

THIS IS A PUBLIC ANNOUNCEMENT FOR INFORMATION PURPOSES ONLY AND IS NOT A PROSPECTUS ANNOUNCEMENT. THIS DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE TO SECURITIES. THIS PUBLIC ANNOUNCEMENT IS NOT INTENDED FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY OUTSIDE INDIA.

Quest

LABORATORIES LIMITED

QUEST LABORATORIES LIMITED

CIN: U24232MP1998PLC012850

Our Company was originally incorporated under the name “Quest Laboratories Private Limited” under the provisions of the Companies Act, 1956 vide Certificate of Incorporation dated June 01, 1998, issued by the Registrar of Companies Madhya Pradesh, Gwalior. Subsequently, the status of the Company was changed to public limited and the name of our Company was changed to “Quest Laboratories Limited” vide Special Resolution passed by the Shareholders at the Extra Ordinary General Meeting of our Company held on January 11, 2024. The fresh certificate of incorporation consequent to conversion was issued on January 23, 2024, by Assistant Registrar of Companies/ Deputy Registrar of Companies/ Registrar of Companies, Centralised Processing Centre. The Corporate Identification Number of our Company is U24232MP1998PLC012850. For further details, please refer to chapter titled “History and Corporate Structure” beginning on page 171 of the Red Herring Prospectus.

Registered Office: Plot No. 45, Sector III Pithampur, Dhar - 454775, Madhya Pradesh, India | Tel No: 07292292374 | E-mail: investors@questlabltd.com | Website: www.questlabltd.com

Contact Person: Mr. Jayesh Jain, Company Secretary and Compliance Officer

THE PROMOTERS OF OUR COMPANY ARE MR. ANIL KUMAR SABARWAL AND MS. TEJASWINI SABARWAL

“THE ISSUE IS BEING MADE IN ACCORDANCE WITH CHAPTER IX OF THE SEBI ICDR REGULATIONS (IPO OF SMALL AND MEDIUM ENTERPRISES) AND THE EQUITY SHARES ARE PROPOSED TO BE LISTED ON SME PLATFORM OF NSE (NSE EMERGE).”

THE ISSUE

INITIAL PUBLIC OFFER OF UPTO 44,49,600 EQUITY SHARES OF FACE VALUE OF ₹10/- EACH (THE “EQUITY SHARES”) OF QUEST LABORATORIES LIMITED (“OUR COMPANY” OR “QUEST” 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”), OF WHICH UPTO 2,28,000 EQUITY SHARES OF FACE VALUE OF ₹10/- EACH FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE 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 42,21,600 EQUITY SHARES OF FACE VALUE OF ₹10/- EACH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE AGGREGATING TO ₹ [●] LAKHS IS HEREIN AFTER REFERRED TO AS THE “NET ISSUE”. THE ISSUE AND THE NET ISSUE WILL CONSTITUTE [●] % AND [●] % RESPECTIVELY OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF OUR COMPANY.

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 2,28,000 EQUITY SHARES OR 5.12% OF THE ISSUE

PRICE BAND: ₹ 93/- to ₹ 97/- PER EQUITY SHARE

THE FLOOR PRICE IS 9.3 TIMES THE FACE VALUE AND CAP PRICE IS 9.7 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. BIDS CAN BE MADE FOR A MINIMUM OF 1,200 EQUITY SHARES AND IN MULTIPLES OF 1,200 EQUITY SHARES THEREAFTER. THIS ISSUE IS MADE THROUGH BOOK BUILDING PROCESS, IN TERMS OF CHAPTER IX OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018 (THE “SEBI (ICDR) REGULATIONS”), AS AMENDED READ WITH RULE 19(2)(B) OF SECURITIES CONTRACT (REGULATION) RULES, 1957, AS AMENDED.

ISSUE PROGRAMME

ANCHOR BID OPENS ON TUESDAY, MAY 14, 2024

OPENS ON: WEDNESDAY, MAY 15, 2024 | CLOSES ON: FRIDAY, MAY 17, 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 the section on ASBA below.

Mandatory in Public Issues from January 01, 2016. No cheque will be accepted.

LPI

UNIFIED PAYMENTS INTERFACE

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.

*ASBA has to be availed by all the investors except Anchor Investors (if any). UPI may be availed by RIs. For details on the ASBA and UPI process, please refer to the details given in ASBA Form and abridged prospectus and also please refer to the section “Issue Procedure” beginning on page 258 of the Red Herring Prospectus. The process is also available on the website of SEBI and Stock Exchanges in the General information Document. ASBA Forms can be downloaded from the website of Emerge platform of NSE (“NSE Emerge” or “Stock Exchange”) and can be obtained from the list of banks that is displaying on website of SEBI at www.sebi.gov.in.

** List of banks supporting UPI is also available on the website of SEBI at www.sebi.gov.in. For the list of UPI Apps and Banks live on IPO, please refer to the link: www.sebi.gov.in. ICICI Bank Limited has been appointed as Sponsor Bank for the Issue in accordance with the requirements of the SEBI Circular dated November 1, 2018, as amended.

RISKS TO INVESTORS			
1. Our Equity Shares have never been publicly traded and may experience price and volume fluctuations following the completion of the Issue. Further, our Equity Shares may not result in an active or liquid market and the price of our Equity Shares may be volatile and you may be unable to resell your Equity Shares at or above the Issue Price or at all.			
2. The Merchant Banker associated with the Issue has handled 29 public issues in the past three years out of which none of the Issues closed below the Issue Price on Listing date.			
3. The average cost of acquisition of Equity Shares by our Promoters is as follows:			
Sr. No.	Name of the Promoters	No. of Shares held	Average cost of Acquisition (in ₹)
1.	Mr. Anil Kumar Sabarwal	1,01,67,250	1.16
2.	Ms. Tejaswini Sabarwal	4,07,000	1.00
4. Weighted average cost of acquisition:			
Types of transactions	Weighted average cost of acquisition (₹ per Equity Shares)		
Weighted average cost of acquisition of primary / new issue of shares.	30.00		
Weighted average cost of acquisition for secondary sale / acquisition of shares.	22.41		

BASIS FOR ISSUE PRICE			
The Price Band and Issue Price shall be determined by our Company in consultation with the Book Running Lead Manager on the basis of the key business strengths of our Company. The face value of the Equity Shares is ₹10/- each and the Issue Price is 9.3 times of the face value at the lower end of the Price Band and 9.7 times of the face value at the upper end of the Price Band.			

QUALITATIVE FACTORS	
<ul style="list-style-type: none">➤ Multi-product capability➤ Revenue from Government institutions➤ Product Portfolio➤ Research and Development➤ Quality assurance➤ Experienced Promoter and management team➤ Supply Chain Efficiency	
For a detailed discussion on the qualitative factors which form the basis for computing the price, please refer to sections titled “Our Business” beginning on page 127 of the Red Herring Prospectus.	

Information presented below is derived from our Company’s Restated Financial Statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

1. Basic and Diluted Earnings / (Loss) Per Share (“EPS”), as adjusted for changes in capital

As per Restated Financial Statements – Post Bonus			
Particulars	Basic & Diluted EPS (in ₹)	Weights	
March 31, 2023	4.66	3	
March 31, 2022	3.81	2	
March 31, 2021	0.61	1	
Weighted Average	3.70		
For the period ended December 31, 2023 (Not annualised)	7.18		

Notes:

- Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. (EPS x Weight) for each year/Total of weights.
- Earnings per Equity Share = Profit for the period/year / Weighted average number of equity shares outstanding during the period/year.
- Basic and diluted Earnings per Equity Share are computed in accordance with Accounting Standard 20.
- The basic and diluted Earnings per Equity Share for the current period and previous period/year presented have been calculated/restated after considering the bonus issue.
- The face value of each Equity Share is ₹10/-.

2. Price Earnings Ratio (“P/E”) in relation to Price Band of ₹ 93/- to ₹ 97/- per Equity Share

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	19.96	20.82
P/E ratio based on the Weighted Average Basic & Diluted EPS	25.14	26.22

Note: P/E ratio has been computed dividing the price per share by Earnings per Equity Share.

3. Industry P/E Ratio	
Particulars	P/E Ratio
Highest	66.43
Lowest	14.69
Industry Composite	32.35

4. Return on Net worth (RoNW)

As per Restated Financial Statements			
Particulars	RoNW (%)	Weights	
March 31, 2023	33.47%	3	
March 31, 2022	41.08%	2	
March 31, 2021	11.12%	1	
Weighted Average	32.28%		
For the period ended December 31, 2023 (Not annualised)	34.03%		

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

5. Net Asset Value (NAV)			
As per Restated Financial Statements – Post Bonus			
Financial Year	NAV (₹)		
March 31, 2023	13.93		
March 31, 2022	9.26		
March 31, 2021	5.46		
For the period from April 01, 2023 to December 31, 2023 (Not annualised)	21.11		
Net Asset Value per Equity Share after the Issue at Floor Price	38.95		
Net Asset Value per Equity Share after the Issue at Cap Price	40.03		
Issue Price*	[●]		

*Issue Price shall be updated in the Prospectus prior to opening the Issue.

Notes: Net Asset Value per Equity Share (in ₹) = Net Worth at the end of the period/year / Weighted number of equity shares outstanding at the end of the period/year.

6. Comparison of accounting ratios with listed industry peers						
Name of the company	CMP (₹)	Face Value (₹)	Basic & Diluted EPS (₹)	PE Ratio (times)	RoNW (%)	NAV Per share (₹)
Quest Laboratories Limited	[●]	10	4.66	[●]	33.47%	13.93
Peer Group						
Beta Drugs Limited	1300.00	10	19.57	66.43	19.55%	100.12
Alpa Laboratories Limited	93.95	10	5.90	15.92	6.59%	68.69
Zenith Drugs Limited	63.00	10	4.29	14.69	29.88%	14.37

Source: www.bseindia.com, www.nseindia.com.

Notes:

- The figures for our company are based on Restated Financial Statements for the year ended March 31, 2023 after considering the bonus issue.
- The figures for the Peer Group are based on the Standalone Financial Statements filed for the financial year ended March 31, 2023. (Except for Zenith Drugs Limited Consolidated Financial Statements are considered for period ended March 31, 2023)
- P/E Ratio has been computed based on their respective closing market price on May 06, 2024 as divided by the Basic EPS as on March 31, 2023.
- Price Earning (P/E) Ratio in relation to the Issue Price of [●] per share.

The face value of our share is ₹10/- per share and the floor price is 9.3 times the face value and cap price is 9.7 times of the face value of the equity shares.

Investor should read the above-mentioned information along with the section titled “Risk Factors” beginning on page 30 of the Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the chapter titled “Restated Financial Statements” beginning on page 195 of the Red Herring Prospectus.

7. Key Performance Indicators (“KPIs”)

The KPIs disclosed below have been used historically by our Company to understand and analyse the business performance, which in result, help us in analysing the growth of various verticals in comparison to our peers. The KPIs disclosed below have been approved by a resolution of our Audit Committee dated April 17, 2024 and the members of the Audit Committee have verified the details of all KPIs pertaining to our Company. Further, the members of the Audit Committee have confirmed that there are no KPIs pertaining to our Company that have been disclosed to any investors at any point of time during the three years period prior to the date of filing of this Red Herring Prospectus. Further, the KPIs herein have been certified by our Peer review Auditors, M/s. Shyam S Gupta & Associates, Chartered Accountants by their certificate dated April 17, 2024.

The KPIs of our Company have been disclosed in the chapters titled “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Performance Indicators” on pages 127 and 200 of this Red Herring Prospectus, respectively. We have described and defined the KPIs, as applicable, in “Definitions and Abbreviations” on page 1 of this Red Herring Prospectus.

Our Company confirms that it shall continue to disclose all the KPIs included in this section on a periodic basis, at least once in a year (or any lesser period as determined by the Board of our Company), for a duration of one year after the date of listing of the Equity Shares on the Stock Exchange or till the complete utilisation of the proceeds of the Issue as per the disclosure made in the chapter titled “Objects of the Issue”, whichever is later or for such other duration as may be required under the SEBI ICDR Regulations. Further, the ongoing KPIs will continue to be certified by a member of an expert body as required under the SEBI ICDR Regulations.

Key Performance Indicators of our Company*				
(₹ in Lakhs, otherwise mentioned)				
Key Financial Performance	December 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from Operations ⁽¹⁾	6207.98	6,164.06	5,948.39	3,036.35
EBITDA ⁽²⁾	1208.63	782.24	646.55	141.84
EBITDA Margin (%) ⁽³⁾	19.47%	12.69%	10.87%	4.67%
PAT	774.93	502.85	410.50	65.50
PAT Margin (%) ⁽⁴⁾	12.48%	8.16%	6.90%	2.16%
Return on equity (%) ⁽⁵⁾	34.03%	40.20%	51.69%	11.78%
Debt-to Equity Ratio (times) ⁽⁶⁾	0.20	0.27	0.31	0.52
Current Ratio (times) ⁽⁷⁾	1.42	1.25	1.17	1.10

*As certified by M/s. Shyam S Gupta & Associates, Chartered Accountants by way of their certificate dated April 17, 2024

Notes:

- Revenue from operation means revenue from sale of our products
- EBITDA is calculated as Profit before tax + Depreciation + Finance Costs – Other Income
- EBITDA Margin is calculated as EBITDA divided by Revenue from Operations
- PAT Margin is calculated as PAT for the period/year divided by revenue from operations
- Return on Equity is calculated by comparing the proportion of net income against the amount of average shareholder equity
- Debt to Equity ratio is calculated as Total Debt divided by equity
- Current Ratio is calculated by dividing Current Assets to Current Liabilities

Explanations for the certain financial data based on Restated Financial Statements:				
Key Financial Performance	Explanations			
Financial KPIs				
Revenue from Operations	Revenue from Operations is used by our management to track the revenue profile of the business and in turn helps to assess the overall financial performance of our Company and volume of our business			
EBITDA	EBITDA provides information regarding the operational efficiency of the business			
EBITDA Margin	EBITDA Margin (%) is an indicator of the operational profitability and financial performance of our business			
PAT	Profit after tax provides information regarding the overall profitability of the business			
PAT Margin (%)	PAT Margin (%) is an indicator of the overall profitability and financial performance of the business			
Return on equity (%)	Return on equity (ROE) is a measure of financial performance			
Debt-Equity Ratio (times)	Debt / Equity Ratio is used to measure the financial leverage of the Company and provides comparison benchmark against peers			
Current Ratio (times)	The current ratio is a liquidity ratio that measures our company’s ability to pay short-term obligations or those due within one year			

a) Comparison with Listed Industry Peers				
As on March 31, 2023:				
(₹ in Lakhs, otherwise mentioned)				
Key Financial Performance	Quest Laboratories Limited	Beta Drugs Limited	Alpa Laboratories Limited	Zenith Drugs Limited
Revenue from Operations ⁽¹⁾	6,164.06	15,787.46	9,295.52	11,451.91
EBITDA ⁽²⁾	782.24	3,119.81	807.61	967.14
EBITDA Margin (%) ⁽³⁾	12.69%	19.76%	8.69%	8.45%
PAT	502.85	1,881.61	1,241.45	515.33
PAT Margin (%) ⁽⁴⁾	8.16%	11.92%	13.36%	4.50%
Return on Equity (%) ⁽⁵⁾	40.20%	21.66%	8.99%	35.13%
Debt to Equity Ratio (times) ⁽⁶⁾	0.27	0.04	0.02	1.51
Current Ratio (times) ⁽⁷⁾	1.25	2.70	4.95	1.17

As on March 31, 2022:				
(₹ in Lakhs, otherwise mentioned)				
Key Financial Performance	Quest Laboratories Limited	Beta Drugs Limited	Alpa Laboratories Limited	Zenith Drugs Limited
Revenue from Operations ⁽¹⁾	5,948.39	12,484.68	11,226.64	9,165.50
EBITDA ⁽²⁾	646.55	2,518.37	1,068.65	683.12
EBITDA Margin (%) ⁽³⁾	10.87%	20.17%	9.52%	7.45%
PAT	410.50	1,424.65	1,412.39	313.82
PAT Margin (%) ⁽⁴⁾	6.90%	11.41%	12.58%	3.42%
Return on Equity (%) ⁽⁵⁾	51.69%	20.23%	11.34%	29.83%
Debt to Equity Ratio (times) ⁽⁶⁾	0.31	0.07	0.04	1.56
Current Ratio (times) ⁽⁷⁾	1.17	2.43	4.75	1.15

As on March 31, 2021:				
(₹ in Lakhs, otherwise mentioned)				
Key Financial Performance	Quest Laboratories Limited	Beta Drugs Limited	Alpa Laboratories Limited	Zenith Drugs Limited
Revenue from Operations ⁽¹⁾	3,036.35	7,945.64	9,755.42	7,340.17
EBITDA ⁽²⁾	141.84	1,531.00	770.84	702.82
EBITDA Margin (%) ⁽³⁾	4.67%	19.27%	7.90%	9.57%
PAT	65.50	697.78	728.60	302.92
PAT Margin (%) ⁽⁴⁾	2.16%	8.78%	7.47%	4.13%
Return on Equity (%) ⁽⁵⁾	11.78%	11.64%	6.40%	40.73%
Debt to Equity Ratio (times) ⁽⁶⁾	0.52	0.06	-	1.73
Current Ratio (times) ⁽⁷⁾	1.10	2.39	3.69	1.20

Notes:

- Revenue from operation means revenue from sale of our products
- EBITDA is calculated as Profit before tax + Depreciation + Finance Costs – Other Income
- EBITDA Margin is calculated as EBITDA divided by Revenue from Operations
- PAT Margin is calculated as PAT for the period/year divided by revenue from operations
- Return on Equity is calculated by comparing the proportion of net income against the amount of average shareholder equity
- Debt to Equity ratio is calculated as Total Debt divided by equity
- Current Ratio is calculated by dividing Current Assets to Current Liabilities
- Justification for Basis for Issue price

a) The price per share of our Company based on the primary/ new issue of shares (equity / convertible securities), excluding shares issued under ESOP/ESOS and issuance of bonus shares. Except as mentioned below, there has been no issuance of Equity Shares or convertible securities during the 18 months preceding the date of this Red Herring Prospectus, excluding the shares issued under the ESOP Schemes and issuance of bonus shares, where such issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Company (calculated based on the pre-Issue capital before such transaction(s) and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of 30 days.

Date of Allotment	No. of Equity Shares allotted	Face Value (₹)	Issue Price (₹)	Nature of Consideration	Nature of Allotment	Total Consideration (₹ in lakhs)
January 01, 2024	11,50,000	10/-	30/-	Cash	Further Allotment	345.00
Weighted average cost of acquisition (WACA) Primary issuances (in ₹ per Equity Share)						30.00

*As certified by M/s. Shyam S Gupta & Associates, Chartered Accountants by way of their certificate dated February 24, 2024.

(Continued next page...)

www.readwhere.com