

Quote by Shravan Shetty, Managing Director, Primus Partners

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## Sudeep Pharma IPO gets fully subscribed on Day 1, GMP signals strong listing: Should you apply? | Report



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### Article Content:

The initial public offering of **Sudeep Pharma** opened for public bidding today, November 21. The maiden issue of the Vadodara-based company got fully subscribed on Day 1 itself (142 percent), with retail and Non Institutional Investors (NII) showing strong interest.

The IPO of the technology-led manufacturer of excipients and specialty ingredients for the pharmaceutical, food and nutrition industries, received bids for more than 1.50 crore shares, as against an offer size of nearly 1.06 crore shares, according to data on NSE.

Non Institutional Investors (NII) have booked their reserved portion around 3 times (300 percent), while retail investors fully booked their reserved portion (150 percent). Qualified Institutional Buyers (QIB) have booked 9 percent of the portion kept for them.

Sudeep Pharma GMP:

Ahead of listing, the unlisted shares of the company were trading with 19.56 percent grey market premium (GMP) over the IPO price, according to data on Investorgain. Although

the GMP has fallen slightly from the 21.92 percent quoted by the site on November 19, it still indicates a strong listing for the pharma player.

According to IPO Watch, the unlisted shares of the company were trading with 19.89 percent GMP over the issue price.

About Sudeep Pharma IPO:

Sudeep Pharma launched its IPO to raise Rs 895 crore through a fresh issue of shares worth Rs 95 crore and an offer-for-sale (OFS) of 1.3 crore shares worth Rs 800 crore by existing promoters. The price band for the IPO has been set at Rs 563-593 per share.

The IPO will remain open for public bidding between November 21 and November 25. Retail investors can bid for a minimum of 25 shares, requiring an investment of Rs 14,825 at the upper price band, and in multiples thereafter. The allotments will likely be finalized by November 26, and the shares are scheduled to be listed on stock exchanges on November 28.

Sudeep Pharma aims to use Rs 75.81 crore from the fresh issue proceeds for capital expenditure towards procurement of machinery for its production line located at Nandesari Facility 1, Gujarat and the remained for general corporate purposes.

Should you apply for Sudeep Pharma IPO?

Investors may consider the IPO as a potential long-term investment opportunity, Master Capital Services said in its IPO note. The brokerage noted that India's food and nutritional ingredients market is rapidly expanding, driven by increasing health awareness, a growing population, and rising disposable incomes.

"In 2024, India's demand for food ingredients is estimated to be around \$22 billion. The market is expected to grow at a CAGR of 8.1% between 2024 to 2029, with demand reaching \$32 billion in 2029. In India, vitamins and minerals are integral components of dietary supplements, often recommended by healthcare professionals to complement treatment for a variety of health conditions, ranging from mild to chronic illnesses. The Vitamins and Minerals market in India, currently valued at \$2.1 billion in 2024, is set for significant growth. Forecasts predict robust growth at a CAGR of 8% from 2024 to 2029, with the market expected to reach around \$3.0 billion by 2029," it said.

"The domestic pharmaceutical industry is projected to reach \$130 billion by 2030 and \$450 billion by 2047. India's food and nutritional ingredients market, valued at \$22 billion in 2024, is expanding rapidly on the back of rising health awareness, urbanization, and a growing middle-income population. The sector is expected to grow at a CAGR of 8.1% to reach \$32 billion by 2029. Sudeep Pharma Ltd is strategically positioned to capitalize on this rapid expansion across the Pharmaceutical, Food, Nutrition and Specialty ingredients markets," it added.

Master Capital Services added that with a technology-driven manufacturing ecosystem, in-house process capabilities and a diversified portfolio of over 100 products, Sudeep Pharma is well aligned with the sector's evolving needs.

The Rs 268-crore anchor book and approximately 19–20 percent GMP for Sudeep Pharma's IPO send strong signals about investor confidence in the company's specialty ingredient business, said Siddharth Maurya, Founder & Managing Director, Vibhavangal Anukulakara. "This is further reflected in its long-term ambition, with plans to utilize ₹95 crore of fresh capital raised towards capacity expansion. Still, I think what's really worrisome are the risks- over 20% of its sales comes from just a few customers, its working capital cycle has ballooned. For long-term investors, this can be an attractive play, but only if Sudeep de-risks its customer concentration and scales working capital efficiently," he added.

Sudeep Pharma is commanding a premium as it has delivered steady revenue growth over the last 3 years, with high EBITDA margins around mid-20s, which is higher than many peers in the specialty pharma-ingredients space, said Shravan Shetty, Managing Director, Primus Partners. "With a customer base across 70 countries, and exports forming a significant share of revenues - they have a strong level of product and geographic diversification," he said.

"Given that there is OFS, expect P/E dilution which makes the stock less attractive post dilution. The outlook would be positive long term," he added.