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ZENITH DRUGS LIMITED



Our Company was originally incorporated on November 15, 2000 as a Private Limited Company in the name of "Zenith Drugs Private Limited" under the provisions of the Companies Act, 1956 with the Registrar of Companies, Madhya Pradesh, Gwalior. Subsequently pursuant to a Special Resolution of our Shareholders passed in the Extra-Ordinary General Meeting held on September 05, 2023, our Company was converted from a Private Limited Company to Public Limited Company and consequently, the name of our Company was changed to "Zenith Drugs Limited" and a Fresh Certificate of Incorporation consequent to Conversion was issued on September 13, 2023 by the Registrar of Companies, Gwalior. For details in relation to the incorporation, Change in Registered Office and other details, please refer to the chapter titled "Our History and Certain Other Corporate Matters" beginning on page no. 145 of the Red Herring Prospectus.

Registered Office: K. No. 72/5, Village Muradpura, NA, Depalpur, Indore - 453001, Madhya Pradesh, India.
Tel: +91 8435501867 | E-mail: info@zenithdrugs.com | Website: www.zenithdrugs.com | Corporate Identification Number: U24231MP2000PLC014465 | Contact Person: Ms. Sakshi Bhawsar - Company Secretary and Compliance Officer

PROMOTERS OF OUR COMPANY: MR. SANDEEP BHARDWAJ, MR. BHUPESH SONI AND MR. AJAY SINGH DASSUNDI

THE ISSUE

INITIAL PUBLIC OFFER OF UPTO 51,48,800 EQUITY SHARES OF FACE VALUE OF ₹ 10.00 EACH ("EQUITY SHARES") OF ZENITH DRUGS LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE") AGGREGATING TO ₹ [●] LAKHS ("THE ISSUE"). THE ISSUE INCLUDES A RESERVATION OF UPTO 8,52,800 EQUITY SHARES AGGREGATING TO ₹ [●] LAKHS WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKER TO THE ISSUE (THE "MARKET MAKER RESERVATION PORTION"). THE ISSUE LESS THE MARKET MAKER RESERVATION PORTION I.E. NET ISSUE OF UPTO 42,96,000 EQUITY SHARES AGGREGATING TO ₹ [●] LAKHS (THE "NET ISSUE"). THE ISSUE AND THE NET ISSUE WILL CONSTITUTE 30.02 % AND 25.05 % RESPECTIVELY OF THE POST ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

PRICE BAND: ₹ 75.00 to ₹ 79.00 PER EQUITY SHARE OF FACE VALUE OF ₹ 10.00 EACH AND THE ISSUE PRICE IS 7.5 TO 7.9 TIMES OF THE FACE VALUE AT THE LOWER PRICE BAND AND THE UPPER PRICE BAND RESPECTIVELY. BID CAN BE MADE FOR MINIMUM OF 1,600 EQUITY SHARES AND THE MULTIPLES OF 1,600 EQUITY SHARES THEREAFTER.

ALLOCATION OF THE ISSUE

QIB PORTION NOT MORE THAN 50.00% OF THE NET ISSUE	RETAIL PORTION NOT LESS THAN 35.00% OF THE NET ISSUE	NON-INSTITUTIONAL PORTION NOT LESS THAN 15.00% OF THE NET ISSUE	MARKET MAKER PORTION UPTO 8,52,800 EQUITY SHARES OR 16.56% OF THE ISSUE SIZE
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PRICE BAND: ₹ 75/- to ₹ 79/- PER EQUITY SHARE

THE FLOOR PRICE IS 7.5 TIMES OF THE FACE VALUE AND CAP PRICE IS 7.9 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. BIDS CAN BE MADE FOR A MINIMUM OF 1,600 EQUITY SHARES AND IN MULTIPLES OF 1,600 EQUITY SHARES THEREAFTER. THIS ISSUE IS MADE THROUGH BOOK BUILDING PROCESS AND IN ACCORDANCE WITH CHAPTER IX OF THE SEBI ICDR REGULATIONS (IPO OF SMALL AND MEDIUM ENTERPRISES), AS AMENDED READ WITH RULE 19(2)(B) OF SECURITIES CONTRACT (REGULATION) RULES, 1957, AS AMENDED AND THE EQUITY SHARES ARE PROPOSED TO BE LISTED ON EMERGE PLATFORM OF NSE ("NSE EMERGE").

ISSUE PROGRAMME

ANCHOR BID OPENS ON FRIDAY, FEBRUARY 16, 2024,

OPENS ON: MONDAY, FEBRUARY 19, 2024 | CLOSSES ON: THURSDAY, FEBRUARY 22, 2024

ASBA* Simple, Safe, Smart way of Application- Make use of it!!!
*Application Supported by Blocked Amount (ASBA) is a better way of applying to issues by simply blocking the fund in the bank account, investors can avail the same. For further details check section on ASBA below. Mandatory in Public Issues from January 01, 2016. No cheque will be accepted.

UPI UPI - Now mandatory in ASBA for Retail Investors applying through Registered Brokers, DPs & RTAs. Retail Investors also have the options to submit the application directly to the ASBA Bank (SCSBs) or to use the facility of linked online trading, demat and bank account. ** Investors are required to ensure that the Bank Account used for applying is linked to their PAN.

RISKS TO INVESTORS:

- There are outstanding legal proceedings involving our Company, Promoters and Directors. Any adverse decision in such proceeding may have a material adverse effect on our business, results of operations and financial condition.
- Any manufacturing or quality control problems may disrupt our business operations, damage our reputation for high quality production and expose us to potential litigation or other liabilities, which would negatively impact our business, prospects, cash flows, results of operations and financial condition.
- We highly depend on our major raw materials and a few key suppliers who help us procure the same. Our Company has not entered into long-term agreements with its suppliers for the supply of raw materials. In the event we are unable to procure adequate amounts of raw materials, at competitive prices our business, results of operations and financial condition may be adversely affected.
- We conduct our business activities on a purchase order basis and therefore have not entered into long-term agreements with our customers except government contracts.
- Our business activities are exposed to fluctuations in the prices of raw materials.

BASIS FOR ISSUE PRICE

The Issue Price has been determined by the Company in consultation with the BRLM on the basis of the key business strengths of our Company. The face value of the Equity Shares is ₹10.00 each and Issue Price is 7.5 times to the face value at lower end and 7.9 times to the face value at upper end of price band.

QUALITATIVE FACTORS

- Experienced Promoters and Management Team
- Cost Efficiency
- Formulation & Development
- Regulatory Compliance
- Global Reach
- Product Portfolio
- Supply Chain Efficiency
- Scalable Business Model
- Strong sales, marketing, and distribution capabilities

For further details, see "Risk Factors" and "Our Business" beginning on pages 28 and 111 respectively of the Red Herring Prospectus.

QUANTITATIVE FACTORS

Some of the information presented in this chapter is derived from the Restated Financial Information. For further information, see "Financial Information" beginning on page 179 of the Red Herring Prospectus.

1. Basic and Diluted Earnings / (Loss) Per Share ("EPS") As per Restated Financial Statements – Post Bonus

Particulars	Basic & Diluted EPS (in ₹)	Weights
March 31, 2021	2.52	1
March 31, 2022	2.62	2
March 31, 2023	4.29	3
Weighted Average	3.44	
For the period from April 01, 2023 to September 30, 2023 (Not Annualized)	4.50	

Notes:

- Basic and diluted earnings/ (loss) per equity share: Basic and diluted earnings per equity share are computed in accordance with Accounting Standard 20 - "Earnings per Share" issued by the Institute of Chartered Accountants of India.
- The ratios have been computed as below:
 - Basic EPS is calculated as Profit/(loss) for the year/period attributable to owners of parent divided by the adjusted weighted average number basic equity shares outstanding during the year/period.
 - Diluted EPS is calculated as Profit/(loss) for the year/period attributable to owners of parent divided by the adjusted weighted average number of adjusted diluted equity shares outstanding during the year/period.
- Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year/period adjusted by the number of equity shares issued during the year/period multiplied by the time weighting factor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year/period.
- Weighted average is aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. $\{EPS \times \text{Weight}\}$ for each year / $\{\text{Total of weights}\}$.

2. Price Earnings Ratio ("P/E") in relation to the price band of ₹ 75.00 - ₹ 79.00/- per share - Post Bonus.

Particulars	(P/E) Ratio at the Floor Price (no. of times)	P/E Ratio at the Cap Price (no. of times)
Based on Restated Financial Statements		
P/E ratio based on the Basic & Diluted EPS, as restated for FY 2022-23	17.48	18.41
P/E ratio based on the Weighted Average Basic & Diluted EPS	21.81	22.98

Note: P/E ratio has been computed dividing Issue Price with EPS.

3. Return on Net worth (RoNW)

As per Restated Financial Statements

Particulars	RONW (%)	Weights
March 31, 2021	33.84	1
March 31, 2022	25.96	2
March 31, 2023	29.88	3
Weighted Average	29.23	
For the period from April 01, 2023 to September 30, 2023 (Not Annualized)	23.87	

Note: Return on Net Worth (%) = Profit for the period/ year / Net Worth at the end of the period/year.

As per Restated Financial Statements:

Minimum return on Post Issue Networth to maintain the Pre-Issue EPS (Post Bonus) for the financial year ended on 31st March, 2023 - [●]%

4. Net Asset Value (NAV)

As per Restated Financial Statements – Post Bonus

Financial Year	NAV (₹)
March 31, 2021	7.46
March 31, 2022	10.08
March 31, 2023	14.37
For the period from April 01, 2023 to September 30, 2023 (Not Annualized)	18.87
Net Asset Value per Equity Share after the Issue at Issue Price	[●]
Issue Price	[●]

1. NAV has been calculated as Networth divided by number of Equity Shares at the end of the year.

2. Net asset value per equity share = Networth attributable to the owners of the parent as at the end of the year/period divided by adjusted number of equity shares outstanding as at the end of year/period.

3. Networth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of statement of profit and loss, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off and non-controlling interest, as per the Restated Financial Information, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

4. Networth and the number of equity shares as at the end of the year/period have been adjusted to give effect to the consequent increase in share capital on the assumption that options outstanding to subscribe for additional equity capital (i.e. outstanding share warrants and employee stock options), wherever applicable, were exercised in the respective financial year/period. The computation considering aforementioned effects has been carried out in accordance with the requirements of SEBI ICDR Regulations and therefore the Networth and the number of equity shares outstanding as at the end of the year/period has not been derived from Restated Financial Information.

5. Comparison of accounting ratios with listed industry peers

Particulars	CMP*	EPS (₹)	PE Ratio	RONW (%)	NAV (₹)	Face Value (₹)	Revenue from Operations (₹ in Lakh)
Zenith Drugs Limited	[●]	4.29	[●]	29.88	14.37	10.00	11,451.91
Peer Group**							
Sudarshan Pharma Industries Limited	77.00	5.48	41.11	13.07	Not Available	10.00	19,170.00
Sigachi Industries Limited	78.40	13.52	28.64	18.75	Not Available	10.00	9,444.00

* CMP for our Company is considered as Issue Price

** Source: www.bseindia.com.

- Notes:
- The figures of Zenith Drugs Limited are based on financial statements as restated as on March 31, 2023.
 - Considering the nature and size of business of the Company, the peers are not strictly comparable. However same have been included for broad comparison.
 - Current Market Price (CMP) is the closing price of peer group scrips as on February 06, 2023.
 - The figures for the peer group are based on the standalone audited financials for the year ended March 31, 2023.

The Company in consultation with the Book Running Lead Manager believes that the Issue Price of ₹ [●] per share for the Public Issue is justified in view of the above parameters. Investor should read the above-mentioned information along with the chapter titled "Risk Factors" beginning on page 28 of the Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the chapter titled "Financial Statements as Restated" beginning on page 179 of the Red Herring Prospectus. Our Company in consultation with the BRLM may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI (ICDR) Regulations, 2018.

In case of any revision in the Price Band, the Bid/Issue Period shall be extended for at least three additional Working Days after such revision of the Price Band, subject to the total Bid/Issue Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Company, for reasons to be recorded in writing extend the Bid/Issue Period for a minimum of three Working Days, subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band, and the revised Bid/Issue Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges by issuing a press release and also by indicating the change on the website of the BRLM and at the terminals of the Members of the Syndicate and by intimation to Designated Intermediaries and Sponsor Bank. The Issue is being made through the Book Building Process, in accordance with the SEBI ICDR Regulations, 1957, as amended ("SCRR") read with Regulation 253 of the SEBI ICDR Regulations, as amended, wherein not more than 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs", the "QIB Portion"), provided that our Company may, in consultation with the Book Running Lead Manager, may allocate upto 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("Anchor Investor Portion"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining Net QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. All potential Bidders (except Anchor Investors) are required to mandatorily utilise the Application Supported by Blocked Amount ("ASBA") process providing details of their respective ASBA accounts, and UPI ID in case of RBIs using the UPI Mechanism, if applicable, in which the Corresponding Bid Amounts will be blocked by the SCSBs or by the Sponsor Bank under the UPI mechanism, as the case may be, to the extent of respective Bid Amounts, Anchor Investors are not permitted to participate in the Issue through the ASBA process. For details, see "Issue Procedure" beginning on page 238 of the Red Herring Prospectus.

Bidders / Applicants should note that on the basis of PAN, DP ID and Client ID as provided in the Bid cum Application Form, the Bidders/Applicants may be deemed to have authorized the Depositories to provide to the Registrar to the Issue, any requested Demographic Details of the Bidders/Applicants as available on the records of the depositories. These Demographic Details may be used, among other things, for or unblocking of ASBA Account or for other correspondence(s) related to an Offer. Bidders/Applicants are advised to update any changes to their Demographic Details as available in the records of the Depository Participant to ensure accuracy of records. Any delay resulting from failure to update the Demographic Details would be at the Applicants' sole risk. Bidders / Applicants should ensure that PAN, DP ID and the Client ID are correctly filled in the Bid cum Application Form. The PAN, DP ID and Client ID provided in the Bid cum Application Form should match with the PAN.

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