

## Sai Parenteral's Limited - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
24 March 2026	27 March 2026	₹372 to ₹392	Neutral

### Investment Summary

Sai Parenteral's Limited operates a diversified pharmaceutical formulation and CDMO platform with a broad product portfolio spanning injectables, oral solids and other dosage forms across multiple therapeutic segments. The company's presence across five manufacturing facilities in India and its expanding footprint in regulated and semi regulated export markets provide a base for scale, while the acquisition of Noumed Pharmaceuticals offers access to a large pipeline and a potential entry into regulated markets like Australia. Its dual segment model branded generics and CDMO allows it to balance volume driven domestic revenues with higher margin export and contract manufacturing opportunities, supported by ongoing investments in complex injectables and regulatory accreditations. The company's reliance on institutional tender business leads to stretched working capital cycles, which has already translated into sustained negative operating cash flows and increased dependence on external funding. Additionally, while the Noumed acquisition and capex plans present long term growth optionality, they also introduce integration, regulatory and financial risks that could impact near term profitability. Combined with concerns around regulatory actions, internal controls and aggressive expansion, the overall outlook suggests that while the business has structural growth levers, its ability to translate these into consistent, cash generating returns remains uncertain.

### Company Overview

Sai Parenteral's Limited is a diversified pharmaceutical formulations company engaged in the research, development and manufacturing of complex medicinal products. The company's core operations span two primary strategic verticals: Branded Generic Formulations and Contract Development and Manufacturing Organization (CDMO) services. Its extensive product portfolio covers multiple differentiated dosage forms, including injectables (such as dry powder injections, pre-filled syringes and vials), tablets, capsules, liquid orals and ointments. These products address critical therapeutic areas, notably cardiovascular, neuropsychiatry, anti-diabetic, respiratory health, antibiotics, gastroenterology, analgesics and dermatology. Geographically, the company operates five manufacturing facilities in India - four in Telangana and one in Andhra Pradesh while exporting to Regulated and Semi-Regulated Markets across Australia, New Zealand, Southeast Asia, the Middle East and Africa. To accelerate its global footprint, the company relies on a disciplined acquisition strategy, most recently acquiring a 74.64% controlling stake in Australia-based Noumed Pharmaceuticals Pty Limited, which provides access to 451 approved dossiers and an upcoming manufacturing facility in Adelaide. This follows earlier value accretive integrations, including the acquisition of TGA approved Unit III and WHO-GMP-certified Unit IV, as well as establishing Revat Laboratories as a WOS.

### Business Model

The company's business model strategically balances high volume domestic sales with high-margin export and contract manufacturing revenues. In the Branded Generics segment, domestic revenue is primarily generated through tender-based institutional sales to government health agencies and retail distribution via super stockists; this approach guarantees bulk orders but involves elongated working capital cycles. Conversely, export sales and CDMO engagements deliver faster payment turnarounds and robust margin expansion, providing multinational pharmaceutical companies with end-to-end product development, regulatory filing and commercial manufacturing solutions. Pricing dynamics and margin drivers are highly influenced by this operational mix; the transition toward complex lyophilized and cartridge injectables, alongside the localization of Noumed's manufacturing to reduce third-party procurement and logistics costs, are expected to significantly enhance profitability. Key growth levers include a substantial capital expenditure program to upgrade existing Indian facilities to EU-GMP and PIC/S standards, the establishment of a dedicated R&D center at Unit IV to accelerate complex generic dossier filings and the monetization of Noumed's exclusive, long-term OTC supply agreements with Australian pharmacy chains.

## Industry Outlook

The global pharmaceutical market, valued at \$1.8 trillion in FY25, is projected to reach \$2.9 trillion by FY33 at a 5.9% CAGR, driven by aging populations, rising disease burden and increasing healthcare spending. Within this, the drug formulation segment is expected to grow from \$1.5 trillion to \$2.5 trillion. A key structural driver is the shift toward generics, which accounted for 50.8% of global revenue in FY24 and are projected to grow at 6.5% CAGR, supported by a \$130 billion patent expiry pipeline and the push for affordable healthcare. Simultaneously, outsourcing is accelerating, with the global CDMO market expected to expand from \$297 billion in FY25 to over \$609 billion by FY33.

India is a major beneficiary of the "China Plus One" strategy, supported by cost advantages, strong scientific talent and regulatory alignment with agencies such as USFDA and WHO. As a result, India's formulation and CDMO markets are projected to grow faster than global averages at 11.2% and 12.7% CAGR, reaching \$109 billion and \$45 billion by FY33, respectively. Companies are strengthening global positioning through certifications like EU-GMP and PIC/S, while expanding into semi-regulated markets across Latin America, Africa and Southeast Asia. The industry remains fragmented but is consolidating through strategic M&A to build integrated capabilities and diversify geographically. However, key risks persist, including heavy reliance on China for APIs, regulatory compliance costs, revised Schedule M norms and pricing pressures from DPCO and global tender systems. To sustain margins, companies are shifting toward complex generics and advanced drug delivery, particularly injectables, which are expected to grow at 6.5% CAGR. High-value formats like lyophilised vials and cartridge injectables offer advantages such as improved stability and precise dosing. Additionally, while institutional and tender markets (e.g., PMBJP) provide scale, their longer working capital cycles push companies to balance volumes with higher-margin export and CDMO opportunities.

## Investment Rationale

### **Transformative Inorganic Expansion via Noumed Acquisition:**

The recent acquisition of a 74.64% controlling stake in Australia-based Noumed Pharmaceuticals serves as a pivotal strategic catalyst for geographic diversification and margin accretion. This integration provides immediate access to 451 TGA-approved dossiers and exclusive, long-term supply contracts with Australian pharmacy chains extending through FY31-35 across 526 SKUs. By transitioning Noumed's historical third-party procurement to Sai Parenteral's in-house manufacturing, the company is poised to significantly reduce logistics costs and capture substantial margin upside. Furthermore, Noumed's upcoming Adelaide facility, backed by a AUD 20 million government grant, establishes a sovereign manufacturing footprint that mitigates supply chain risks and deepens regulated market penetration.

### **Aggressive Capex Geared Toward High-Margin Complex Injectables:**

Sai Parenteral's is executing a highly targeted ₹1,107.95 million capacity expansion and regulatory upgradation program across its Indian manufacturing facilities to attain stringent EU-GMP and PIC/S certifications. A core component of this capex is the introduction of lyophilised vial and cartridge injectable capabilities at Unit I, strategically positioning the firm within the lucrative, stability-sensitive critical care and biologics segments. This pivot toward complex, high-barrier-to-entry delivery systems directly aligns with the projected 6.5% CAGR of the global injectables market. Consequently, this structural shift in the product mix is expected to drive superior unit economics and unlock high-value export opportunities across European and Latin American markets.

### **Hyper-Scaling CDMO Vertical Delivering Long-Term Revenue Visibility:**

The company's Contract Development and Manufacturing Organization (CDMO) vertical is exhibiting explosive growth, expanding at an 80.46% CAGR between FY23 and FY25 to reach ₹312.46 million. Sai Parenteral's has successfully transitioned into an integrated, end-to-end service provider, offering comprehensive capabilities spanning formulation development, stability studies, regulatory dossier compilation and commercial manufacturing. By securing technology transfer agreements and long-term supply contracts with multinational pharmaceutical clients, the company is effectively de-risking its revenue profile. Leveraging newly acquired international accreditations, this segment is structurally primed to exploit the broader industry trend of supply chain outsourcing and the global "China Plus One" supply chain diversification strategy.

### Resilient Institutional Moat Anchoring Domestic Cash Flows:

Sai Parenteral's commands a formidable position in the Indian pharmaceutical landscape, generating ₹1,326.79 million in domestic revenue during FY25, which represents 83.71% of its top line. This robust baseline is heavily anchored by entrenched, high-volume institutional tender businesses with state health agencies and procurement programs like PMBJP and ESI hospitals. The strategic acquisition and consolidation of Revat Laboratories further fortifies this moat by providing a dedicated, cost-efficient manufacturing base for non-beta lactam oral solid dosages. While institutional sales entail elongated working capital cycles, they guarantee massive volume throughput, generating the stable baseline cash flows required to fund the company's aggressive, high-margin export and CDMO expansion initiatives.

### Key Risks

#### Severe Regulatory Crackdowns and Manufacturing Disruptions:

The company is facing critical regulatory actions, including a directive from the Drugs Control Administration to halt manufacturing at Revat Laboratories for Schedule M non-compliance. Additionally, the CDSCO has ordered a recall of finished goods from Unit III and the company has been blacklisted for five years by the Rajasthan Medical Services Corporation. These developments materially impair near-term earnings visibility and severely damage credibility in regulated, tender-driven markets.

#### Persistent Negative Operating Cash Flows and Liquidity Stress:

Sai Parenteral's has reported sustained negative operating cash flows of ₹(660.12) million (H1 FY26), ₹(297.64) million (FY24) and ₹(127.99) million (FY23), reflecting a structural inability to generate cash from operations. This is driven by elevated working capital requirements, particularly rising receivables and inventory. Continued dependence on external debt raises serious concerns about funding future capex without further balance sheet strain.

#### Auditor Qualifications and Weak Financial Controls:

Statutory auditors have qualified the financial statements, citing inadequate internal financial controls as of September 2025. They were also unable to physically verify substantial inventory at Revat Laboratories, relying on management representations. This weak control environment raises serious doubts about the reliability of reported earnings and asset valuations.

#### High-Risk Nomed Acquisition with Significant Red Flags:

The debt-funded acquisition of Nomed Pharmaceuticals introduces substantial execution and financial risks, given Nomed's negative operating cash flows and negative net worth. Due diligence has highlighted critical issues, including absence of a valid TGA manufacturing license, expired import/export licenses and potential defaults triggered by change-of-control clauses. These factors create a high probability of the acquisition becoming value-destructive rather than accretive.

### Revenue From Operations

(In ₹ Crores)

Particulars	FY23		FY24		FY25	
	Revenue contribution	% of Revenue from Operations	Revenue contribution	% of Revenue from Operations	Revenue contribution	% of Revenue from Operations
Branded Generic Formulations	91.48	94.51	131.10	87.49	127.26	80.29
CDMO	5.32	5.49	18.74	12.51	31.25	19.71
Total	96.80	100.00	149.83	100.00	158.50	100.00

## Financial Snapshot

(In ₹ Cr)

Metric	FY23	FY24	FY25
Revenue from Operations	96.80	153.76	163.11
EBITDA	17.64	33.08	39.44
PAT	4.37	8.41	14.45
EBITDA Margin	18.22%	20.62%	24.18%
PAT Margin	4.52%	5.47%	8.86%
EPS (Basic)	1.19	2.28	3.92

## IPO Details and Use of Proceeds

Parameter	Details
<b>Issuer</b>	Sai Parenteral's Limited
<b>IPO Structure</b>	Fresh Issue and Offer For Sale
<b>Issue Size</b>	1,04,28,288 shares (agg. up to ₹409 Cr) Fresh Issue 72,70,408 shares (agg. up to ₹285 Cr) Offer for Sale 31,57,880 shares of ₹5 (agg. up to ₹124 Cr)
<b>Price Band</b>	₹ 372 to ₹392 per share
<b>Face Value</b>	₹5 per share
<b>Post-Issue Market Cap</b>	₹ 1,731.83 Cr.
<b>Promoter Holding (Pre/Post)</b>	61.23% / 51.2%
<b>IPO Opening Date</b>	March 24, 2026
<b>IPO Closing Date</b>	March 27, 2026
<b>Listing</b>	BSE & NSE
<b>Book Running Lead Manager(s)</b>	<ul style="list-style-type: none"> <li>Arihant Capital Markets Limited</li> <li>Bigshare Services Private Limited</li> </ul>

## Valuation and Recommendation

At the upper price band of **₹392**, Sai Parenteral's Limited is valued at **119.84x P/E**, implying a market capitalization of **₹1,731.83 crore**, which appears elevated relative to its current scale. While the company has demonstrated relatively strong margin performance, supported by its focus on complex injectables and a growing CDMO segment, the sustainability of these margins remains uncertain given execution risks, high working capital intensity, and recent regulatory and operational challenges. The ongoing expansion initiatives and integration of the Noumed acquisition may further introduce volatility in near-term profitability. Given the premium valuation, the current pricing leaves limited margin of safety. Accordingly, we recommend a **Neutral Rating**, with a view to monitor post listing for clearer visibility on the sustainability of margins, stability in cash flows, and execution of growth strategies.

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst  
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053.

TEL: 022 61907900