

Information Memorandum

for

Investment opportunity in distressed Pharma

with

- ☑ **Capital Protection**
- ☑ **High ROI**
- ☑ **Low Risk**
- ☑ **Multibagger Potential**

Salient features of the investment

- Investment requirement of approx INR 90cr
- Offering majority stake of 65% against investment
- Land + modern pharma plant at Ankleshwar, Gujarat valued at approx 55cr. These fixed assets will be transferred to the investor after paying off creditors
- Remaining 35cr will be used as Working Capital for delivering the business on hand
- Visible annual revenues of 225cr across 3 segments
- Average margin of 20% = annual profit of 45cr
- 60% of investment is secured at start.
- The remaining stays in the business as WC and is secured by way of profits after one year of operations
- EV > 500cr after 5 years can be foreseen

Background

- XYZ pharma Ltd is a Mumbai based closely held Public Ltd company
- Engaged in pharmaceutical business since last 18yrs
- Owns a modern WHO GMP and ISO 9000 compliant pharmaceutical plant, located at Ankleshwar
- Plant has been approved by drug regulatory authorities in Ghana, Nigeria, Vietnam, Cambodia, Myanmar, Ivory Coast, various W African countries
- Plant has capacity to deliver annual business of more than 250cr
- Total land area is approx 18.5 acres
- Building built-up area is 135991 sq ft.
- Land + plant conservatively valued at 55cr





Background...

- Plant is mortgaged to a PSU bank
- Company has run into financial difficulties due to some major bad debts
- Hence, company is not able to avail further working capital from banks

- However, plant is capable of generating sizable business if working capital is made available
- Value of land is also expected to appreciate substantially over time, since many other major pharma companies are located in the GIDC region

Plant features

- Modern formulation plant originally setup by Pfizer
- Located in GIDC, Ankleshwar
- Automated and well maintained
- Plant design facilitates easy increase in capacity
- Self-sufficient with air-conditioning, air filtration, water effluent treatment and fire protection
- Power generator 1MW capacity with auto panel restores power within 30s
- Smoke detectors in all critical areas
- Water sprinklers in all warehouses
- Well maintained landscape

Plant amenities

No	Description	Built up area (sq ft)
I)	GENERAL BLOCK/PHARMA PLANT	
	a) Ground floor	53482
	b) First floor	27720
II)	EVT BLOCK	
	a) Ground floor	11888
	b) First floor	11888
III)	GUEST HOUSE	
	a) Ground floor	6876
	b) First floor	5743
IV)	SOLVENT STORE	2100
V)	PUMP HOUSE	820
VI)	GATE HOUSE	330
VII)	PARKING LOT	4200
VIII)	ELECTRIC PANEL ROOM	315
IX)	AMENITIES	1400
X)	UTILITY	
	a) Ground floor	7844
	b) Mezzanine floor	1385
	TOTAL	135991

Approvals

- WHO GMP
- ISO 9001-2008
- USFDA
- FDB Ghana
- Form 25
- Form 26
- Form 28
- Export certification

Installed capacity

No	Section	Installed Capacity (month)
I)	GENERAL BLOCK	
	a) Tablets	39,50,00,000
	b) Capsules	5,75,00,000
	c) ORS or Energy drinks in pouches	75,00,000
II)	EFFERVESCENT BLOCK	
	a) Tablets	2,00,00,000
	b) Powders	2,50,00,000
III)	SUPPLEMENTS	
	a) Tablets	49,50,00,000

About XYZ pharma

- Manufacture, Import and Export pharma formulations
- Specialist in effervescent technology
- More than 150 registered drugs
- Few of these are patent-pending
- Major presence in Government PSU sector
- Contract manufacturing for many leading Indian pharma companies like Mankind, Ranbaxy, etc.
- Exports to many W Africa and SE Asian countries
- Certified as One Star Export House

Lines of Business

1. Govt. Supplies

- Strong presence in State and Central Govt. Institutions like Railways and Defence sector
- Tie ups with PSUs like IDPL, BCPL, RDPL, etc.
- Proven track record of executing orders in excess of 100cr
- High margin business segment

PSUs	Railways, Defence, IDPL, BCPL, RDPL, etc.
Visible annual Business	100cr

Lines of Business...

2. Exports

- Company has registered a range of products in various countries such as Nigeria, Ghana, Vietnam, Middle East, SE Asia, W Africa, etc
- More than 150 brands registered
- Attractive margins
- Foreign currency earnings

Countries	Nigeria, Ghana, Vietnam, West African countries, etc
Visible annual Business	75cr

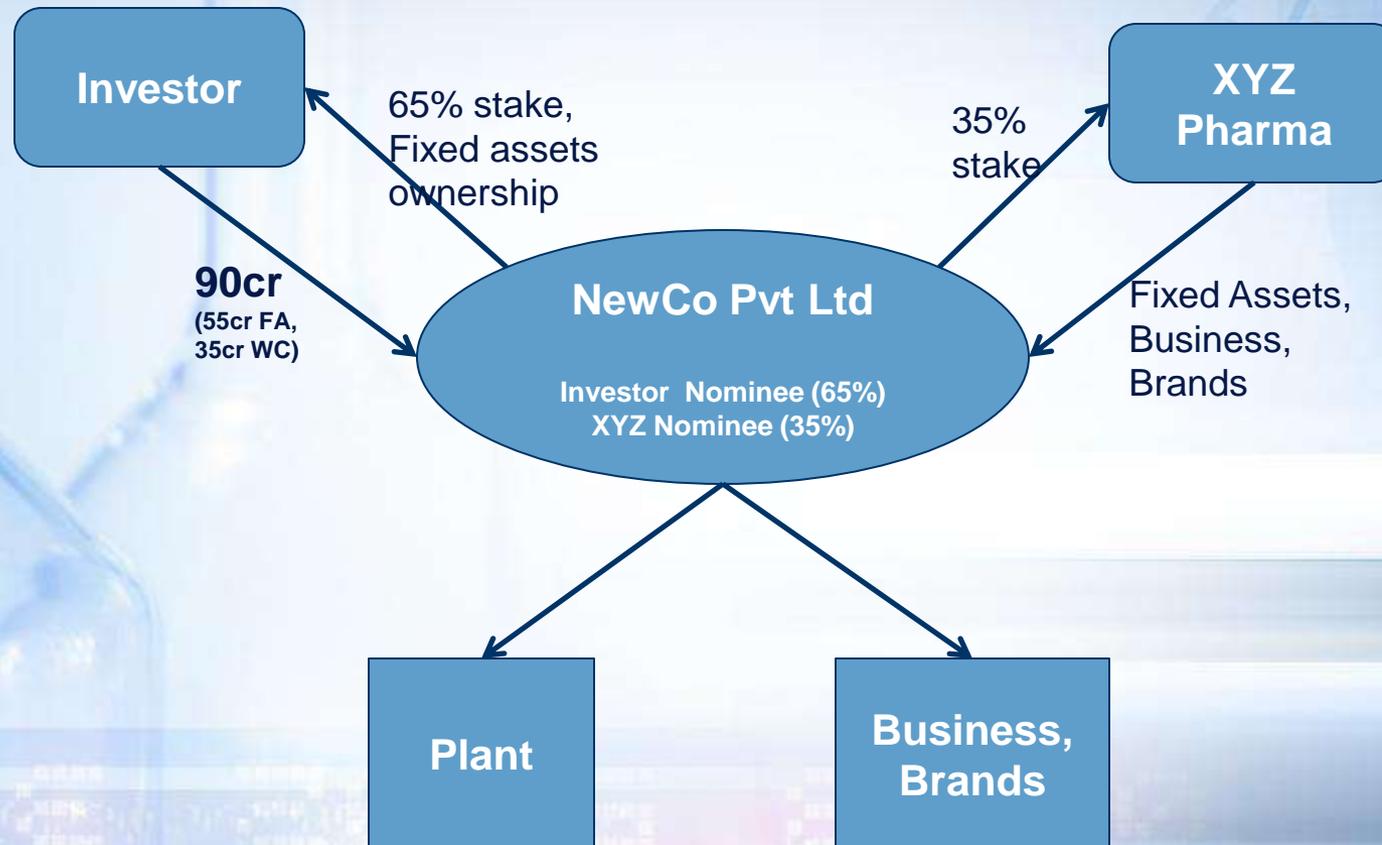
Lines of Business...

3. Contract Manufacturing

- Tie ups with major domestic pharma players
- Agreements signed with Mankind, Ranbaxy, etc.
- Lower margins
- Useful for steady business and keeping the factory occupied

Parties	Mankind, Stride group, Ronak group, BPL, Ranbaxy, etc
Visible annual Business	50cr

Proposal to Investor



Proposal to Investor...

- Soliciting investment of INR 90cr
- Proposed to form a New pharma company in which Investor and XYZ nominee will have 65/35 stake
- XYZ will transfer fixed assets (land + plant) to Investor for a consideration of 55cr, after paying off creditors
- Balance 35cr will be used to capitalize NewCo
- XYZ will transfer Brands + Business to NewCo
- No liabilities of XYZ pharma will transfer to NewCo
- XYZ nominee will run the day to day business
- Investor nominee can choose to be active/passive

Attraction to Investor

- Capital protection of 60% of the investment against fixed assets – land + plant + machineries
- The remaining 40% remains in the business and is used for Working Capital
- Investor has majority stake - can nominate own accountant to ensure proper use of funds
- Projected business of around 225cr after plant is running to full capacity once again.
- Net profit of 20% against the projected business yields profits of 45cr
- Hence investor's entire capital is protected after one year of full operations.
- Investor gets high ROI thereafter at very low Risk
- EV of > 500cr after 5 years can be foreseen

Available at a very cheap price

- The turnover of this company for 2006-07 was 664cr
- You are buying such a gem today for only 90cr!
- Imagine the revenues and EV of this company five years from now
- This is a potential Multibagger opportunity



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