Dealmoney
World-Class Financial Services

Gland Pharma Ltd

IPO Note

(SUBSCRIBE)

Analyst:
Rohit Rai

8 November 2020

IPO details

Key Data	
Issue Opens	09-Nov-20
Issue Closes	11-Nov-20
Equity Shares Offered (in mn.)	43.20
QIB	Up to 50%
NIB	Min 15%
Retail	Min 35%
Face Value (Rs)	1
Price Band (Rs)	1490-1500
Max. Issue Size (Rs mn)	64,795
Lot Size (Eq. Shares)	10 and multiple thereof

	Pre Issue		Post Issue^	
	# mn Shares	% Holding	# mn Shares	% Holding
Promoters	114.7	74.0%	79.8	48.9%
Public	40.2869	26.0%	40.3	24.7%
Others	0.0	0.0%	0.0	0.0%
Offer for sale		0.0%	34.9	21.4%
Fresh Issue		0.0%	8.3	5.1%
Total	154.9	100.0%	163.3	100.0%

Object of the issue

- To finance the incremental working capital requirements of the Company
- To meet funding requirements for capital expenditure requirements
- To meet the general corporate purposes

Valuation	@ 1490 per share	@ 1500 per share
Market Cap (mn)	2,43,291	2,44,924
Net Debt (Rs mn)	0	0
Enterprise Value (Rs mn)	2,43,291	2,44,924
EV/ Sales	9.2	9.3
EV/ EBIDTA	25.5	25.6
P/E	29.9	30.1

Recommendation

Gland pharma is one of the fastest growing generic injectables-focused companies. Gland has posted solid return in three years i.e it has delivered CAGR of 27.38% in revenue, EBITDA of 36.90%, restated profits of 55.15% from fiscal 2018 to 2020. Based on FY20 consolidated numbers, the issue is priced at a P/E of 30.1x. at diluted EPS of FY20, We recommend to **SUBSCRIBE** over the issue.

* Calculated on EPS of FY17

Source: Red Herring Prospectus, Dealmoney Research

One of the fastest growing generic injectables-focused companies

- Gland Pharma Limited (Gland) is one of the fastest growing generic injectables-focused companies by revenue in the United States from 2014 to 2019 (Source: IQVIA Report). Gland sells its products primarily under a business to business ("B2B") model in over 60 countries as of June 30, 2020 including the United States, Europe, Canada, Australia, India and the Rest of the world. They have a consistent compliance track record with a range of regulatory regimes across these markets. It also has an extensive track record in
- complex injectables development, manufacturing and marketing and a close understanding of the related sophisticated scientific, technical and regulatory processes.
- Gland is focused on meeting diverse injectables needs with a stable supply of affordable and high quality products. It has a established a portfolio of injectable products across various therapeutic areas and delivery systems. They are present in sterile injectables, oncology and ophthalmics, and focus on complex injectables, NCE-1s, First-to-File products and 505(b)(2) filings. Its delivery systems include liquid vials, lyophilized vials, pre-filled syringes, ampoules, bags and drops. They are expanding its development and manufacturing capabilities in complex injectables such as peptides, long-acting injectables, suspensions and hormonal products as well as new delivery systems such as pens and cartridges.
- Gland has seven manufacturing facilities in India, comprising four finished formulations facilities with a total of 22 production lines and three API facilities. As of June 30, 2020, it has manufacturing capacity for finished formulations of approximately 755 million units per annum. Its API facilities provides it with in-house manufacturing capabilities for critical APIs, enabling it to control costs and quality and mitigate supply chain related risks around its key products.

Source: Red Herring Prospectus, Dealmoney research

- As of June 30, 2020, Gland along with its partners had 267 ANDA filings in the United States, of which 215 were approved and 52 were pending approval. The 267 ANDA filings comprise 191 ANDA filings for sterile injectables, 50 for oncology and 26 for ophthalmics related products. Out of these 267 ANDA filings, 101 represent ANDAs owned by Gland, of which 71 ANDA filings are approved and 30 are pending approval. As of the same date, gland along with its partners had a total of 1,427 product registrations, comprising 371 product registrations in the United States, Europe, Canada and Australia, 54 in India and 1,002 in the Rest of the world.
- Glands total revenue from operations has grown at a CAGR of 27.38% from Fiscals 2018 to 2020. Its EBITDA has grown at a CAGR of 36.90% from Fiscals 2018 to 2020. Its restated profit for the year has grown at a CAGR of 55.15% from Fiscals 2018 to 2020.

Source: Red Herring Prospectus, Dealmoney research

Strengths

- **Extensive and vertically integrated injectables manufacturing capabilities with a consistent regulatory compliance track record:** Gland has seven manufacturing facilities are situated in southern India including two sterile injectables facilities, one dedicated Penems facility, one oncology facility and three API facilities. Gland has a total of three API facilities that provide it with in-house manufacturing capabilities for critical APIs. 24 of its ANDAs covering its key products are supported by in-house APIs.
- **Diversified B2B-led model across markets, complemented by a targeted B2C model in India:** Its primary business model is B2B, covering IP-led, technology transfer and contract manufacturing models, complemented by a B2C model in home market of India. Various B2B business models enable it to (i) grow market share in key markets such as the United States, Europe, Canada and Australia, particularly the United States, while reducing the marketing investments, (ii) leverage the reputation of its marketing partners in their home markets to build its own presence in these markets, (iii) build its own reputation as a complex injectables manufacturer with a consistent compliance record attracting confidence from other potential marketing partners, and (iv) balance profitability and capacity utilisation while continuing to deliver high manufacturing and quality standards to a broad range of customers.
- **Extensive portfolio of complex products supported by internal R&D and regulatory capabilities**: It has vertically integrated company with demonstrated ability to advance a product from the R&D stage through commercialisation. Its capabilities include internal research and development expertise, robust manufacturing capabilities (including the ability to synthesise and manufacture critical APIs in-house), a strict quality assurance system, extensive regulatory experience and established marketing and distribution relationships.

Source: Red Herring Prospectus, Dealmoney research

Strengths

- **It has an experienced management and qualified team and are promoted by Shanghai Fosun Pharma:** Gland has a professional and experienced management team with significant expertise in the pharmaceutical industry. Which in turn facilitates effective operational coordination and continuity of business strategies. One of its Promoters, Shanghai Fosun Pharma, is a global pharmaceutical major with extensive pharmaceutical manufacturing, distribution and R&D expertise internationally, and in China. Its relationship with Shanghai Fosun Pharma provides it with widened market access opportunities arising from its own continuing internationalisation. In particular, it has benefitted from Shanghai Fosun Pharma's established presence in China and Africa, both of which we consider to be key growth markets for injectables.

Source: Red Herring Prospectus, Dealmoney research

Future road ahead

- **Focus to expand product portfolio and delivery systems to drive revenue growth:** Gland has maintained a focus on achieving a diverse product mix offering products at various stages of their lifecycle as well as a robust product pipeline. As of June 30, 2020, it along with its partners had 267 ANDA filings in the United States, of which 215 were approved and 52 pending approval. They are present in sterile injectables, oncology and ophthalmics, and focus on complex injectables, NCE-1s, First-to-File products and 505(b)(2) filings.
- **Continue to invest in manufacturing and related technological capabilities to meet future demand**: It aims to continue investing in manufacturing technologies to build new capabilities to support the production of future portfolio of complex injectables, primarily for the U.S. market. To maintain its competitive position, it intends to expand its current manufacturing capacity for key products and continue to invest in new technologies and manufacturing capabilities in complex injectables such as peptides, long-acting injectables, suspensions and hormonal products as well as new delivery systems such as pens and cartridges. It has increased its manufacturing capacities from 670 million units per annum in Fiscal 2018 to 755 million units as of June 30, 2020. Accordingly, they are expanding its manufacturing footprint in order to increase its product development and manufacturing capabilities.
- **To increase current market presence and enter new markets**: It intend to maintain its strategic emphasis on the United States, Europe, Canada and Australia, while continuing to pursue growth opportunities in China, India, Brazil and the Rest of the world. It plans to grow business in the United States, Europe, Canada and Australia by maintaining an appropriate product mix in portfolio with products which will improve our profitability as well as utilise capacities more efficiently.
- **Align with Shanghai Fosun Pharma to increase market share**: It intends to continue its strategic alignment with Shanghai Fosun Pharma to increase its market share in the global generic injectables industry. It intend to leverage Shanghai Fosun Pharma's existing infrastructure and global presence to access new markets, including the Chinese and African markets.

Source: Red Herring Prospectus, Dealmoney research

Future road ahead

- **Pursue strategic acquisitions and partnerships**: To complement its organic growth and internal expertise, it is focus on strategic acquisitions of companies, products and technologies to add to its capabilities and technical expertise or enter into partnerships to strengthen its product and technology infrastructure in areas including steroidal hormonal products, suspensions, anti-neoplastics and nasal and inhalation products. It will seek to identify API suppliers that complement its business with niche capabilities including fermentation technology, corticosteroid APIs and hormonal APIs as well as partners with USFDA approved facilities to reduce market entry time.
- **Continued focus on cost management**: Gland aims to continue to maintain its cost management focus, including in-house integrated manufacturing capabilities, across its business to deliver growth as well as to achieve economies of scale. In addition, it aims to continue to achieve supply chain efficiencies through lifecycle management of products, including in the R&D and manufacture processes.

Source: Red Herring Prospectus, Dealmoney research

Summary Financials

Income Statement

Rs. mn	FY17	FY18	FY19	FY20
Total Income	14,791.8	16,199.4	20,442.0	26,332.4
Operating Expense	8,541.9	10,848.4	13,378.9	16,777.7
EBIDTA	**6,249.9**	**5,351.1**	**7,063.1**	**9,554.7**
Depreciation	741.5	782.1	819.6	945.9
Other Income	335.6	487.9	855.6	1,391.7
Finance Costs	63.9	41.3	35.6	71.8
PBT	**5,780.1**	**5,015.6**	**7,063.6**	**9,928.7**
Exceptional items	-	-	(200.0)	-
Profit before tax	**5,780.1**	**5,015.6**	**6,863.6**	**9,928.7**
Provision for Tax	1,642.9	1,804.5	2,344.5	2,200.1
Profit for the year	**4,137**	**3,211**	**4,519**	**7,729**

Rs. mn	FY17	FY18	FY19	FY20
EBIDTA Margin	44.5%	36.0%	38.7%	34.5%
Net Margin	27.3%	19.2%	21.2%	27.9%
ROE	34.6%	34.6%	30.0%	35.1%
ROCE	53.7%	53.7%	46.0%	52.5%

Balance Sheet

Rs mn	FY17	FY18	FY19	FY20
Liabilities				
Share capital	155	155	155	155
Share Warrants & Outstandings	-	-	-	165
Minority Interest	-	-	-	-
Reserves and surplus	20,743	23,949	28,466	36,143
Long-Term Borrowings	59	55	50	41
Deferred tax liabilities(Net)	854	957	1,076	741
Other Long Term Liabilities	393	381	152	27
Long term provisions	-	-	-	-
Other financial liabilities	-	-	-	-
Trade payables	1,893	2,924	4,462	2,491
Other current liabilities	619	711	726	817
Short term borrowings	-	-	-	-
Short Term Provisions	22	150	139	282
Total Liabilities	**24,737**	**29,283**	**35,226**	**40,860**
Assets				
Net Block	8,716	8,426	9,287	9,681
Capital Work in Progress	1,612	1,989	1,232	1,885
Investments	-	-	-	-
Loans & Advances	294	339	1,119	815
Deferred Tax Assets	34	20	13	17
Currents Investments	-	-	-	-
Inventories	3,787	5,128	9,119	7,563
Trade receivables	4,179	4,752	5,061	6,018
Cash and cash equivalents	5,331	6,708	7,533	13,252
Loans & Advances	302	1,265	1,319	918
Other current assets	483	656	542	712
Total Assets	**24,737**	**29,283**	**35,226**	**40,860**

Source: Red Herring Prospectus, Dealmoney research

Key Risks

- Its Industry is heavily regulated and our business activities require various approvals, licenses, registrations and permissions.
- Success is dependent on its business arrangements with its marketing partners and customers for the sale of its products.
- If its API production is interrupted or fail to produce or procure high-quality APIs in the quantities it requires in a cost-effective manner, sales of its products could be delayed or interrupted.
- Any manufacturing or quality control problems may disrupt its business operations, damage its reputation for high quality production and expose it to potential litigation or other liabilities, which would negatively impact its business.
- The COVID-19 pandemic, or any future pandemic or widespread public health emergency, could materially and adversely impact its business, financial condition, cash flows and results of operations.

Source: Red Herring Prospectus, Dealmoney research

Disclaimer:

Dealmoney Securities Private Limited (hereinafter referred to as “Dealmoney”) is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. Dealmoney is also registered as a Depository Participant with CDSL. Dealmoney is in the process of making an application with SEBI for registering it as a Research Entity in terms of SEBI (Research Analyst) Regulations, 2014. Dealmoney or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market and no material disciplinary action has been taken by SEBI/other regulatory authorities impacting Dealmoney’s Equity Research Analysis. Dealmoney or its associates/analyst including its relatives do not hold any actual/beneficial ownership of more than 1% in the company/ies covered by Analyst (hereinafter referred to as “Subject Company/ies”). Dealmoney or its associates/analyst including its relatives may hold financial interest in the company/ies covered by Analyst (hereinafter referred to as “Subject Company/ies”). Dealmoney or its associates/analysts or his/her relative does not receive any compensation or other benefits from the subject company/ies mentioned in this research report (hereinafter referred to as “Report”) or from a third party in connection with preparation of the report. Accordingly, Dealmoney or its associates/analyst or his/her relative does not have any other material conflict of interest at the time of publication of the Report.

Research analyst/s engaged in preparation of the Report, has not received any compensation / managed or co-managed public offering of securities of the subject company/ies / has not received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation or other benefits from the subject company/ies or third party in connection with the Report of the subject company/ies during the past twelve months / has not served as an officer, director or employee of subject Company/ies and is not engaged in market making activity of the subject Company/ies.

Dealmoney or its associates are engaged in various financial services business, thus, it might have, received any compensation / managed or co-managed public offering of securities of the subject company/ies / received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / received compensation or other benefits from the subject company/ies or third party in connection with the Report of subject company/ies during the past twelve months engaged in market making activity for the subject company/ies.

In the preparation of the material contained in the Report, Dealmoney has used information that is publicly available, as also data developed in-house. Some of the material used in the document may have been obtained from members/persons other than Dealmoney and which may have been made available to Dealmoney. Information gathered & material used in the Report is believed to be from reliable sources. Dealmoney has not independently verified all the information and opinions given in this material/document/Report. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, authenticity, completeness or fairness of the information and opinions contained in this material/document/Report. For data reference to any third party in this material no such party will assume any liability for the same.

Dealmoney group companies provides finance related product services like distribution of financial products and as such is a provider of many services like loans, mutual funds, tax & trust planning etc. mentioned in this brochure. And hence, Dealmoney do not warranty / guarantee about performance of any products and customer servicing w.r.t third party products per se.

Third party products are subject to code of conduct to be adhered to by the representatives of Dealmoney and Dealmoney is not responsible for the losses, whether actual or notional incurred by any investor. Services assured and expected may vary from actual service and Dealmoney does not guarantee about the quality of services. Investments in securities and commodities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the Investments/Schemes/product would be achieved. Past performances are only indicative and returns are not assured and guaranteed by Dealmoney group companies. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The recipient alone shall be fully responsible, and/or liable for any decision taken on the basis of this material/document/Report. Dealmoney does not in any way through this material solicit or offer for purchase or sale of any financial services, commodities, products dealt in this material/document/Report. Dealmoney/its affiliates/associates/directors shall not be in any way responsible for any loss or damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, and consequential, as also any loss of profit that may arise to any person/entity from or in connection with the use of information contained in this material/document/Report. All recipients of this material/document/Report before dealing and/or transacting in any of the products advised, opined or referred to in this material shall make their own investigation, seek appropriate professional advice and make their own independent decision. Noting contained in this material/document/Report should be construed as investment or financial advice. Clients are advised to assess their risk profile/ appetite before acting on any information contained in this material/document/Report. Investors should also refer to risk tag and compare it with is own risk appetite before taking any investment decision.

Information/ opinion conveyed through this material/document/Report are strictly meant for the registered Clients of Dealmoney group of Companies of the respective segments. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Dealmoney or its affiliates to any registration requirement within such jurisdiction or country. This information does not constitute an offer to sell or a solicitation of an offer to buy any financial products to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. No part of this material may be duplicated in whole or in part in any form and / or redistributed without the prior written consent of Dealmoney. This material/document/Report is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on directly or indirectly.

For any grievance mail at compliance@Dealmoney.com

http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp, www.bseindia.com and http://economictimes.indiatimes.com/markets/stocks/stock-quotes.(Choose a company from te list on the browser and select the “three years” period in the price chart).
Recipients of the Report shall always independently verify reliability and suitability of the Report and opinions before investing.
For Company details, please visit our website www.Dealmoneyonline.com
For research related query, write to us at **research@Dealmoney.in**