

THEME: ANALYSIS OF THE COMPANY

CONCORD BIOTECH

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**National Institute of
Bank Management, Pune**

(An Autonomous Apex Institute Established by RBI & Banks)



Vitt-Nivesh
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ABOUT THE COMPANY

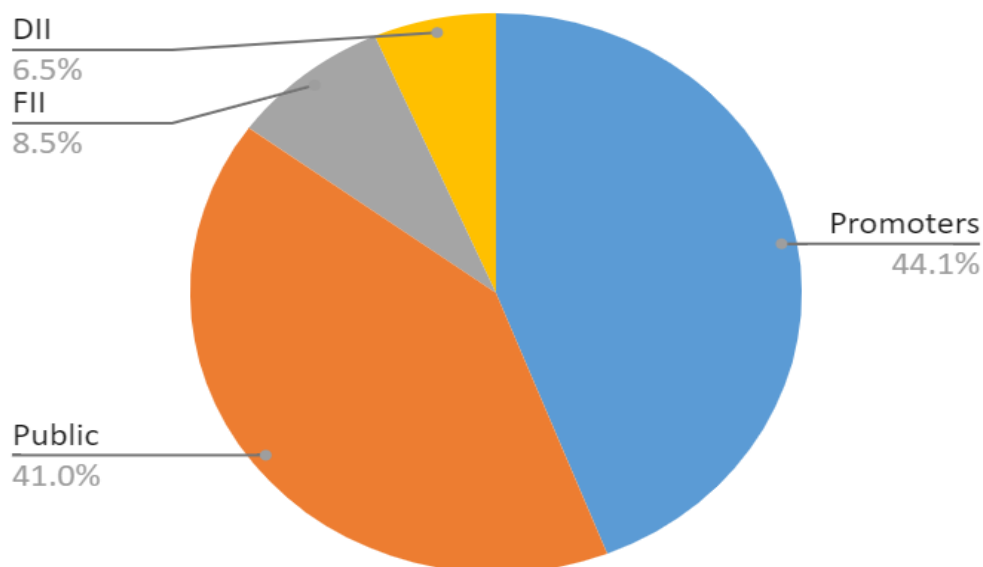
- **Introduction:**

Concord Biotech Limited is a R&D driven biopharma Company that manufactures Active Pharmaceutical Ingredients (API) through fermentation & semi-synthetic process and finished formulations. Concord, founded in the year 2000 has transformed from a single-product company to a broad-spectrum solution provider, offering products across diversified therapeutic segments.

Concord is globally recognised for its products and has a presence in more than 70 countries all over the world with efficient distribution infrastructure in countries like the USA, Europe, Japan, Latin America, Africa, Asia, along with significant presence in Indian market.

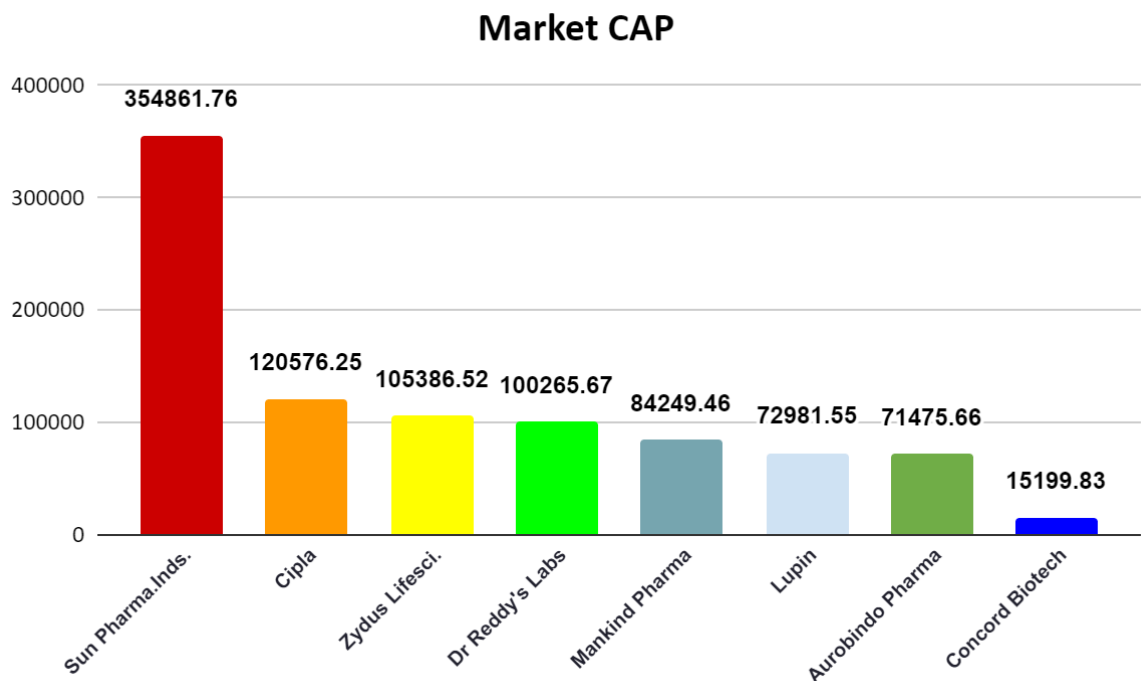
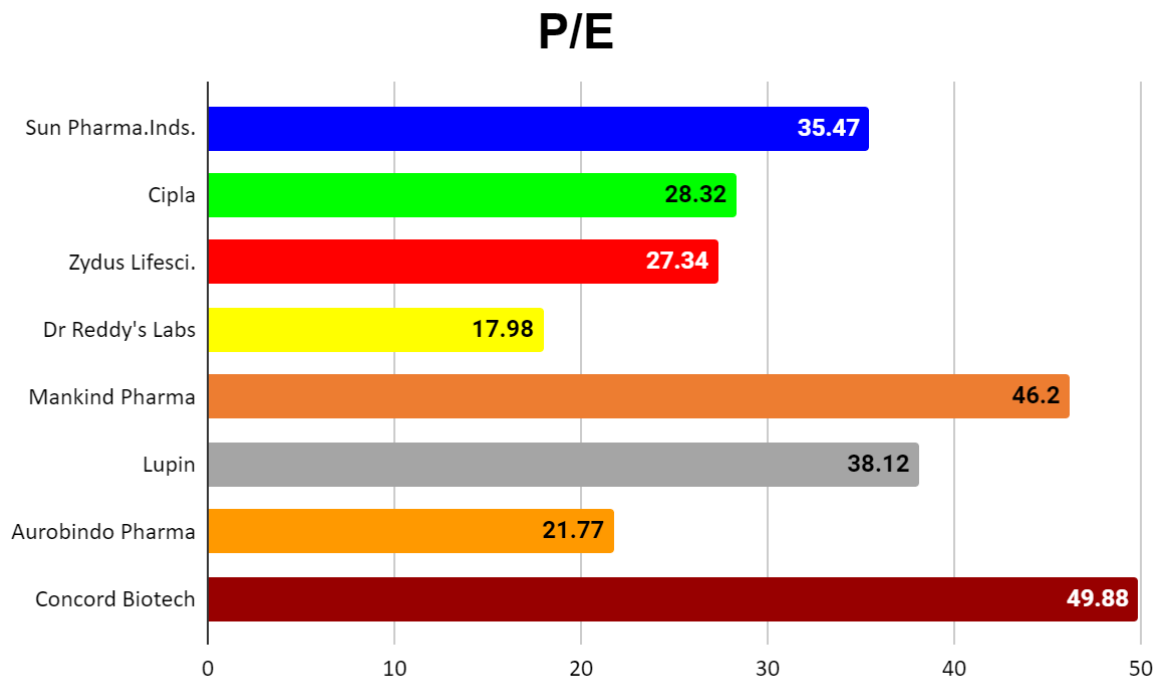
Concord is actively broadening its horizons by collaborating with leading global pharmaceutical companies by meeting their product development needs for APIs & finished formulations. Concord has top-notch manufacturing infrastructure. The Company has two API manufacturing units and one finished formulation unit, all located near Ahmedabad, Gujarat, India.

- **SHARE PRICE: Rs 1450/share**
- **MARKET CAP: Rs 15167 Crs. As on 29th May,2024.**
- **SHAREHOLDER PATTERN**

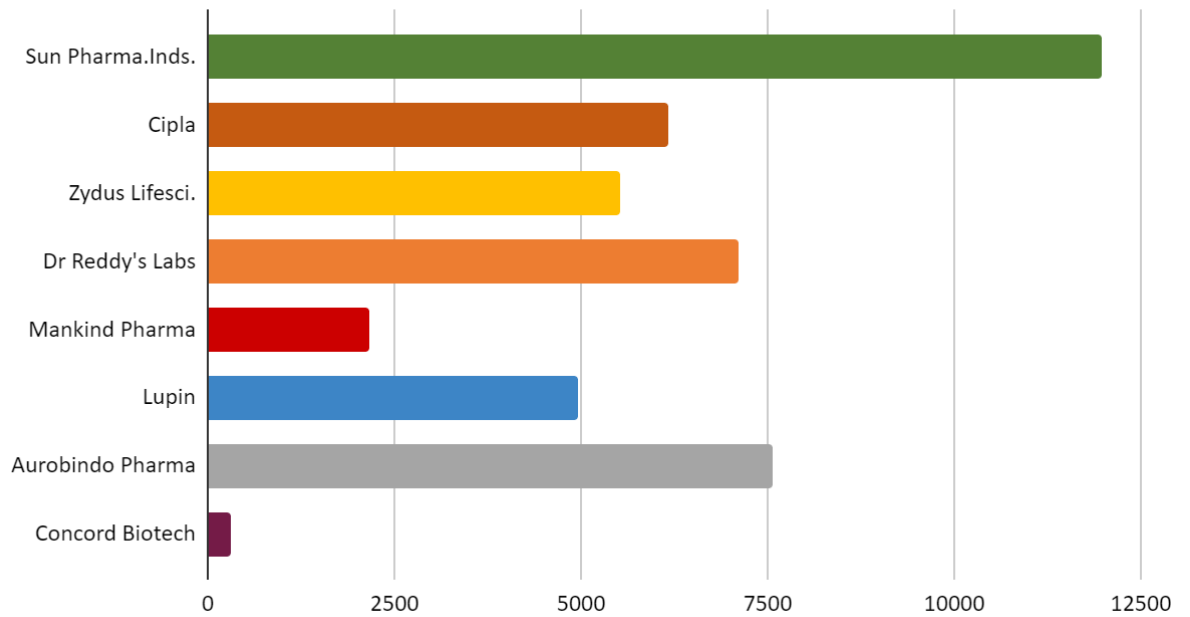


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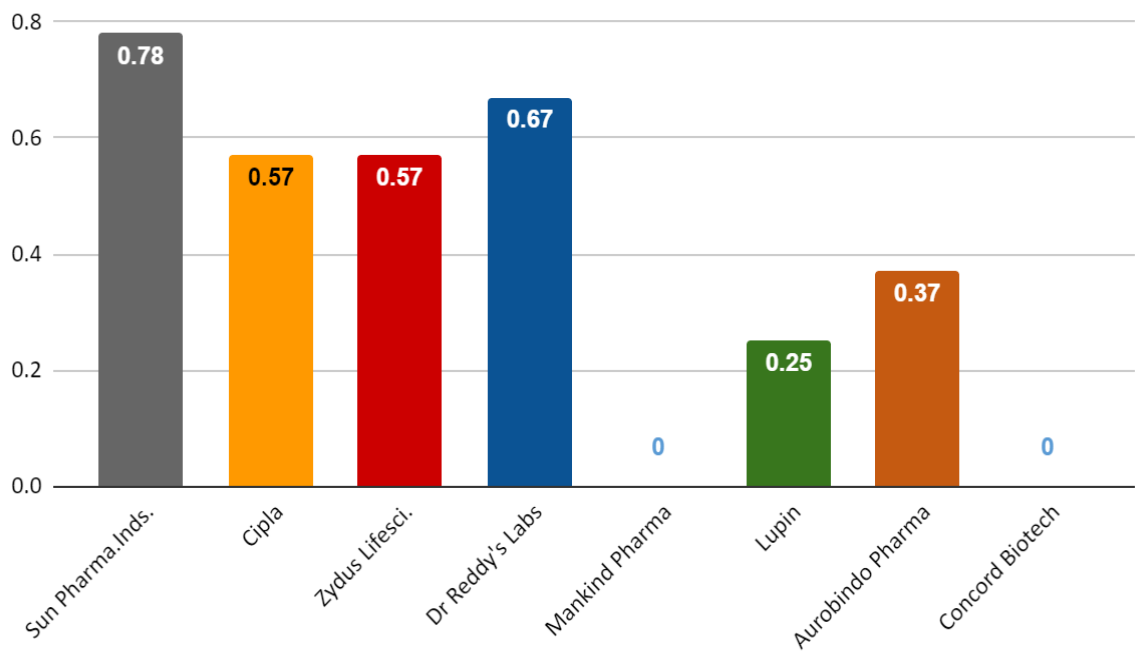
- **Insight: Total Non-Institutional holding increased by 0.51% in the last quarter. The promoters holding remains the same as the last quarter and foreign institutional holding decreases by 0.51%.**
- **Peer Comparison:**



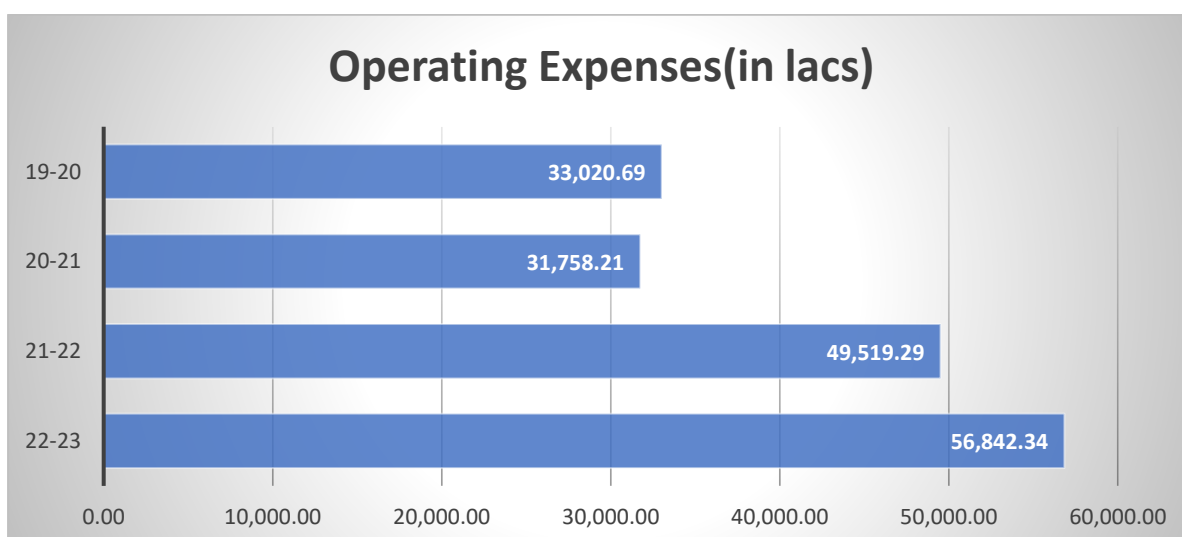
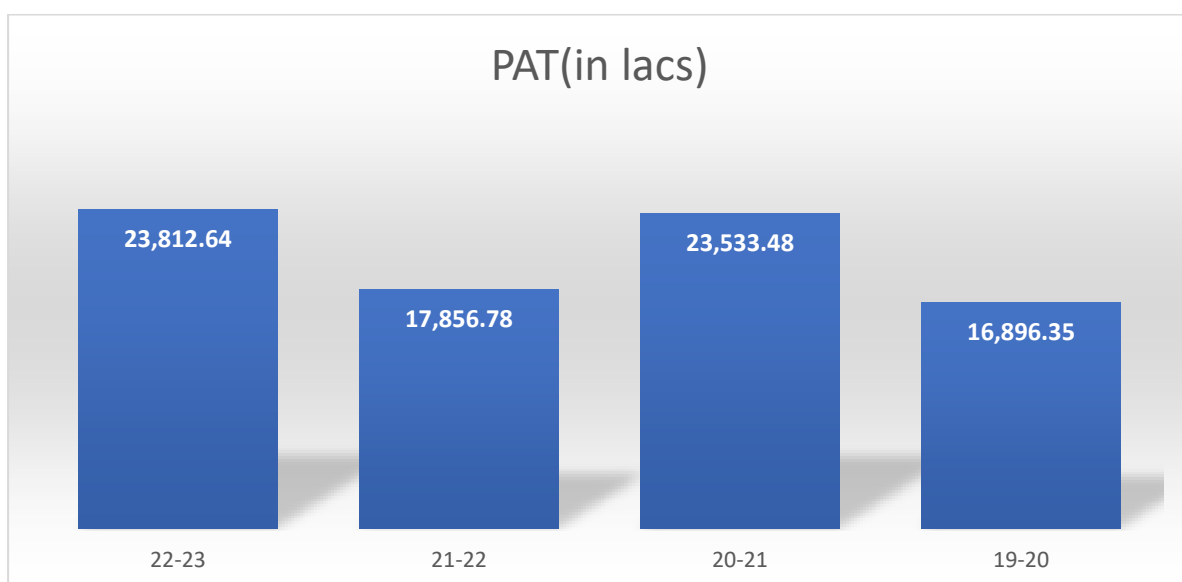
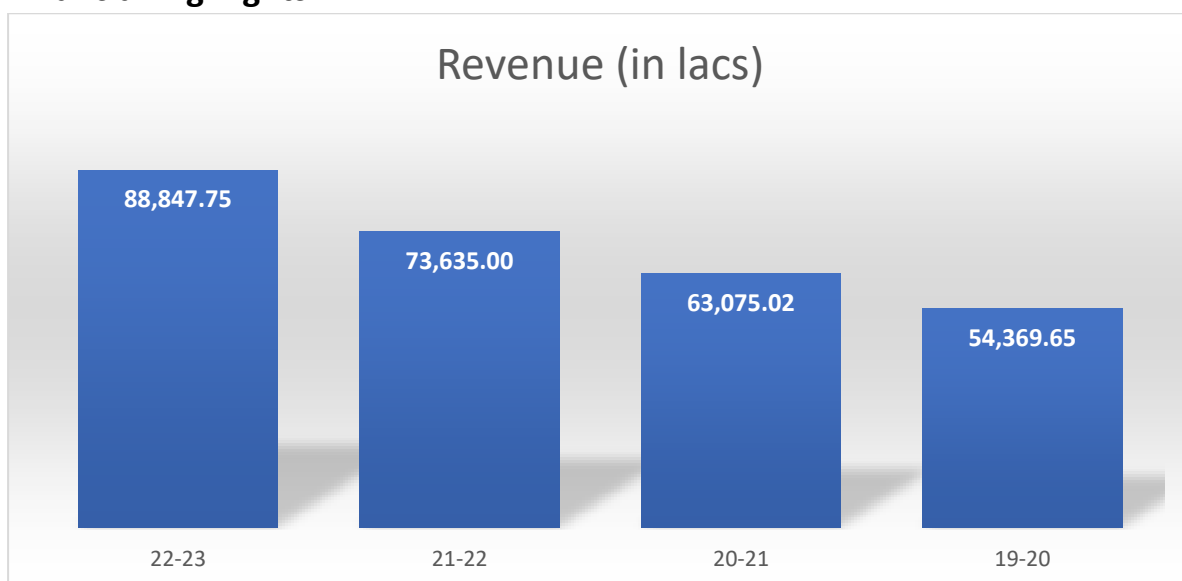
Sales Quater(Crs)

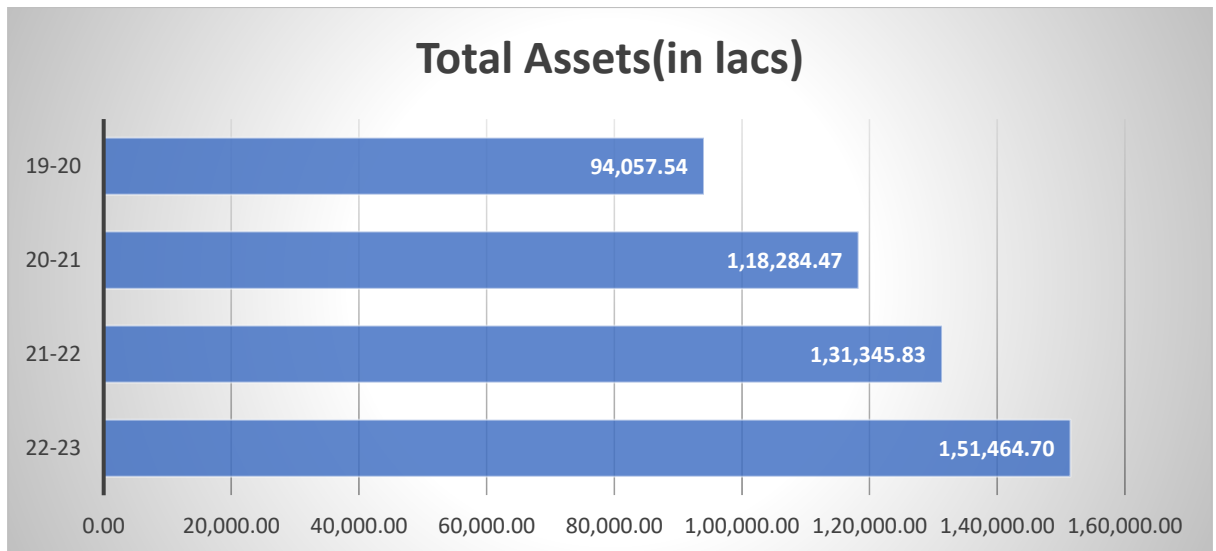


Dividend Yield



- Financial Highlights:





Highlights: Total Revenue has been increasing for the company every financial year along with the total assets of the company which is a good sign. Meanwhile talking about profit after tax for concord biotech, it has seen fluctuations over the recent years while the operating expenses have increased.

- **SWOT ANALYSIS:**

- a. **Strengths:**

- i. **Market Leadership:** A few products at Concord Biotech have more than a 20% market share by volume now and all these are fermentation based APIs as of Dec 2022 [2].
 - ii. **Strong Clientele:** This report shows that the company has a sustainable customer base, especially with the key clients with average customer loyalty of 8 years in the FY23 [2]. This shows that customer retains their loyalty in the organization's products and services hence showing satisfaction.
 - iii. **Financially Sound:** The financial strength of concord Biotech is also evident by low debt, healthy cash flows and steady topline revenue growth of 19. 2%

YoY and better bottom line profitability having achieved a YoY net profit growth of 26. 93% [3].

b. Weaknesses:

- i. Raw Material Dependence: Most of the raw materials of the company are imported from china, which contributed to 32% of total FY23. It also puts them at the risk of disruption of the Chinese supply chain.**
- ii. Customer Concentration: Another issue is that a large number of orders come from a limited number of clients: the ten largest clients contributed to 44% of FY23 revenue. This is because a company may suffer a major blow in terms of its top line if it loses a large client.**
- iii. Limited Product Range: Concord Biotech mainly targets the manufacture of fermentative APIs. This shows that additionally expanding their product range could help reduce the risk and identify new opportunities.**

c. Opportunities:

- i. Growing Pharmaceutical Market: Market trends indicate that the global pharmaceutical market is likely to sustain its upward trend and the same will be ideal for Concord Biotech products [1].**
- ii. Expansion Potential: The company can also consider the option of diversification either in terms of region or in terms of disease areas outside of the ones they are currently targeting.**
- iii. Innovation: One of the factors, which can be an important driver for further strengthening of their position on the market, could be the increased**

investment in the research and development of new products.

d. Threats:

i. Regulations: The legal system governing the production of drugs and the manufacturing of pharmaceutical products is also a crucial factor that can affect Concord Biotech operations because any alterations in the laws or policies can alter its costs.

ii. Competition: The biopharmaceutical industry in the global market is also getting more competitive. Potential threats are related to new entrants, or competitor companies that offer a wider range of related products.

iii. Price Fluctuations: They may face other problems such as the changes in the price of raw materials or the prices of the products that they have produced.

- **Porters 5 forces:**

1. Threat of New Entrants (Low-Moderate)

High Barriers to Entry: The biopharmaceutical business entails a lot of capital expenditure in the areas of research and development together with clinical trials and production plants. Other threat is regulatory concerns Since the products being developed are for use in regulated industries, getting approval to market the products is always difficult.

Existing Players: Industry players such as Concord Biotech already have a brand to protect with loyal client base and economies of scale, it therefore becomes very hard for new entrants into the market.

2. Bargaining Power of Suppliers (Moderate): Companies often rely on their suppliers to provide them with raw materials and other necessary inputs to carry out their operations and that is why the bargaining power of the suppliers is moderate.

Concord's Dependence: This puts suppliers in China in a better negotiating position because there is a likelihood that the company will need to source these raw materials regularly.

Alternatives and Dispersion: Regarding fermentation-based APIs, it is noted that while they are specialized, there may be other suppliers or substitutes for certain raw materials, limiting supplier power.

3. Bargaining Power of Buyers (Moderate-High): This bargaining power is moderate to high because buyers can easily switch between products and companies since the market is fairly competitive.

Concentrated Customer Base: While 44% of the company's revenue is generated from the top 10 clients, these are big pharma players and hold some influence over the pricing and negotiation power.

Switching Costs: In some cases, due to the task of regulating relations between participants in the API market, changing a specific supplier is costly and takes a lot of time for buyers. This can work to level the institutional power playing field.

4. Threat of Substitutes (Low-Moderate)

Limited Substitutes: In some cases, it can be difficult to find other sources of fermentation-based APIs that can provide the same performance and safety.

Technological Advancements: With new technologies it is even possible that other therapeutic products or APIs with different synthesis approaches can be developed posing a higher risk of substitution.

5. Industry Rivalry (Moderate-High)

Fragmented Market: In the biopharmaceutical industry, there are many companies that operate in this field with different scales and focuses. This can lead to moderate competitive forces in certain area of operation.

Focus on Innovation: Big companies spend a lot of money on research and development, which means introducing innovative products into the market, which in turn increases rivalry.

Patent Expirations: Patents for some of Concord Biotech's APIs may have expired; this means that the company may now face more competition in the form of generics.

- **FUTURE PROSPECTS:**

The company is financially stable, has many loyal clients, and prioritizes investment in research and development to meet consumer demand in the fast-growing pharmaceutical industry. However, going beyond the fermentation-based APIs, decentralizing dependence upon few customers, and searching for other sources for raw material will become essential to face competition and for sustainable growth in future.

- **CALL:** According to my opinion, buying this share would be a good option as there are several things which supports my opinion. Firstly the revenue along with the total assets are increasing more rapidly than expenses yoy. Along with strong financials, the company has loyal clients, R&D focus and a growing market. So buying is a good option.