

# Gland Pharma

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	GLAND IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	249.4 / 2.9
52-Week Range (INR)	2221 / 1414
1, 6, 12 Rel. Per (%)	-18/-23/-31
12M Avg Val (INR M)	764

## Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	57.2	64.6	72.5
EBITDA	12.6	15.3	17.6
Adj. PAT	7.3	9.4	11.3
EBITDA Margin (%)	22.0	23.6	24.3
Cons. Adj. EPS (INR)	44.3	56.9	68.4
EPS Gr. (%)	(7.0)	28.5	20.3
BV/Sh. (INR)	573.9	630.8	699.3

## Ratios

Net D:E	(0.2)	(0.1)	(0.2)
RoE (%)	8.0	9.4	10.3
RoCE (%)	8.0	9.3	10.1
Payout (%)	-	-	-

## Valuations

P/E (x)	34.3	26.7	22.2
EV/EBITDA (x)	19.2	15.8	13.5
Div. Yield (%)	-	-	-
FCF Yield (%)	(2.9)	(1.1)	0.6
EV/Sales (x)	4.2	3.7	3.3

## Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.8	51.8	57.9
DII	34.8	35.4	24.2
FII	5.0	4.5	4.0
Others	8.3	8.3	13.9

FII Includes depository receipts

**CMP: INR1,514 TP: INR1,840 (+22%) Buy**

## New launches and higher milestone income drive margins

### Cenexi EBITDA break-even delayed to 3QFY26

- Gland Pharma (Gland) delivered a better-than-expected operating performance for the quarter. While revenue came in line, product mix and a higher share of milestone income led to better-than-expected margins in the base business. Cenexi's performance was adversely affected by a surprise inspection of French health authorities and a lyophilizer breakdown.
- We cut our earnings estimate by 4%/3%/2% for FY25/FY26/FY27 to factor in: 1) the delay in achieving EBITDA break-even in Cenexi operations, and 2) a reduced off-take in the India segment. We value GLAND at 28x 12M (vs. 30x earlier) forward earnings to arrive at our TP of INR1,840. The reduction in multiple is to factor in slower execution in core business as well as Cenexi.
- Having said this, GLAND is 1) building a niche pipeline for core markets in the injectable space, including 505b2 products, and 2) pursuing CDMO opportunities in biologics as well as the complex injectables space. GLAND can be a potential beneficiary if the trade war affects Chinese suppliers in the injectable space. **Reiterate BUY.**

### Margin on an uptrend ex-Cenexi basis; the surprise inspection affects Cenexi's profitability

- Gland's 3QFY25 revenue declined 10.4% YoY to INR13.8b (our estimate: INR14.1b). The base business (ex-Cenexi) declined 8.1% YoY to INR10.1b for the quarter. Core market sales declined 11.2% YoY to INR10.7b (77% of sales). RoW sales grew 1.4% YoY to INR2.9b (21% of sales). India sales declined 26.1% YoY to INR562m (4% of sales).
- Gross margin (GM) grew 540bp YoY to 66.6% due to a change in product mix in the base business coupled with expansion in GM of Cenexi.
- EBITDA margin expanded 180bp YoY to 26% (our estimate: 21.5%), led by lower RM costs but offset by higher employee costs (up 240bp YoY as a % of sales) and higher other expenses (up 110bp YoY as a % of sales). On an ex-Cenexi basis, the EBITDA margin was 38.6% (up 480bp YoY /+440bp QoQ).
- However, EBITDA declined 3.8% YoY to INR3.6b (our est: INR3.0b) owing to lower topline.
- Adj. PAT was flat YoY at INR2b (our estimate: INR1.8b).
- For 9MFY25, revenue grew 1.6% YoY to INR41.9b while EBITDA/PAT declined by 7.1%/13.5% YoY to INR9.2b/INR5.1b.

### Highlights from the management commentary

- Gland has the capability towards pen-side (40m per annum) as well as auto-injectors.
- Gland intends to add one more line to add 100m dosages per annum; capex is largely done. Some capacity would be commercialized in FY26 for the ROW/Canadian markets, but a majority of it would be started by end-FY27.
- Milestone and profit share for the quarter was 10.2%/11.7% vs. 8.9%/7.2% YoY as a % of sales.

## Consol. - Quarterly perf.

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
<b>Net Sales</b>	<b>12,087</b>	<b>13,734</b>	<b>15,452</b>	<b>15,375</b>	<b>14,017</b>	<b>14,058</b>	<b>13,841</b>	<b>15,277</b>	<b>56,647</b>	<b>57,193</b>	<b>14,054</b>	-1.5
YoY Change (%)	41.1	31.5	64.7	95.9	16.0	2.4	-10.4	-0.6	56.3	1.0	-9.0	
Total Expenditure	9,147	10,493	11,710	11,788	11,373	11,088	10,241	11,909	43,138	44,611	11,032	
<b>EBITDA</b>	<b>2,940</b>	<b>3,241</b>	<b>3,742</b>	<b>3,587</b>	<b>2,644</b>	<b>2,970</b>	<b>3,600</b>	<b>3,369</b>	<b>13,509</b>	<b>12,582</b>	<b>3,022</b>	19.1
YoY Change (%)	8.9	5.3	29.2	113.0	-10.1	-8.3	-3.8	-6.1	30.4	-6.9	-19.2	
Margins (%)	24.3	23.6	24.2	23.3	18.9	21.1	26.0	22.1	23.8	22.0	21.5	
Depreciation	653	813	1,053	926	920	938	963	976	3,446	3,797	970	
Interest	49	60	53	100	56	61	228	101	262	447	40	
Other Income	375	532	374	421	514	597	585	592	1,702	2,288	620	
<b>PBT before EO expense</b>	<b>2,613</b>	<b>2,899</b>	<b>3,009</b>	<b>2,982</b>	<b>2,182</b>	<b>2,567</b>	<b>2,993</b>	<b>2,884</b>	<b>11,503</b>	<b>10,627</b>	<b>2,632</b>	13.7
One-off income/(expense)	0	0	178	0	0	0	0	0	178	0	0	
<b>PBT</b>	<b>2,613</b>	<b>2,899</b>	<b>2,832</b>	<b>2,982</b>	<b>2,182</b>	<b>2,567</b>	<b>2,993</b>	<b>2,884</b>	<b>11,325</b>	<b>10,627</b>	<b>2,632</b>	13.7
Tax	672	958	913	1,058	745	932	946	713	3,601	3,337	826	
Rate (%)	25.7	33.0	32.2	35.5	34.1	36.3	31.6	24.7	31.8	31.4	31.4	
<b>Reported PAT</b>	<b>1,941</b>	<b>1,941</b>	<b>1,919</b>	<b>1,924</b>	<b>1,438</b>	<b>1,635</b>	<b>2,047</b>	<b>2,170</b>	<b>7,724</b>	<b>7,290</b>	<b>1,805</b>	13.4
<b>Adj PAT</b>	<b>1,941</b>	<b>1,941</b>	<b>2,039</b>	<b>1,918</b>	<b>1,438</b>	<b>1,635</b>	<b>2,047</b>	<b>2,170</b>	<b>7,839</b>	<b>7,290</b>	<b>1,805</b>	13.4
YoY Change (%)	-15.3	-22.7	-12.1	61.7	-25.9	-15.8	0.4	13.2	-5.6	-7.0	-11.5	
Margins (%)	16.1	14.1	13.2	12.5	10.3	11.6	14.8	14.2			12.8	
<b>EPS</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>9</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>48</b>	<b>44</b>	<b>11</b>	

E: MOFSL Estimates

## Key performance Indicators (Consolidated)

(INR m)

Y/E March	FY24				FY25E				FY24E	FY25E	FY25E	
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
Core Markets	8,564	10,198	12,000	12,047	10,641	10,521	10,652	11,528	42,750	33,262	10,205	4%
YoY Growth (%)	21.4	36.4	81.1	119.1	24.3	3.2	-11.2	-4.3	59	-22	-15.0	
India	647	876	761	526	527	874	562	566	2,810	2,529	685	-18%
YoY Growth (%)	26.9	20.7	-6.5	-18.7	-18.5	-0.2	-26.1	7.6	12	-10	-10.0	
Rest of the world	2,876	2,660	2,842	2,802	2,734	2,663	2,881	2,929	11,239	6,524	3,164	-9%
YoY Growth (%)	187.0	18.6	46.3	64.3	-4.9	0.1	1.4	4.5	61	-42	11.3	
<b>Cost Break-up</b>												
RM Cost (% of Sales)	37.5	38.0	38.8	39.0	40.3	40.9	33.4	46.0	38.4	40.3	40.4	(697)
Staff Cost (% of Sales)	21.1	22.2	22.3	22.9	25.4	23.5	24.8	16.9	22.2	22.5	23.0	177
Other Cost (% of Sales)	17.1	16.2	14.7	14.8	15.5	14.5	15.8	15.0	15.6	15.2	15.1	69
Gross Margin (%)	62.5	62.0	61.2	61.0	59.7	59.1	66.6	54.0	61.6	59.7	59.6	697
EBITDA Margin (%)	24.3	23.6	24.2	23.3	18.9	21.1	26.0	22.1	23.8	22.0	21.5	451
EBIT Margin (%)	18.9	17.7	17.4	17.3	12.3	14.5	19.0	15.7	17.8	21.2	14.6	445



## Management call highlights

- Cenexi's 3QFY25 production was affected by the surprise inspection of ANSM, the French health authority. The implementation of CAPA and summer shutdown is leading to a delay in EBITDA break-even to 3QFY26 vs. 4QFY25 earlier. Having said this, Gland remains confident of EBITDA positive in FY26.
- Milestone and profit share for the quarter was 10.2%/11.7% vs. 8.9%/7.2% YoY as a % of sales.
- Despite decent launches, the QoQ US sales have been stable due to lower off-take of Enoxia (12% down QoQ) and ketorolac.
- Commercial production of a new inactivated vaccine and an ophthalmic gel commenced in Dec'24, as anticipated, and will ramp up gradually in CY25.
- Gland has completed nine filings in the targeted portfolio of 19 complex products. Six of these are already launched, and three will be launched in due course. Additionally, 15 complex products are under co-development with MAIA Pharmaceuticals.
- R&D expense for the quarter is INR437m (4.3% of sales) for 3QFY25.
- Net cash stood at INR24b as of Dec'24.

## Efforts underway to improve the overall profitability

### Measures to strengthen complex product pipeline; Cenexi turnaround delayed by a couple of quarters

- For 9MFY25, Gland's core market (ex-Cenexi) sales grew 5.1% YoY to INR24.1b. Including Cenexi, core markets grew 12.8% YoY to INR21.2b.
- The growth is fueled by volume growth in key injectables, new product launches, and market leadership of existing products.
- During 9MFY25, Gland filed 19 ANDAs. It also received approvals for 23 products and launched 28 products (including SKUs).
- Moreover, GLAND is witnessing traction in the biologics space for advanced-stage CDMO contracts in monoclonal antibodies and novel plasma-based proteins. Further, it has collaborated with DRRD for biologics CDMO, and expects to commence the operation in FY26.
- Fontenay Site: Production was hit by the surprise inspection of the ANSM, the French health authority.
- Cenexi's new high-capacity ampoule line began production on schedule. This addition will augment ampoule manufacturing capacity by 40–50m units.
- Hérouville Site: Commercial production of a new inactivated vaccine and an ophthalmic gel commenced in Dec'24.
- Braine-l'Alleud Site: Temporary setback caused by a lyophilizer breakdown at the site. The issue will be resolved in 1HFY26.
- Overall, we expect a 12% sales CAGR in the core markets to reach INR43b over FY25-27. This would be supported by additional sales of Cenexi, which is likely to grow at 8.5% to reach INR17.5b over FY25-27.

### Volume growth in existing products and newer offerings to drive the ROW business

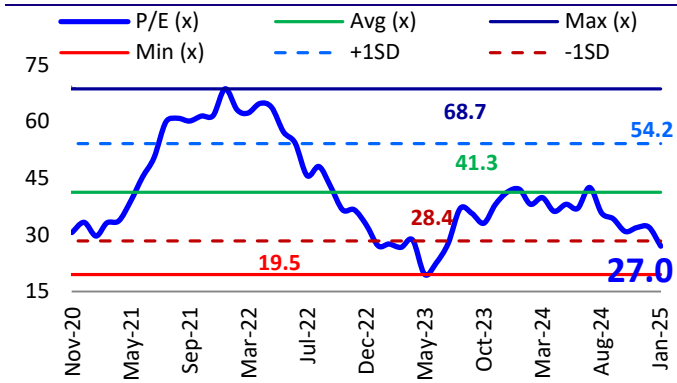
- In 9MFY25, the RoW markets witnessed almost flat YoY sales at INR8.4b. The stable performance of Cenexi was offset by a weaker show by GLAND in 9MFY25.
- Over FY25-27, we expect ROW sales to report a 17% CAGR to reach ~IN8.9b, fueled by expansion in new geographies and new launches.

### Reiterate BUY

- We cut our earnings estimate by 4%/3%/2% for FY25/FY26/FY27 to factor in: 1) the delay in achieving EBITDA break-even in Cenexi operations, and 2) a reduced off-take in the India segment. We value GLAND at 28x 12M (vs. 30x earlier) forward earnings to arrive at our TP of INR1,840. The reduction in multiple is to factor in slower execution in core business as well as Cenexi.
- Having said this, GLAND is 1) building a niche pipeline for core markets in the injectable space, including 505b2 products, and 2) pursuing CDMO opportunities in biologics as well as the complex injectables space. GLAND can be a potential beneficiary if the trade war affects Chinese suppliers in the injectable space.

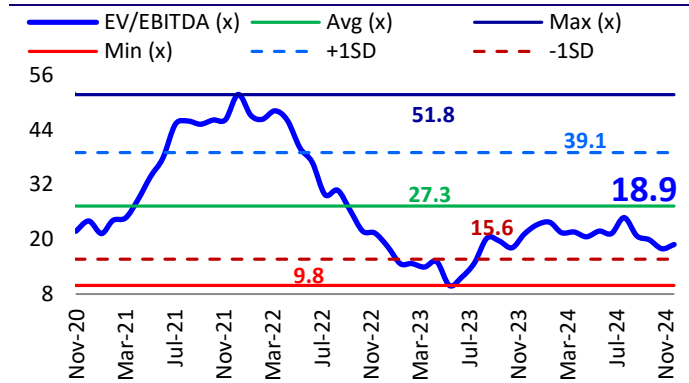
### Reiterate BUY.

Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

## Story in charts

Exhibit 3: Expect 12% revenue CAGR over FY25-27

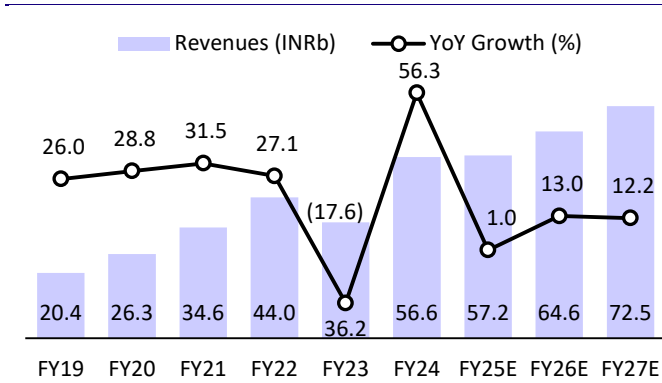


Exhibit 4: Expect 12.7% core market sales CAGR over FY25-27

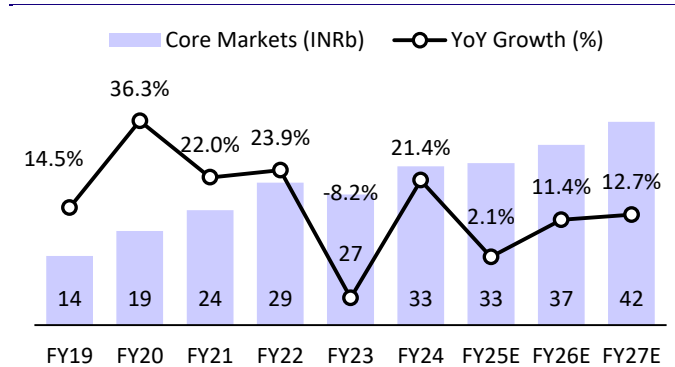


Exhibit 5: Expect ROW sales to post 18% CAGR over FY25-27

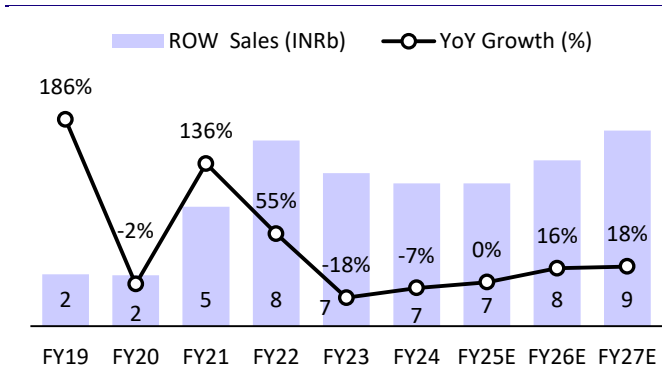


Exhibit 6: Expect India sales to decline 9% over FY25-27

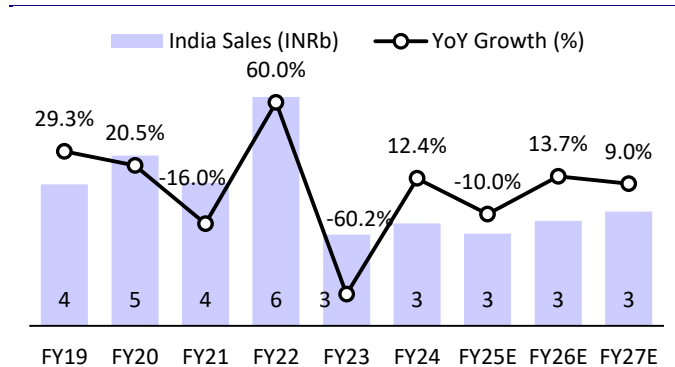
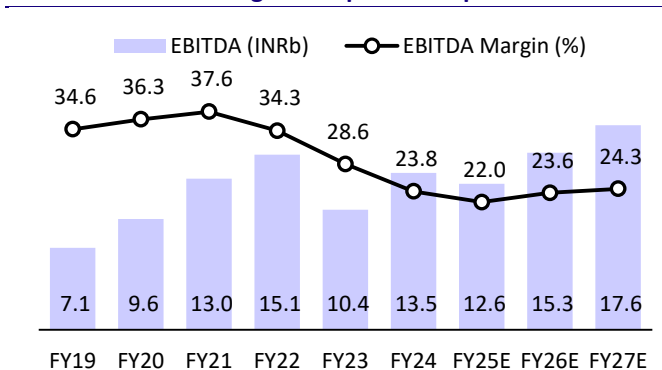
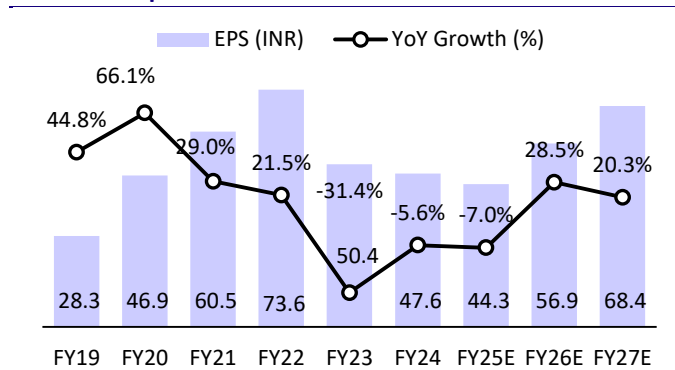


Exhibit 7: EBITDA margin to expand 230bp over FY25-27



Source: Company, MOFSL

Exhibit 8: Expect EPS CAGR of 24% over FY25-27



Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement						(INRm)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>44,007</b>	<b>36,246</b>	<b>56,647</b>	<b>57,193</b>	<b>64,619</b>	<b>72,531</b>
Change (%)	27.1	-17.6	56.3	1.0	13.0	12.2
<b>Total Expenditure</b>	<b>28,906</b>	<b>25,888</b>	<b>43,138</b>	<b>44,611</b>	<b>49,369</b>	<b>54,906</b>
% of Sales	65.7	71.4	76.2	78.0	76.4	75.7
<b>EBITDA</b>	<b>15,102</b>	<b>10,358</b>	<b>13,509</b>	<b>12,582</b>	<b>15,250</b>	<b>17,625</b>
Margin (%)	34.3	28.6	23.8	22.0	23.6	24.3
Depreciation	1,103	1,467	3,446	3,797	4,058	4,198
<b>EBIT</b>	<b>13,999</b>	<b>8,890</b>	<b>10,063</b>	<b>8,786</b>	<b>11,192</b>	<b>13,427</b>
Int. and Finance Charges	52	74	262	447	298	223
Other Income	2,239	2,405	1,702	2,288	2,585	2,901
<b>PBT bef. EO Exp.</b>	<b>16,186</b>	<b>11,220</b>	<b>11,503</b>	<b>10,627</b>	<b>13,479</b>	<b>16,105</b>
EO Items	0	-685	178	0	0	0
<b>PBT after EO Exp.</b>	<b>16,186</b>	<b>10,536</b>	<b>11,325</b>	<b>10,627</b>	<b>13,479</b>	<b>16,105</b>
Total Tax	4,069	2,735	3,601	3,337	4,111	4,831
Tax Rate (%)	25.1	26.0	31.8	31.4	30.5	30.0
Minority Interest	0	0	0	0	0	0
<b>Reported PAT</b>	<b>12,117</b>	<b>7,800</b>	<b>7,724</b>	<b>7,290</b>	<b>9,368</b>	<b>11,273</b>
<b>Adjusted PAT</b>	<b>12,117</b>	<b>8,307</b>	<b>7,839</b>	<b>7,290</b>	<b>9,368</b>	<b>11,273</b>
Change (%)	21.5	-31.4	-5.6	-7.0	28.5	20.3
Margin (%)	26.2	21.5	13.4	12.3	13.9	14.9

Consolidated - Balance Sheet						(INRm)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	164	165	165	165	165	165
Total Reserves	71,412	79,423	87,074	94,364	1,03,732	1,15,005
<b>Net Worth</b>	<b>71,576</b>	<b>79,587</b>	<b>87,238</b>	<b>94,528</b>	<b>1,03,896</b>	<b>1,15,170</b>
Minority Interest	0	0	0	0	0	0
Total Loans	46	45	3,722	3,722	3,722	3,722
Deferred Tax Liabilities	878	842	1,697	1,697	1,697	1,697
<b>Capital Employed</b>	<b>72,499</b>	<b>80,473</b>	<b>92,656</b>	<b>99,946</b>	<b>1,09,314</b>	<b>1,20,588</b>
Gross Block	20,910	23,061	47,846	58,361	70,465	76,837
Less: Accum. Deprn.	5,888	7,355	10,801	14,598	18,656	22,854
<b>Net Fixed Assets</b>	<b>15,022</b>	<b>15,705</b>	<b>37,045</b>	<b>43,764</b>	<b>51,809</b>	<b>53,983</b>
Goodwill on Consolidation	0	0	2,423	0	0	0
Capital WIP	1,907	1,772	2,379	9,088	6,650	2,383
Total Investments	1,549	0	6,559	6,559	6,559	6,559
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>59,858</b>	<b>70,298</b>	<b>57,703</b>	<b>54,328</b>	<b>60,350</b>	<b>74,413</b>
Inventory	11,857	19,453	16,552	19,800	23,670	28,130
Account Receivables	11,988	8,714	15,587	14,416	16,110	18,878
Cash and Bank Balance	30,934	37,707	18,394	12,875	12,392	16,525
Loans and Advances	5,079	4,424	7,169	7,238	8,178	10,880
<b>Curr. Liability &amp; Prov.</b>	<b>5,836</b>	<b>7,302</b>	<b>13,451</b>	<b>13,792</b>	<b>16,053</b>	<b>16,749</b>
Account Payables	4,629	5,874	8,627	8,921	10,550	12,034
Other Current Liabilities	960	1,115	2,863	2,891	3,266	2,901
Provisions	248	313	1,961	1,980	2,237	1,813
<b>Net Current Assets</b>	<b>54,022</b>	<b>62,997</b>	<b>44,252</b>	<b>40,536</b>	<b>44,297</b>	<b>57,664</b>
<b>Appl. of Funds</b>	<b>72,499</b>	<b>80,473</b>	<b>92,656</b>	<b>99,946</b>	<b>1,09,314</b>	<b>1,20,588</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>						
<b>Adj. EPS</b>	<b>73.6</b>	<b>50.4</b>	<b>47.6</b>	<b>44.3</b>	<b>56.9</b>	<b>68.4</b>
Cash EPS	80.5	59.3	68.5	67.3	81.5	93.9
BV/Share	435.6	483.2	529.7	573.9	630.8	699.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>						
P/E	20.7	30.1	31.9	34.3	26.7	22.2
Cash P/E	18.9	25.6	22.2	22.6	18.6	16.2
P/BV	3.5	3.1	2.9	2.6	2.4	2.2
EV/Sales	5.0	5.9	4.2	4.2	3.7	3.3
EV/EBITDA	14.5	20.5	17.4	19.2	15.8	13.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	17.0	8.6	-25.6	-44.7	-16.8	8.8
<b>Return Ratios (%)</b>						
RoE	18.6	11.0	9.4	8.0	9.4	10.3
RoCE	18.6	11.1	9.4	8.0	9.3	10.1
RoIC	32.5	16.6	12.9	8.8	10.0	10.5
<b>Working Capital Ratios</b>						
Asset Turnover (x)	2.1	1.6	1.2	1.0	0.9	0.9
Inventory (Days)	98	196	107	126	134	142
Debtor (Days)	99	88	100	92	91	95
Creditor (Days)	38	59	56	57	60	61
<b>Leverage Ratio (x)</b>						
Net Debt/Equity	-0.45	-0.47	-0.2	-0.2	-0.1	-0.2

### Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	16,186	10,546	11,325	10,627	13,479	16,105
Depreciation	1,103	1,467	3,446	3,797	4,058	4,198
Interest & Finance Charges/ (Income)	33	63	218	-1,841	-2,287	-2,678
Direct Taxes Paid	-4,065	-3,109	-3,061	-3,337	-4,111	-4,831
(Inc)/Dec in WC	-3,931	-4,179	-532	-1,804	-4,244	-9,234
<b>CF from Operations</b>	<b>9,326</b>	<b>4,788</b>	<b>11,396</b>	<b>7,441</b>	<b>6,895</b>	<b>3,560</b>
Others	-1,418	-1,148	-1,428	0	0	0
<b>CF from Operating incl EO</b>	<b>7,908</b>	<b>3,640</b>	<b>9,968</b>	<b>7,441</b>	<b>6,895</b>	<b>3,560</b>
(Inc)/Dec in FA	-5,113	-2,230	-14,192	-14,802	-9,665	-2,105
<b>Free Cash Flow</b>	<b>2,794</b>	<b>1,410</b>	<b>-4,224</b>	<b>-7,361</b>	<b>-2,770</b>	<b>1,455</b>
(Pur)/Sale of Investments	-2,613	12,706	-4,747	0	0	0
Others	-2,300	1,606	1,371	2,288	2,585	2,901
<b>CF from Investments</b>	<b>-10,026</b>	<b>12,082</b>	<b>-17,569</b>	<b>-12,515</b>	<b>-7,080</b>	<b>796</b>
Issue of Shares	0	215	5	0	0	0
Inc/(Dec) in Debt	-1	-3	-7,743	0	0	0
Interest Paid	-33	-63	-256	-447	-298	-223
Dividend Paid	0	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>320</b>	<b>-8,949</b>	<b>-11,711</b>	<b>-447</b>	<b>-298</b>	<b>-223</b>
<b>Inc/Dec of Cash</b>	<b>-1,799</b>	<b>6,773</b>	<b>-19,312</b>	<b>-5,520</b>	<b>-483</b>	<b>4,133</b>
Opening Balance	4,889	3,091	9,863	-9,449	-14,969	-15,452
<b>Closing Balance</b>	<b>3,091</b>	<b>9,863</b>	<b>-9,449</b>	<b>-14,969</b>	<b>-15,452</b>	<b>-11,319</b>
Term Deposit with Banks	27,844	27,844	27,844	27,844	27,844	27,844
<b>Total Cash &amp; Cash Eq</b>	<b>30,934</b>	<b>37,707</b>	<b>18,395</b>	<b>12,875</b>	<b>12,392</b>	<b>16,525</b>

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Explanation of Investment Rating	
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