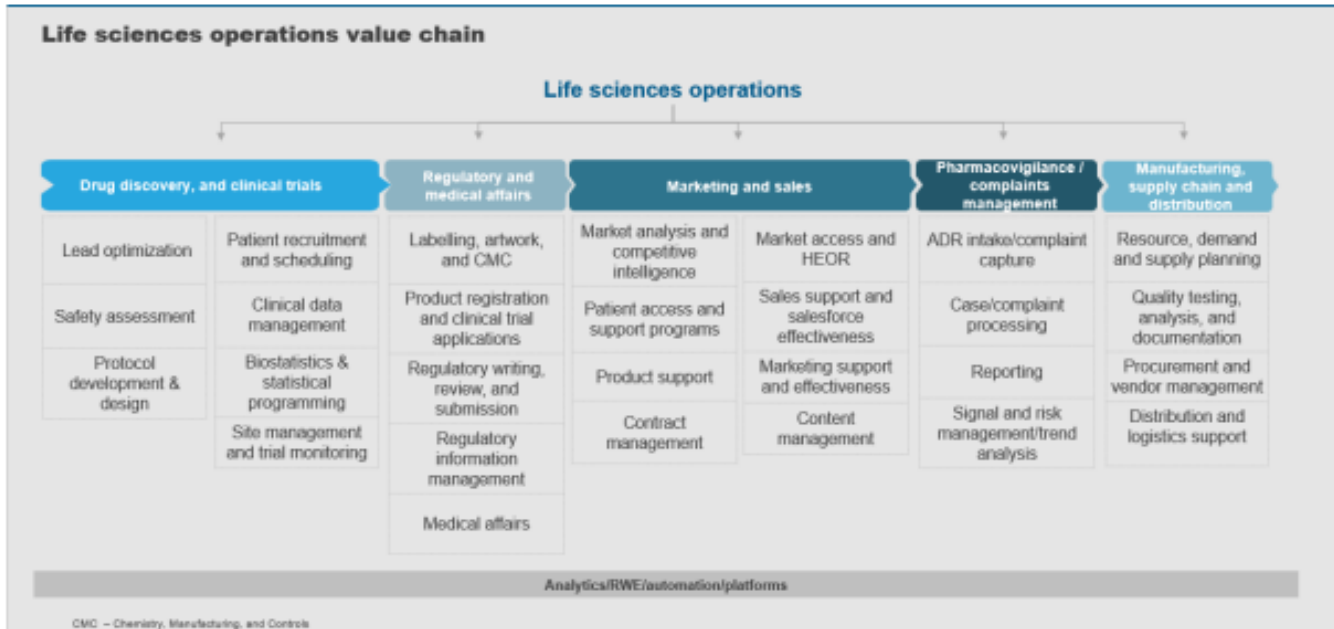


Life sciences operations overview

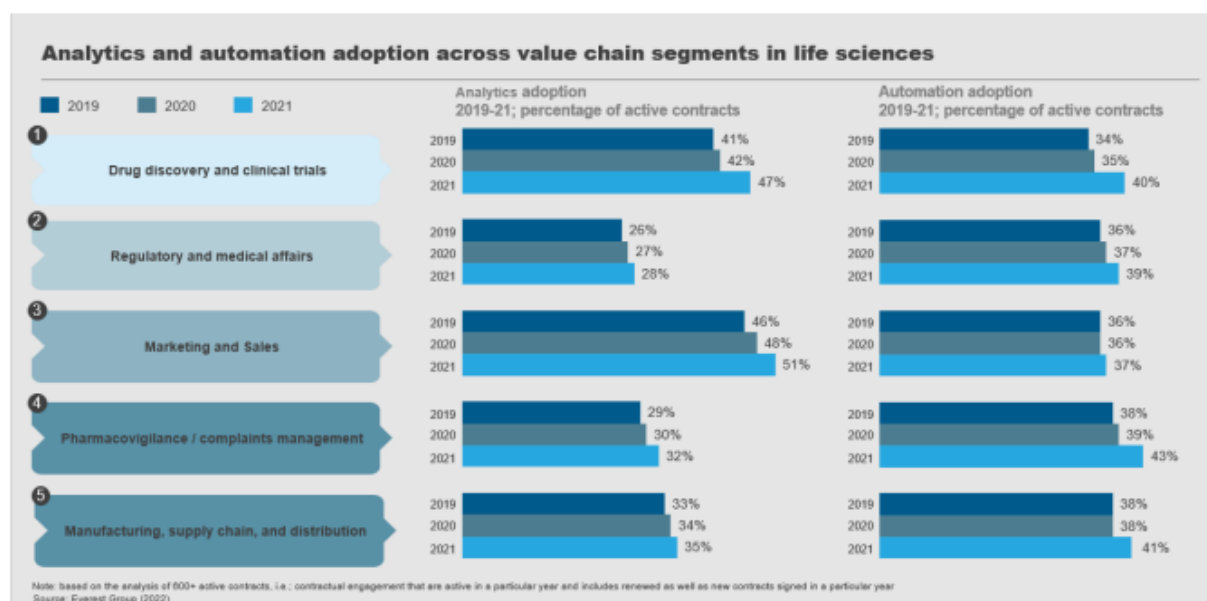
Life science companies undertake several activities to discover, manufacture, and market their products. These processes referred to as life sciences operations can be categorized into five broad value chain segments:

- **Drug discovery and clinical trials:** This segment comprises discovery of new therapies, vaccines, diagnostic procedures, medical devices, and new ways of using known treatments.
- **Regulatory and medical affairs:** This segment comprises processes focused on obtaining approvals for new biopharmaceutical products or medical devices and communicating the value of drugs and medical devices to key stakeholders such as payers, providers and regulatory bodies.
- **Marketing and sales:** This segment comprises activities that involve raising awareness, attracting patients, buyers and physicians to use certain drugs or medical devices, and influencing HCPs to prescribe drugs or medical devices.
- **Pharmacovigilance or complaints management:** This segment is responsible for detection, assessment, reporting, understanding, and prevention of adverse effects or product complaints that could result in product safety incidents.
- **Manufacturing, supply chain and distribution:** This segment comprises functions that support the manufacturing process and enhances the supply chain processes of life sciences companies. These activities comprise various sub-segments as shown in the process map below. The process map excludes non-business process operations such as spending on IT development, IT services and IT maintenance.

Life Sciences Operations Value Chain



Adoption of Digital Technology in Life Sciences Operations



Accounting ratios

Particulars	9MFY24	FY23	FY22	FY21
Revenue from Operations	19,166	23,061	16,646	9,663
Growth in revenue from operations (%)	NM	38.5%	72.3%	NM
EBITDA	3,667	3,962	2,869	2,305
EBITDA Margin (%)	19.1	17.2	17.2	23.9
PBT	3,251	3,630	2,734	2,287
PAT	2,419	2,661	1,628	1,859
PAT Margin (%)	12.6	11.5%	9.8%	19.2%
ROE (%)	18.2	25.0	21.6	46.0

Comparison with Listed Peers

There are no listed companies in India and globally that are of comparable size, from the same industry and with similar business model as that of Company.

Key Risk

- The business is solely focused on the life sciences industry and a significant portion is derived from certain large clients located in North America and Europe. Any factor affecting the life sciences industry and continuing relationships with such key clients could hamper financial performance.
- The company relies on sub-contractors and third-party service providers, who may not perform their obligations satisfactorily or in compliance with the law, and Indegene may have no recourse against such sub-contractors and service providers.
- The international operations expose Indegene to complex management, legal, tax, and economic risks, and exchange rate fluctuations, which could adversely affect business, financial condition, and results of operations.
- Restrictions on work permits or travel may affect our ability to compete for and provide services to clients in North America or other regions, which could hamper our growth and adversely affect our business, results of operations and financial condition.
- The company's clients face intense competition from lower cost generic products and other competing products, which may lower the amount that they spend on solutions and could have an adverse effect on business, results of operations, cash flows, and financial condition.

Valuation and Outlook

Indegene provides services for the life sciences industry. They assist with drug development, clinical trials, regulatory submissions, pharmacovigilance, complaints management, and sales/marketing support. The company has a proven track record of creating value through strategic acquisitions. Moreover, with a global footprint and delivery centers strategically located around the world, company offers support to clients on a global scale. This enables flexible collaboration, efficient project execution, and timely delivery of services across different regions.

At the upper price band company is valued at P/E of 40.6x with a market cap of ₹10,814 million post issue of equity shares. We believe that valuation of the company is fairly priced and recommend a **“Subscribe”** rating to the IPO.

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Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
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