



SMC Ranking  
★ ★ ☆ ☆ ☆ (1.5/5)

### Issue Highlights

Industry	Pharma
Total Issue (Shares) - Offer for sale	14,579,560
Net Offer to the Public	14,579,560
Issue Size (Rs. Cr.)	116.64-110.84
Price Band (Rs.)	76-80
Offer Date	9-Nov-16
Close Date	11-Nov-16
Face Value	10
Lot Size	175Equity Share

### Issue Composition

	In shares
Total Issue (Shares)	14,579,560
QIB	10,934,670
NIB	2,186,934
Retail	1,457,956

### Objects of the Issue

1. Achieve the benefits of listing the Equity Shares on the BSE and the NSE;
2. To carry out the sale of up to 14,579,560 Equity Shares by the Selling Shareholders;
3. Enhance visibility and brand image among existing and potential customers; and
4. Provide liquidity to the existing shareholders.

### Shareholding Pattern (%)

Particulars	Pre-issue	Postissue
Promoters and promoters group	83.55%	51.74%
QIB	0.00%	28.50%
NIB	16.29%	15.80%
Retail	0.16%	3.96%
<b>Total</b>	<b>100</b>	<b>100</b>

\*calculated on the upper price band

### Book Running Lead Manager

INDIAN OVERSEAS BANK

### Name of the registrar

BIGSHARE SERVICES PRIVATE LIMITED

### About the company

Incorporated in 2005, GreenSignal Bio Pharma is Chennai based pharmaceutical company engaged in the development manufacture and sale of the BCG vaccine. GreenSignal is an Indian vaccine manufacturing company with global operations. The products company manufacture includes a BCG vaccine and BCG-ONCO, an immunotherapy drug. The immunotherapy drug is used in the treatment of urinary bladder cancer. Both vaccines produced by GreenSignal are generic drugs and company does not require any patents for the same. GreenSignal has a long term contract with UNICEF to supply the BCG vaccine to UNICEF. GreenSignal is among 4 companies worldwide who have been WHO-prequalified to supply the BCG vaccine to UNICEF. Other customers include Indonesia, Nepal and Ministry of Health, India. GreenSignal Pharma business is organized into domestic and international operations. For FY 2016, GreenSignal's domestic and international operations accounted for 53.79% and 46.20%, respectively, of its net revenues from operations. GreenSignal Bio has a manufacturing facility located at Pappankuppam Village, Gummidipoondi, Tiruvallur District, Tamil Nadu.

### Competitive Strengths

**Low cost producer of the vaccine:** The company is a low cost producer of the vaccine. Domestically its price is regulated by National Pharmaceutical Pricing Authority ( **NPPA**), even in the international sphere it has maintained the lowest cost to UNICEF.

**Major supplier of vaccines for UNICEF programs:** India is one of the major suppliers of vaccines for UNICEF programs with the value exceeding 10 million. The company is one among the two WHO Pre Qualified suppliers from India. Also, its supply price is much lower than its main competitor, the Serum Institute of India Private Limited.

**Niche Product Profile:** Immunotherapy market is a niche market and the company is one among the few players active in this segment. Its product UROVAC is one among the brands available in this segment globally.

**Experienced Senior Leadership and Management Team:** The Company has seen strong growth under the vision, leadership and guidance of its founder. The company has a qualified senior management team including Executive Director and Chief Technical Officer and Advisor with considerable experience in the vaccine industry, exclusive knowledge in regulatory guidelines and pharma audits including packaging of sterile drug products. The company believes that the vaccine domain knowledge and experience of its founders and its management team provides the company with a significant competitive advantage for the growth of its business.

### Business strategies

**To export vaccines globally in various jurisdictions:** The Company intends to export vaccines globally in various jurisdictions. The company plans to do this by directly liaising with countries and their health ministries as well as providing its products to global suppliers such as UNICEF.

**Intends to market its product BCG ONCO for Immunotherapy or Urovac:** The Company intends to associate with prominent international marketing agencies for more effective and fruitful business development worldwide for promoting BCG ONCO-Urovac.

**Company plans to add new vaccines to its portfolio:** The Company plans to add new

vaccines to its portfolio and, in this regard, the company has acquired land admeasuring about 34.01 acres for a fresh facility at Tiruvallur, Chennai, Tamil Nadu.

**To increase its volume of its products in India as well as globally:** With an optional upstream and downstream processes, the company plans to do the Fill / Finish and sell with greater volumes of a variety of newer Vaccines for Anti Serum, Cancer, Dengue, H1N1, Type-I Diabetes and other dreaded diseases with better margins to the more demanding markets in India as well as globally.

**Aims to produce new and unique novel vaccine products to take advantage of higher margins in sales in the global market with PQ certification:** The Company aims to produce new and unique novel vaccine products to take advantage of higher margins in sales in the global market with PQ certification. At the same time, the Company is also planning to upgrade to Fill / Finish process for the existing products which are already in the market giving decent profit margins. It also intends to optimally market usage of the BCG Vaccine, its existing product for treatment of Type-I Diabetes as and when same is approved by MoH.

**Expanding its presence geographically:** The Company is focused on expanding its presence geographically. As per the management, an important milestone in that process was achieved during November 6, 2015, as the Company became a WHO Pre-Qualified supplier.

**Advantages of WHO – Pre-Qualification:**

- The product can reach every part of the globe with ease.
- The Company becomes eligible to participate in tenders of UNICEF, PAHO and other Global Agencies which are among the largest buyer of BCG Vaccines.
- A considerable increase in price of the product is assured.
- Regular export opportunities to other countries including non-UNICEF Countries.

**Risk factor**

**Have only two products of the BCG vaccine:** The Company has only two products and if its production of the BCG vaccine, which is the major source of its revenue, is stalled or stopped or if there is any impediment in its domestic or overseas sales and distribution it will materially adversely affect its business and profits.

**Net loss for the preceding four out of five financial years:** The Company has made a Net loss for the preceding four out of five financial years and has made profits only in the year ended March 31, 2016 (out of the past five years). Continual losses will adversely affect its sustainability and business operations.

**Have not yet registered its corporate logo and other intellectual property rights:** The Company has not yet registered its corporate logo and other intellectual property rights. It may be unable to adequately protect its intellectual property. Furthermore, it may be subject to claims alleging breach of third party intellectual property rights.

**Dependent upon few customers/third party contracts for its business :** The company is dependent upon few customers/third party contracts for its business. Any reduction or interruption in the business of a key customer or a substantial decrease in orders placed by a key customer may have an adverse impact on the revenues and operations of the Company .

**Negative cash flow in two out of last five financial years:** The Company has seen negative cash flow in two out of last five financial years. It cannot assure that the company will not have such negative cash flows again in the future

### Industry Overview

Vaccination is one of the most cost-effective public health tools to prevent infectious diseases. The Indian vaccine industry began as a work of state-owned manufacturers supplying basic childhood vaccines to the national immunization program. In recent decades, the number of privately owned firms active in the sector has grown rapidly. The Biotechnology sector is among one of the sectors which have highlighted the profile of the country in the last decade. Growing at a CAGR of 20%, the Indian Biotechnology Industry has evolved rapidly over the last three decades. India's biotech sector is currently valued at over USD7bn, having grown at a CAGR of ~20% over the last decade. India is already ranked among the top 12 biotech destinations worldwide and third largest in the Asia Pacific region.

### Comparison with Industry Peers

The company believes that there is no listed company in India whose business portfolio is comparable with that of its business to be compared as a peer group company and also there are no relevant market indices for comparison of details like P/E ratio.

### An indicative timetable in respect of the Offer is set out below:

Events	Indicative date
Bid/Offer Closing Date	On November 11, 2016
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or before November 18, 2016
Initiation of refunds/un-blocking of ASBAAccounts	On or before November 21, 2016
Credit of Equity Shares to demat accounts of Allottees	On or before November 21, 2016
Commencement of trading of the Equity Shares on the Stock Exchanges	On or before November 22, 2016

### Valuation

At upper price band of Rs.80 , EPS and P/E of FY2017 are Rs. 3.06 and 26.18 multiple respectively and at a lower price band of Rs. 76, P/E multiple is 24.87; Looking at the P/B ratio at Rs. 80 the stock is priced at P/B ratio of 5.14x on the pre issue book value of Rs.15.55 and on the post issue book value of Rs. 17.84 the P/B comes out to 4.48x.; Looking at the P/B ratio at Rs.76, the stock is priced at P/B ratio of 4.89x on the pre issue book value of Rs. 15.55 and on the post issue book value of Rs. 17.84 , the P/B comes out to 4.26x.

### Outlook

The company claims that it is a low cost producer of the BCG vaccines; however it produces only two products. Moreover, its production of the BCG vaccine, which is the major source of its revenue get is stalled or stopped for any reason, it will adversely affect its business and profits. An investor with high risk appetite may opt the issue for long term.

## Annexure

### Profit & Loss

Rs. in Cr.

Particulars	30-Jun-16	31-Mar-16
Total Operating Income	10.15	20.39
Total expenditure	6.05	11.70
<b>Operating Profit</b>	<b>4.09</b>	<b>8.69</b>
OPM%	40.35	42.62
Other Income	0.06	0.11
<b>PBDIT</b>	<b>4.15</b>	<b>8.79</b>
Depreciation	0.30	1.1917
<b>PBIT</b>	<b>3.85</b>	<b>7.60</b>
Interest	0.12	0.6641
<b>PBT</b>	<b>3.73</b>	<b>6.94</b>
Tax	0.79	1.63
<b>PAT</b>	<b>2.93</b>	<b>5.31</b>

### Balance Sheet

Particulars	30-Jun-16	31-Mar-16
<b>Non-current assets</b>		
Fixed Assets	38.73	38.92
Capital Work in Progress	11.47	11.47
<b>Total Non- Current Assets</b>	<b>50.20</b>	<b>50.39</b>
<b>Current assets</b>		
<b>Current Investment</b>		
Inventories	6.93	7.39
Trade receivable	8.68	4.72
Cash & Cash Equivalents	2.86	4.04
Short Term Loan and Advances	2.32	2.80
<b>Total current assets</b>	<b>20.80</b>	<b>18.95</b>
<b>Total Assets</b>	<b>71.00</b>	<b>69.34</b>
<b>Non-current liabilities</b>		
Long-term Borrowings	0.00	0.00
Deferred Tax Liabilities (Net)	3.17	3.14
<b>Total</b>	<b>3.17</b>	<b>3.14</b>
<b>Current liabilities</b>		
Short-term borrowings	3.88	5.58
Trade payables	1.07	0.89
Other current liabilities	3.21	3.00
<b>Total current liabilities</b>	<b>8.16</b>	<b>9.47</b>
<b>Total</b>	<b>11.34</b>	<b>12.61</b>
<b>NET Worth</b>	<b>59.66</b>	<b>56.73</b>
Net worth represented by:		
Share capital	38.37	15.35
Reserves and surplus	21.29	41.38
<b>Net Worth</b>	<b>59.66</b>	<b>56.73</b>



Moneywise. Be wise.

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★ ★
<b>FAIR</b>	★ ★ ★
<b>GOOD</b>	★ ★ ★ ★
<b>EXCELLENT</b>	★ ★ ★ ★ ★

E-mail: [researchfeedback@smcindiaonline.com](mailto:researchfeedback@smcindiaonline.com)



**Corporate Office:**  
 11/6B, Shanti Chamber,  
 Pusa Road, New Delhi - 110005  
 Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**  
 Dheeraj Sagar, 1st Floor,  
 Opp. Goregaon sports club, link road  
 Malad (West), Mumbai - 400064  
 Tel: 91-22-67341600, Fax: 91-22-28805606

**Kolkata Office:**  
 18, Rabindra Sarani,  
 "Poddar Court", Gate No. 4,  
 4th Floor, Kolkata - 700001  
 Tel: 91-33-39847000, Fax: 91-33-39847004

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