

750-Crore IPO Withdrawn By Airox Technologies (Public Offer)

Airox Technologies is Aurangabad-based firm is a maker of PSA (pressure swing adsorption) oxygen generators, with a market share of 50 to 55 percent in the operating private hospital PSA medical oxygen market



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Airox Technologies, a provider of medical equipment, has chosen to cancel its 750 crores initial public offering (IPO). The promoters of the IPO, Sanjay Bharatkumar Jaiswal and Ashima Sanjay Jaiswal, intended it to be an offer for sale (OFS) of equity shares. The Securities and Exchange Board of India has received the company's preliminary documents for the proposed IPO on September 30, 2022. (Sebi).



Nevertheless, the draft offering documents for the IPO were withdrawn on February 28 for unknown reasons, according to an update with the markets regulator. As of fiscal 2022, the Aurangabad-based firm is a maker of PSA (pressure swing adsorption) oxygen generators, with a market share of 50 to 55 percent in the private operating hospital PSA medical oxygen market.

With roughly 872 installed and functioning PSA (pressure swing adsorption) oxygen generators as of March 2022, the firm promotes the penetration of on-premise PSA (pressure swing adsorption) oxygen generators in Indian hospitals.

PSA oxygen generators are pieces of equipment that create pure oxygen by removing nitrogen gas from the air using adsorbents. These machines deliver a consistent supply of oxygen at a lesser cost than other typical medical oxygen procurement techniques.

So many health-related firms are going public, and many more are on the way.

According to the PRIME Database, which analyzes India's major capital markets, at least 13 IPOs in these areas have been launched in the last two years. This is a huge increase over previous years. The number of IPOs has increased in the last two years.

"During the last five years, there have been three IPOs per year on average, but there have been seven IPOs per year in the last two years, which is a very strong figure," says Pranav Haldea, Managing Director of PRIME Database Group. Global Health, which owns the Medanta hospital in Gurugram, had its most recent IPO in November 2022. The IPO included a fresh issue of up to Rs 500 crore in shares and an offer-for-sale of up to Rs 500 crore in shares.



According to Haldea, the pipeline of IPOs in healthcare, pharmaceuticals, and diagnostics appears to be solid. According to the PRIME Database, at least eight businesses in the industry have already gotten clearance from market regulator Securities and Exchange Board of India (Sebi) to raise about Rs 18,000 crore through initial public offerings (IPOs) and will launch their IPOs shortly.

GPT Healthcare, Wellness Forever Medicare, API Holdings, Kids Clinic India, Macleods Pharmaceuticals, Yatharth Hospitals & Trauma Care Services, and Concord Biotech are among the companies involved. In addition, Mankind Pharma, Infinion BioPharma, Innova Capital, Healthvista India, and Blue Jet Healthcare have filed draft red herring prospectuses (DRHPs) with Sebi for IPOs and are seeking clearances.

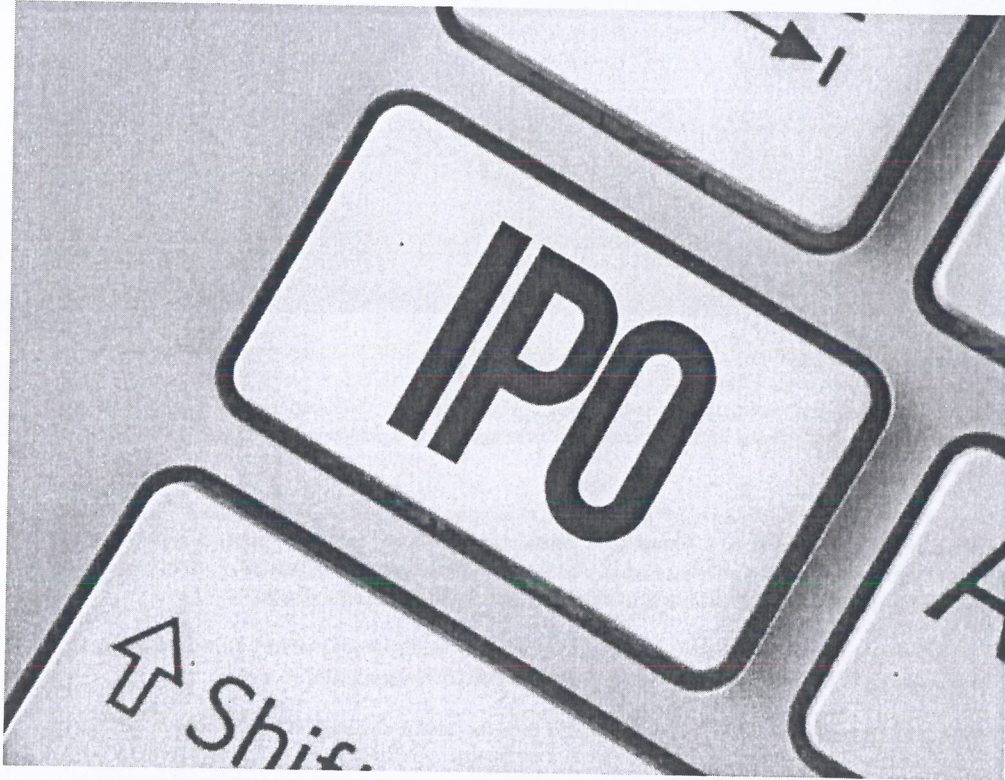
The PRIME Database estimates that these companies might raise an extra Rs 9,700 crore. The New Delhi-based pharmaceutical company Mankind Pharma expects to collect over Rs 5,500 crore in its initial public offering (IPO), making it one of the biggest in the country. Aditya Sood, Fund Manager at InCred Multicap Portfolio, says, "We like companies that are focused on the manufacturing of active pharmaceutical ingredients (APIs), which are the biologically active component of a drug product, and have demonstrated the ability to be either cost leaders or have strong R&D capabilities. Several course-hitting businesses meet that requirement.

Unsurprisingly, more people are preparing to attend. Emcure Pharma, VLCC Healthcare, and Skanray Technologies, for example, have announced plans to issue IPOs worth Rs 4,500 crore, Rs 300 crore, and Rs 400 crore, respectively. According to the PRIME Database, Vijaya Diagnostics was listed on the BSE on September 14, 2021, and online pharmacy PharmEasy is also contemplating an IPO.

Then, Biocon subsidiary Biocon Biologics said it would consider an IPO over the next 12 to 24 months, with the exact date determined by market conditions. In November 2022, the company acquired the global biosimilars (medicines similar to their branded reference medicines) business of its long-term partner Viartis after raising approximately \$330 million in from private equity investors True North, Tata Capital, Goldman Sachs, and ADQ in January 2021.

Nevertheless, while the 13 IPOs since November 2020 have raised over Rs 9,000 crore in the primary

market, investors have received varied results thus far. According to PRIME Database data, the offer prices of Krishna Institute of Medical Sciences, Sigachi Industries, Ami Organics, Rainbow Children's Medicare, and Global Health have increased by 35% to 78% as of February 8, 2023. Tatva Chintan Pharma Chem Ltd., a specialty chemicals manufacturing firm based in Gujarat, has benefited the most. It debuted on the bourses on July 29, 2021, and its share price has risen over 85 percent from the issue price of Rs 1,083 to Rs 1,998.55 on February 8.



Krsnaa Diagnostics, on the other hand, which had its market debut on August 16, 2021, has dropped 53% to Rs 445 on February 8 from its issue price of Rs 954. Windlas Biotech, Glenmark Life Sciences, Medplus Health Services, Vijaya Diagnostics Centre, and Supriya Life-sciences have all fallen between 18% and 48% since their first public offerings (February 8, 2023).

According to a study conducted by ACE Equity and Bank of Baroda, IPOs in edible oil, insurance, and hospital and healthcare services accounted for 56% of total issuances in the primary market in CY22 (through mid-December). According to Sonal Badhan, an economist with the Bank of Baroda's Economics Research Department, "returns in the healthcare services area have been at best moderate, despite the edible oil business having done quite well on the stock market. However, the insurance industry has taken a hit.

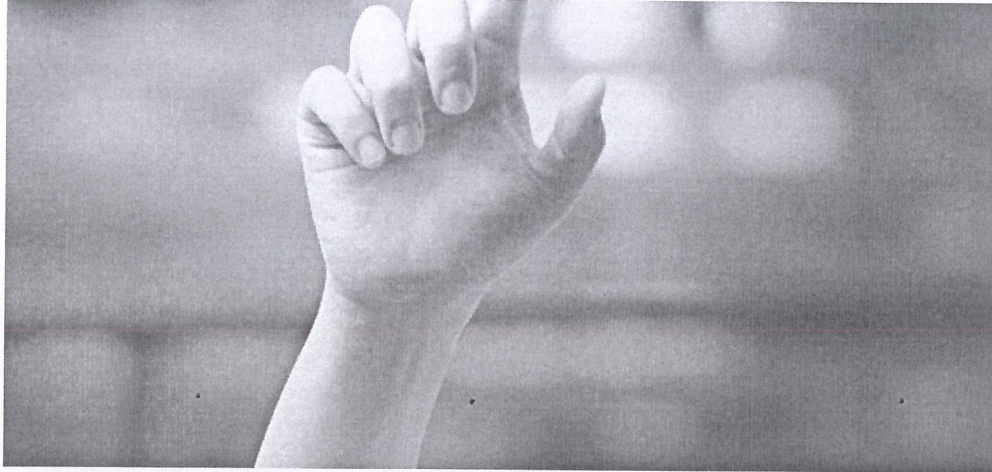
Let's take a closer look at some of the firms that are going public. Tatva Chintan Pharma Chem's sales increased to Rs 120.6 crore in Q3FY23 from Rs 104.67 crore in Q3FY22, up from Rs 433.6 crore in FY22. The firm is increasing manufacturing capacity at its current factory in Gujarat's Dahej Special Economic Zone.

It is also extending its R&D center in Vadodara, which is slated to be finished by the end of FY23, according to a regulatory filing. The business has completed plant-scale trial runs of a novel product that uses continuous flow chemistry (a kind of chemical reaction) and is scheduled to be commercialized by 2024.

Ami Organics, a new entry on the bourses, reported a 7.9 percent increase in consolidated revenues to Rs 152.4 crore in Q3FY23 from Rs 141.2 crore in Q3FY22. Growth in the advanced pharma intermediates sector drove the performance, while the specialty chemicals business remained flat in terms of growth.

Medanta, or Global Health, has had the most success. Medanta, led by renowned cardiologist Dr. Naresh Trehan, is regarded as one of the finest private hospitals in North India, specializing in cardiology and heart science, neurology, and cancer. "We anticipate a 17% CAGR in revenues over FY22-25E, driven by the ramp-up of Lucknow and Patna hospitals as well as consistent growth from older institutions," Jefferies Group stated in a November 2022 research report.





In FY22, the group's original hospitals in Gurugram, Indore, and Ranchi accounted for 81 percent of its revenue and 77 percent of its total operating bed capacity. According to the Jefferies report, Medinta should be protected from any poor policy decisions that may damage the Delhi/NCR region thanks to its expansion into Central and East India and a 550-bed expansion now under construction in Noida (phase I to be finished in FY25).

Meanwhile, Glenmark Life Sciences reported an increase in sales to Rs 540.7 crore in Q3FY23, up from Rs 522.5 crore in Q3FY22. According to Anand Rathi Research, the firm can maintain profits despite industry challenges. "With capex coming online, product portfolio diversification, and increased regional presence, we expect Glenmark Life Sciences to perform better," Anand Rathi stated in a report.

Vijaya Diagnostics' non-Covid-19 sales increased 15.1 percent year over year and 15.9 percent quarter over quarter in Q2 FY23. Revenue for COVID-19 fell 67.6 percent year on year.

"We continue to be bullish on the stock, owing to the company's B2C emphasis (95% of sales in Q2 FY23), the highest margin in the sector, and sustained focus on deeper development in its leading geographies," says Vinay Bafna, Research Analyst at ICICI Securities. The diagnostics sector remained in demand last year as a result of COVID-19 and is projected to continue as demand for communicable disease testing and preventative healthcare tests increases.

Will the sector's impending IPOs be able to maintain investor interest?

In a nation like India, where more insurance coverage, increased affordability, and new supplies have all contributed to a more visible medium-term demand, the healthcare and pharmaceutical industries have done well and have excellent visibility for revenue and profit growth. Deepak Jasani, Head of Retail Research at HDFC Securities, explains that because these sectors are conservative, their values are unaffected by the comparatively high Nifty P/E ratio.

Furthermore, many unlisted firms have financing from private equity or venture capitalists who would like to leave (at least partially) after two to four years. Investors' appetite for IPOs remains robust, given that the chance of receiving significant negative returns from these IPOs is low (unlike new-age IT businesses).

According to CRISIL Research, the Indian healthcare business would grow at a robust 13–15 percent CAGR between fiscal years 2022 and 2026. The government's increasing investment in healthcare is also a factor—the federal government's allocation to the Ministry of Health and Family Welfare grew at a promising 11% CAGR between FY11 and FY23, albeit the healthcare budget as a proportion of GDP remains relatively low at 1.98%.

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