

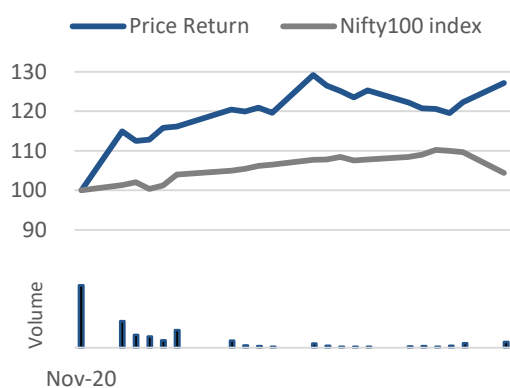
Gland Pharma Ltd (GLAND IN)

In for the Long Haul: Initiation

Investment Focus

Initiate with **OUTPERFORM**

Rating	OUTPERFORM
Current Price	Rs2,320
Target Price	Rs2,790
Market cap	Rs380bn / US\$5.14bn
Daily traded value (3mth)	US\$2.89mn
Shares in issue	163.28mn
Free float (%)	80%
1 yr high - low	Rs2,351.00-Rs1,820.45



	1mth	3mth	12mth
Absolute			
Absolute USD			
Relative to MSCI China			

(Rs mn)	Mar-20A	Mar-21E	Mar-22E	Mar-23E
Revenue	26,332	34,115	40,046	48,266
(+/-)	29%	30%	17%	21%
Net profit	7,729	10,564	12,694	16,057
(+/-)	64%	37%	20%	26%
Diluted EPS (Rs)	50.51	64.51	77.51	98.05
GPM	58.1%	61.0%	59.0%	59.5%
ROE	23.8%	22.2%	19.8%	20.8%
P/E	46	36	30	24

Source: Company data, HTI estimates

Gland Pharma (Gland) is one of the fastest-growing small-molecule generic injectable companies in the US. It sells its products primarily under a B2B model in over 60 other countries. Driven by 45-50 yearly injectable launches across the globe, Gland has reported 27%/55% Revenue/PAT CAGR over the last three years and we believe it is likely to maintain a similar approval rate, healthy double-digit topline, and earnings growth over FY20-23E. Dominant market share in the majority of the products supported by cost leadership, supply continuity, and clean regulatory record are critical factors for its success in the injectable space. This strength is also reflected in its profitable P&L and cash-rich balance sheet. We initiate coverage on the stock with an Outperform rating and target price of Rs 2,790.

Eight benefits of Gland's B2B model: The unique business model of Gland provides several advantages in the injectable space - 1) early market entry; 2) access to niche portfolio; 3) ability to leverage the presence of leading front end players; 4) multiple marketing partners to grab higher market share; 5) economies of scale; 6) less capital investment; 7) better compliance record; and 8) secular and predictable growth.

The US - The mainstay of Gland's business (~67% of sales): Driven by the ramp-up in recently launched products like Enoxaparin, Caspofungin, Dexmedetomidine along with new product launches in penem, oncology, and peptide categories, we expect the US revenues to grow at ~25% CAGR over FY20-23E (to cross US\$ 450 mn by FY23E).

Key earnings drivers: 1) Global Enoxaparin opportunity; 2) complex peptides, depo and long-acting injectables launches; 3) entry into the Chinese market; 4) vaccine fill and finish supply; 5) Potential M&A with Rs 30bn cash on books; and 6) improving business mix.

Financial ratios to improve further: We expect Gland to deliver 22.4/27.7/27.6% revenue/EBITDA/PAT CAGR over FY20-23E. Driven by optimal utilization of capacities, minimal Capex, and improving profitability, the ROIC should strengthen further to 45%+ while FCF generation should improve to Rs 7-8bn annually by FY23E.

View & Valuation: Due to Gland's profit-sharing B2B model, we believe Gland's financial ratios are superior to both B2B (CMO) and front end peers. Moreover, there is also a multi-year runway for growth with an abundant market opportunity in the injectable space. Thus, we believe Gland's PE is likely to remain on the up-trend for some time. We value Gland at 30x PE on Dec-22 EPS of Rs 92.8 to arrive at a target price of Rs 2,790/sh. Initiate with an Outperform rating.

Risks: US FDA risk, Incremental competition, supply disruption, Rupee appreciation.

Amey Chalke

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KEY EARNINGS TRIGGERS

Low Molecule Heparins

- ~US\$ 4bn Low molecule heparin global opportunity
- ~US\$ 1.5bn Enoxaparin market in US & EU
- Gland launched Enoxaparin in early 2019 (in US)

Improving business mix

- We estimate ~2/3rd of FY20 revenues are contributed by profit sharing contracts
- Incrementally, 85-90% of the launches in the US are likely to be with profit sharing agreements

Entry into complex inj

- Likely to introduce difficult to make hormones, peptides, long acting & depo injectables from FY23/24
- We estimate the opportunity size is more than US\$ 5bn for these generic molecules

Entry into China

- Chinese generic injectable market is close to US\$ 30bn in value (vs US\$ 45bn US market)
- Gland has filed 6 dossiers and planning to file total 60 products in coming years

Cash rich B/S

- Post the IPO, Gland is expected to have Rs 30bn of cash on the books
- This could be utilised to acquire newer technological asset in the future

Vaccine Opportunity

- Gland has one of the largest vial bottling capacity units in the country
- The company may look to tie up with vaccine innovators to fast track manufacturing process

Source: HTI estimates

Figure 1: Key shareholders

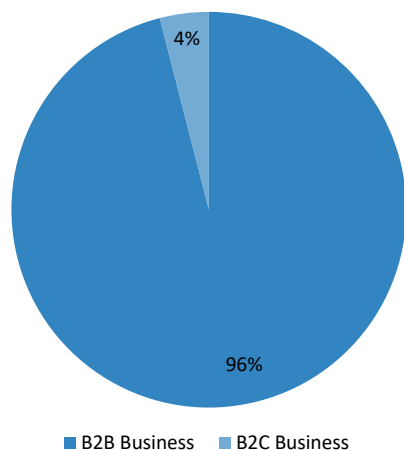
Shareholders	% Shareholding
Fosun Pharma	58.4
Gland Celcius	6.2
SBI MF	3.4
Rep. of Singapore	2.7
Empower Trust	2.6
Nilay Trust	1.2
Kotak AMC	0.5
Invesco AMC	0.3
Franklin AMC	0.2
L&T MF	0.1
Baroda MF	0.1
PGIM India AMC	0.1

Source: Bloomberg (as on 20th Dec, 2020)

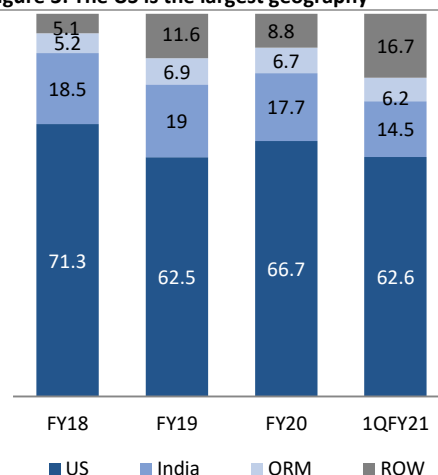
Company Profile

Gland Pharma was established in Hyderabad, India, in 1978, and since then, the company has become a significant player in the injectable market. It covers a large part of the injectables value chain, including CDMO, own development, dossier preparation/filing, technology transfer, and manufacturing across various delivery systems. Gland is mainly a B2B player as it generates ~96% of the overall revenue (FY20). The company also gets ~84% (FY20) of its revenue through exports by selling products in over 60 countries. Major regions are the US, Canada, Europe & Australia. As per IQVIA, Gland is one of the fastest-growing small-molecule generic injectable companies (by revenue) in the US (38% rev CAGR over 2014-19).

In Nov-20, Gland completed the largest IPO in the Indian Pharmaceutical space. It was listed at Rs 1,710, a 14% premium to its issue price. Currently, the promotor, Fosun Pharmaceutical industrial Pte's (unlisted) shareholding stands at 58.4%. Other key shareholders include Gland Celsius (Unlisted), SBI MF and the Republic of Singapore who hold 6.2%, 3.4% & 2.7%, respectively.

Figure 2: B2B contracts account for ~96% of sales

Source: Company Data

Figure 3: The US is the largest geography

Source: Company Data

Figure 4: Key events prior to 2020

Calendar year	Event
2019	Filed Dexrazoxane injection in China market & received clinical waiver
2018	Received ANDA approval for Enoxaparin for US market and Olopatadine (first ophthalmic approval)
2017	Fosun Pharma acquired 74% stake in Gland
2016	Received USFDA approval for facilities in JNPC, Pashamlaram & Visakhapatnam SEZ
	Received USFDA approval for small parenteral manufacturing facility in Visakhapatnam
2014	Commissioned the Pashamlaram Unit-2 manufacturing facility
	Received GMP certificate from MHRA (UK) for Dundigal manufacturing facility
	Capital infusion of around US\$ 200mn from KKR
2012	Received GMP certificate from BGV Hamburg (Germany)
2010	Launched Heparin in US
2007	Capital infusion of around Rs 1.2bn from EILSF Co-Invest I LLC
2004-05	Launched Enoxaparin in India and RoW market
2003	Received USFDA approval from Dundigal facility
2000	Set-up the in-house R&D facility at Dundigal
1978	Incorporated by P.V.N. Raju

Source: Company Data

In FY20, ~96% of Gland's revenues were generated from B2B contracts

As majority of incremental launches will be Gland owned, the trend of business mix improvement is likely to continue for a few years.

#1. B2B model provides secular growth

Gland is a unique company that predominately operates in a B2B model across global markets, unlike similar size generic injectable players, which are primarily front end companies. In FY20, ~96% of Gland's revenues were generated from B2B contracts. However, a large portion of these B2B contracts is with profit sharing components compared to cost-plus-margin led CMO companies.

Deep dive in B2B contracts: There are four sub types: 1) IP led own ANDA filings, 2) IP led partner ANDA filings, 3) Tech-transfer, and 4) Cost+margin led CMO model.

Changing business mix: As per our understanding, Gland started its injectable business with a tech-transfer and Cost+margin led CMO model, and as it grew its technical and financial capabilities, it ventured into the IP-led business model. Now, more than 2/3rd of its revenues are coming from the first two types of business contracts, i.e., 1) IP led own ANDA filings and 2) IP led partner ANDA filings, the key reason for Gland's improving profitability over the last several years. As most incremental launches will be Gland-owned, we believe a business mix improvement is likely to continue for a few years.

Figure 5: Business model illustration

		Rights/Ownership				
		ANDA/Product registration ownership	Development by Gland	IP ownership	Marketing rights	Royalty / Profit Sharing
B2B	Own filing	Yes	Yes	Yes	Yes	Yes
IP-Led	Partner filing	No	Yes	Co-owned	No	Yes
B2B-Tech Transfer		No	Yes	No	No	Yes
B2B CMO		No	No	No	No	No
B2C		Yes	Yes	Yes	Yes	Not applicable

Source: Glands RHP

1) IP led own ANDA filings: In these types of business contracts, Gland does the R&D and files the ANDA/dossier in respective markets. Also, these are non-exclusive marketing agreements with various front end players. In return, Gland gets Cost+Margin basis revenues and profit share from the front end partners.

2) IP led partner ANDA filings: In these types of business contracts, Gland does the R&D, along with the marketing partner, and the marketing partner files the ANDA/dossier in respective markets. These are exclusive marketing agreements with a sole front end player in each market. In return, Gland gets Cost+Margin basis revenues and profit share from the front end partners.

3) Tech-transfer contracts: Tech-transfer business contracts are formed when the technology is not widely available, and Gland has to do the job of CMO for its marketing partner. Apart from the regular CMO contract where Gland gets Cost+margin basis revenues, it may get a royalty payment for the tech transfer work.

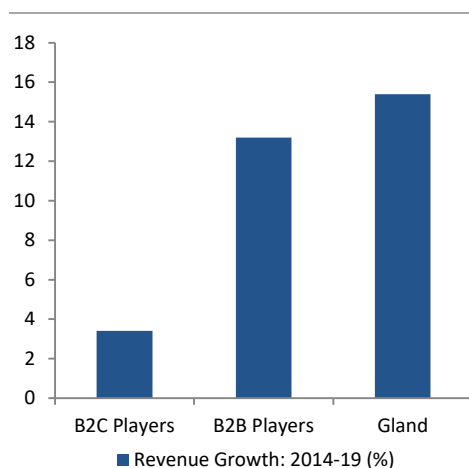
4) Cost+margin led CMO model: These are regular CMO contracts where Gland does the toll manufacturing job for CMO clients and gets Cost+margin basis revenues. There is no profit sharing or royalty payment included in these types of contracts.

In all key markets, Glands works through its B2B model while the B2C model is only present in the Indian market

Gland's B2B presence: In markets such as the US, EU, Canada, and Australia as well as the RoW such as Brazil, Africa, APAC, Middle East, North Africa, Commonwealth of the Independent States, and South Africa, Gland's primary business model is B2B, covering IP-led, technology transfer and contract manufacturing models. In such markets, it partners with leading pharmaceutical companies with strong and independent sales and distribution networks to market its products.

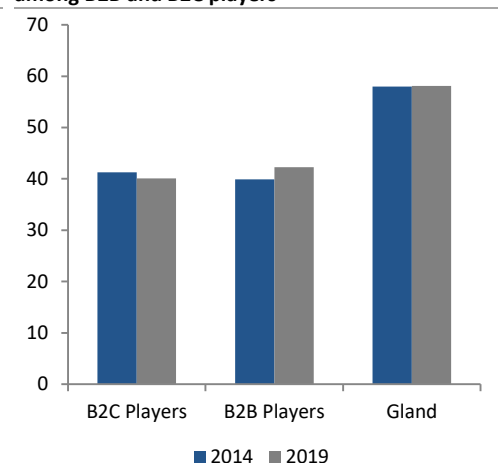
Gland's B2C presence: Only in India, Gland operates with the B2C model, where its products are marketed and sold to institutions such as hospitals, long-term care facilities, and clinics. It also has a B2B presence in India, where it supplies products to pharmaceutical companies with a CMO/tech transfer business agreement.

Figure 6: Revenue growth comparison



Source: Gland's RHP

Figure 7: Gland's gross margins is among the best among B2B and B2C players



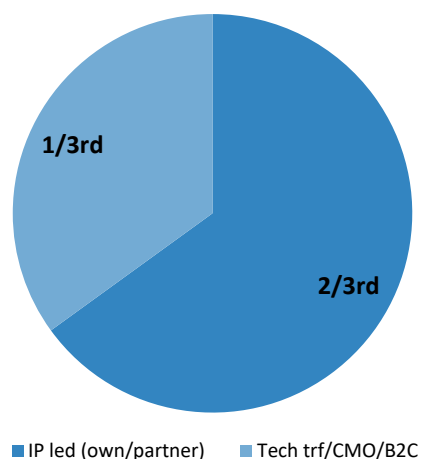
Source: Gland's RHP

IP Led business accounts for 2/3rd of overall revenue – We estimate Gland gets close to 2/3rd of its revenue from profit-sharing business contracts and yield more than 45% EBITDA margins. The CMO/tech transfer model makes up the bulk of the remaining revenue with EBITDA margins of around 20-30%, in our view.

We estimate 1/3rd ANDAs are owned by Gland while remaining 2/3rd are either partner owned or in tech transfer contracts

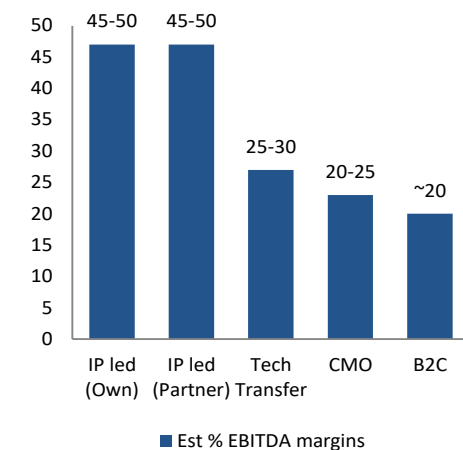
In terms of approvals, currently, we estimate Gland owns 1/3rd ANDAs while the remaining 2/3rd are either partner-owned or in tech transfer contracts. In the future, a significant portion of the approved ANDAs will be owned by Gland. As a result, we expect the business mix to improve over the next 3-4 years, leading to better profitability.

Figure 8: Revenue mix (as per business models)



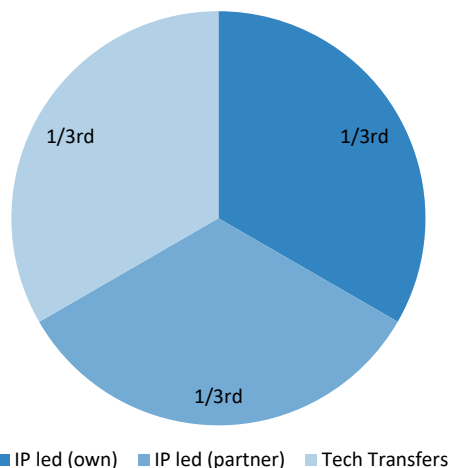
Source: Company Data

Figure 9: % EBITDA margins as per business models



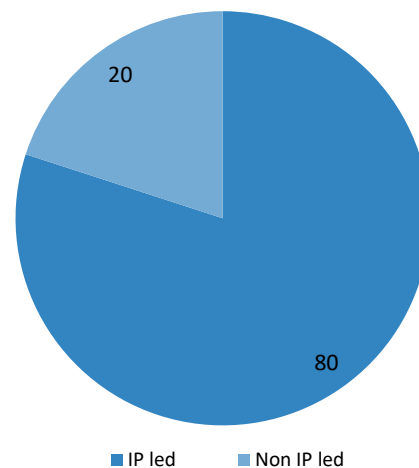
Source: HTI estimate

Figure 10: Of the 215 approved ANDAs, Gland owns only ~1/3rd of the same (HTI estimates)



Source: HTI Research

Figure 11: Major portion of future ANDAs should come from IP led (HTI estimates)

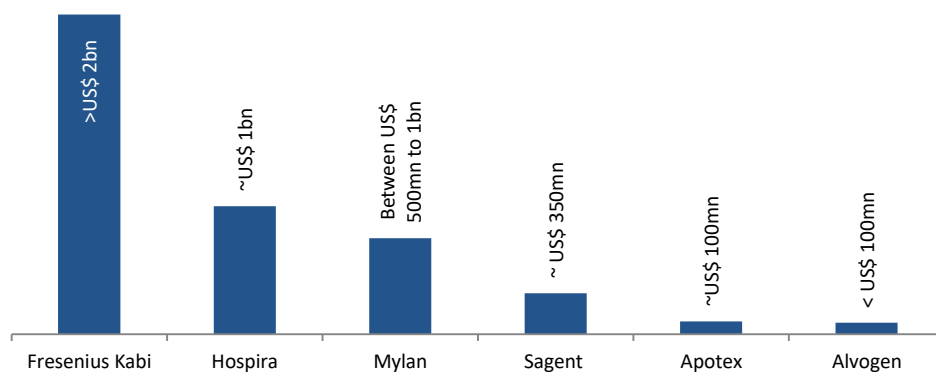


Source: HTI Estimates

As per RHP released by the company, top five clients constitute 48.9% of revenues in FY20

Tie up with leading front end partners in the US: Gland's client base in the US includes leading names in generic as well as the specialty injectable space, namely Fresenius Kabi (FRE GY), Sagent (SGNT US), Alvogen (Unlisted), Athenex (ATNX US), Mylan (VTRS US), Hospira (HSP US), Apotex (Unlisted), etc. As per RHP released by the company, the top five clients constitute 48.9% of revenues in FY20. We believe the client concentration is slightly on the higher side, but it should go down as the company ramps up its revenue base beyond US\$ 500mn over the next two years.

Figure 12: Gland's partners (injectable revenue base)

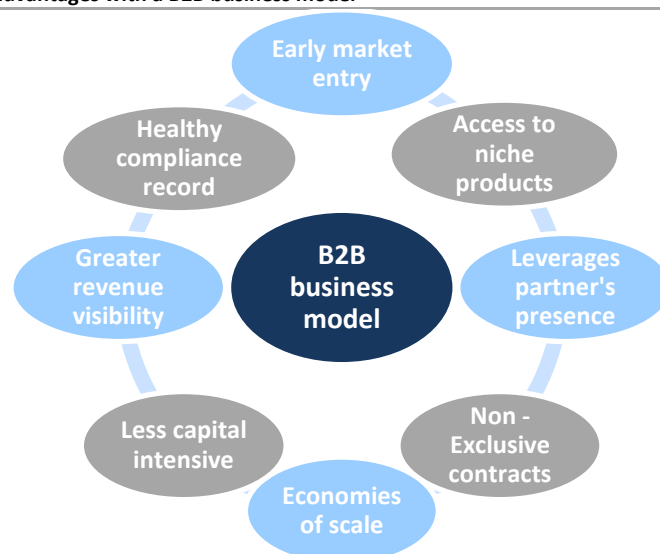


Source: Company Data, HTI Research

B2B model has several advantages over B2C: Although Gland is sharing part of its profits with front end players and not realizing the full value of its IP, the B2B business model also has several advantages over front end players, which has been the key reason for Gland's fast and secular growth in the challenging generic injectable market in the US.

Figure 13: Key advantages with a B2B business model

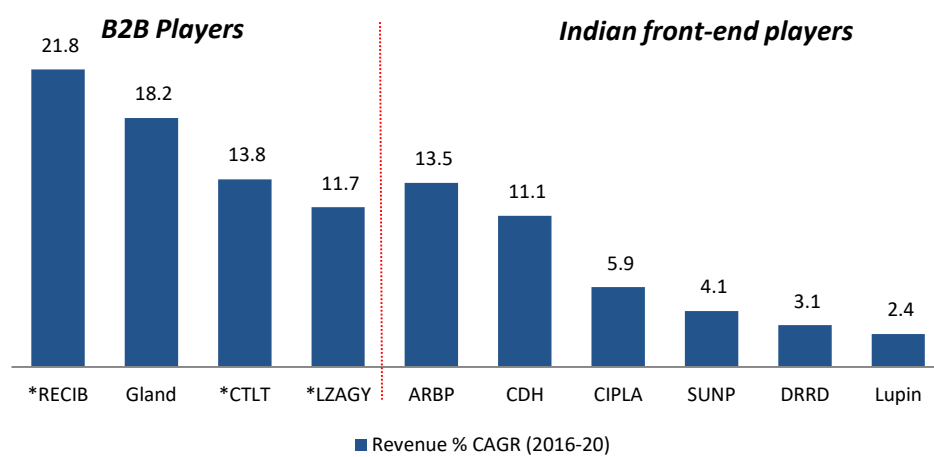
B2B business has been the key reason for Gland's fast and secular growth in the difficult to penetrate generic injectable market in the US



Source: HTI Research

- 1) **Early market entry:** The majority of injectable products are sold through hospital channels, an early entry with the help of a technologically capable partner (tech transfer or exclusive IP contracts)
- 2) **Access to niche portfolio:** Niche capabilities like liposomal injectables, depo, and long-acting injectables help in building stickiness with marketing partners over a more extended period without significant pricing pressure (tech-transfer or exclusive IP contracts)
- 3) **Leveraging front end player's presence:** Tying up with a more prominent front end player that has an extensive portfolio helps in getting faster market access in challenging generic injectable hospital contracts
- 4) **Non-exclusive contracts:** Under a type one business contract, Gland has the independence to partner with multiple marketing players. It helps them to capture a large market in a short time
- 5) **Economies of scale:** Due to the above four advantages, Gland achieves economies of scale fairly quickly and attains cost leadership in most of its products. It also helps Gland to get better raw material supply terms than its peers.
- 6) **Less capital intensive:** As most litigation costs are incurred by marketing partners and some part of R&D is reimbursed, Gland operates in a less capital-intensive model than front-end peers.
- 7) **Greater revenue visibility:** Generic injectable market is mainly in an institutional segment with three- to five-year supply agreements, which is unlikely to go through sudden price cuts and market share volatility like oral solids.
- 8) **Healthy compliance record:** Being a B2B player, Gland goes through several client-related facility inspections. Moreover, since manufacturing is the core of the business model, the senior management is involved in quality compliance activities. Generally, B2B players do not face US FDA enforcement actions very frequently.

Figure 14: Revenue growth of B2B players is better than India front-end players



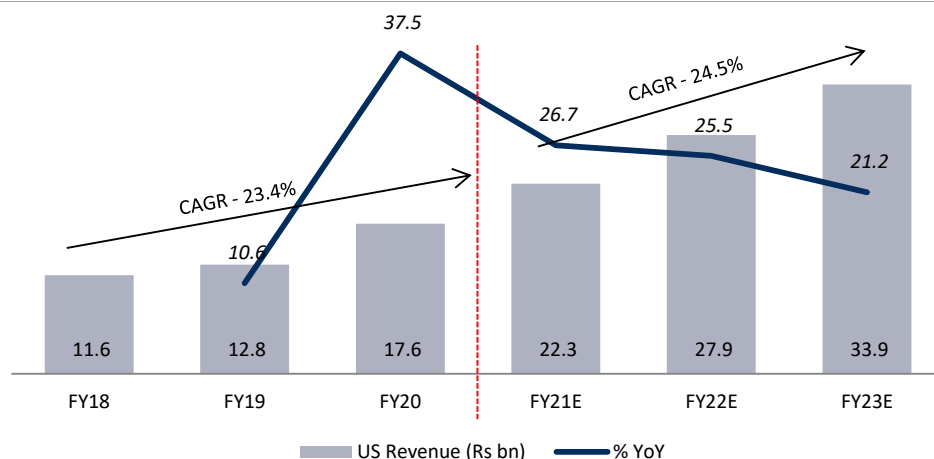
Source: Company Data

#2. The US: The mainstay of Gland's injectable business

We expect the US to be the major contributor to the overall revenue and grow at more than ~25% revenue CAGR over FY20-23E.

The US accounts for more than 2/3rd of Gland's revenues: In FY20, at US\$ ~250mn, the US business segment contributed ~67% of overall revenues. At present, it has filed for 267 ANDAs, and 52 approvals are pending with the USFDA. The company is on course to file 25+ ANDA every year. The US continues to be the largest generic injectable market globally, and Gland is only covering 10-12% of the present generic opportunity in the US. Thus, we expect the US to be the major contributor to the overall revenue and grow at more than ~25% revenue CAGR over FY20-23E.

Figure 15: US accounts for more than 2/3rd of overall revenues

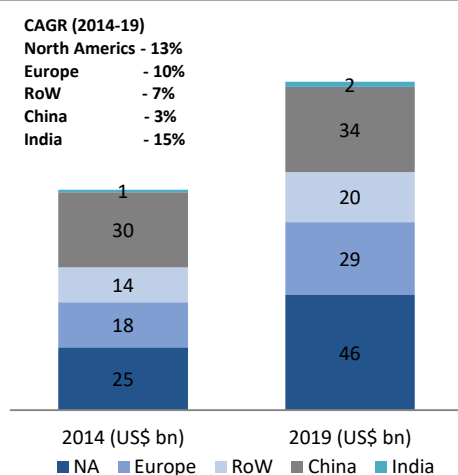


Source: Company Data, HTI Estimates

Injectable remains the fastest growing generic segment in the US: In the US, the injectable segment has outperformed the overall market as it has grown at a 12.8% CAGR over 2015-20 v/s 0.8% for oral solids. Within the global generic injectable market as well, the US is the largest market with a US\$ 46bn market value. Moreover, there is a US\$ 195bn patent-protected injectable market in the US, which will ensure that growth in the generic injectable market is likely to remain strong for several years to come. IQVIA expects the US generic injectable market to grow at 16% CAGR over 2019-24.

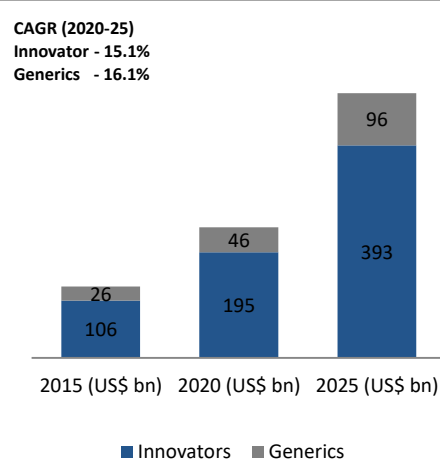
IQVIA expects US generic injectable market to grow at 16% CAGR over 2019-24.

Figure 16: NA generic injectables market grew by ~13% CAGR (2014-19)



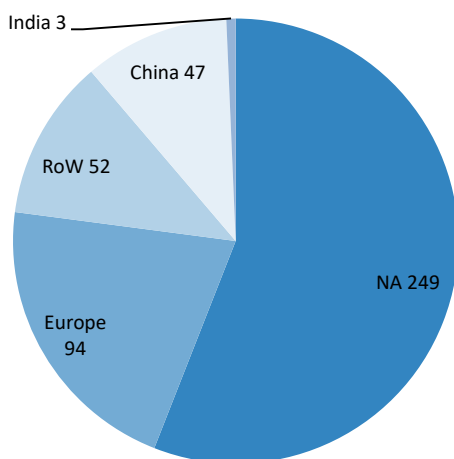
Source: IQVIA

Figure 17: US generic injectables to grow at 16% CAGR



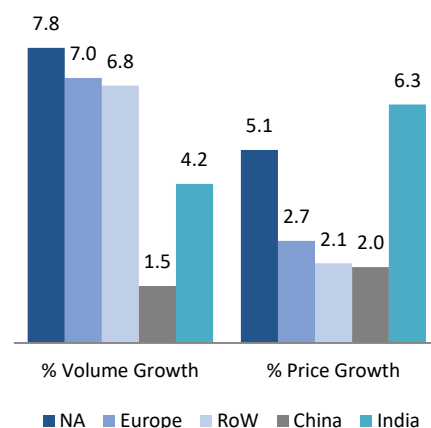
Source: Gland's RHP

Figure 18: Global Injectable sales via Geographies in 2020 (US\$ bn)



Source: Gland's RHP

Figure 19: Volume growth still strong in NA & Europe (2020)

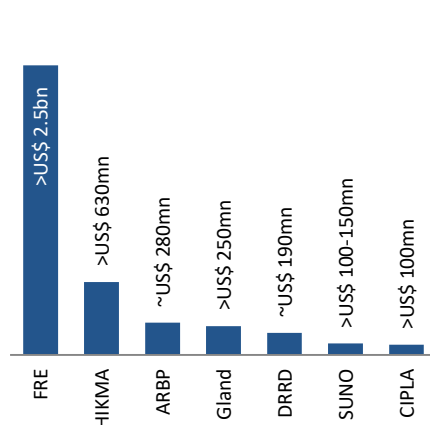


Source: Gland RHP

At sales of ~US\$ 250mn in FY20, Gland is the second largest listed Indian company in the US generic injectable space by value

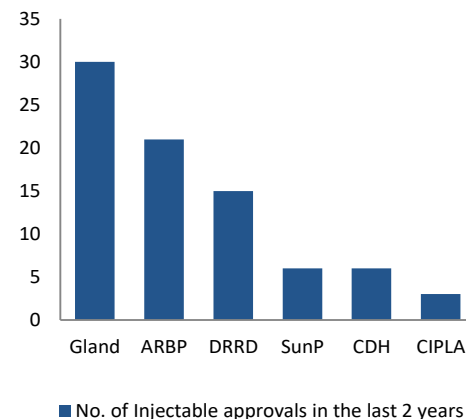
One of the leading Indian companies in the injectable space: At US\$ 250mn in FY20, Gland is the second-largest listed Indian company in the US generic injectable space by value. However, due to the business's B2B nature, we believe in terms of volume, it should be a minimum of 2x leading injectable players like Aurobindo (ARBP IN). The economies of scale achieved in the injectable segment are also reflected in the company's profitability, which is significantly higher than Indian peers.

Figure 20: Revenue from Injectable as of FY20



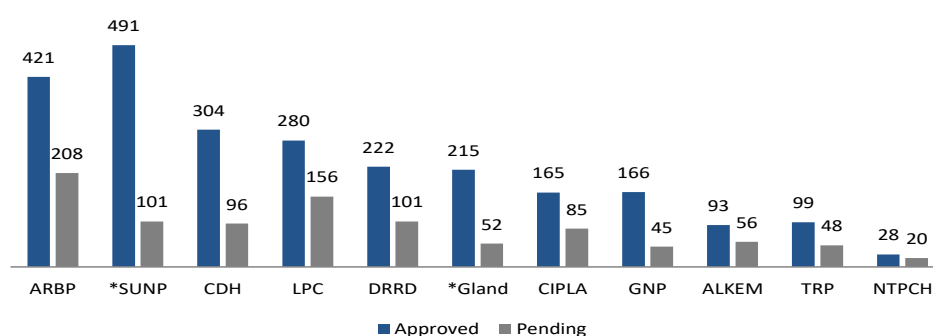
Source: HTI Research

Figure 21: Injectable approvals in the last 2 years



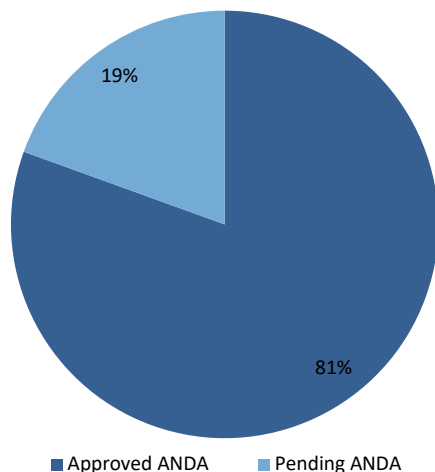
Source: Orange book

Figure 22: Total ANDA approved and pending



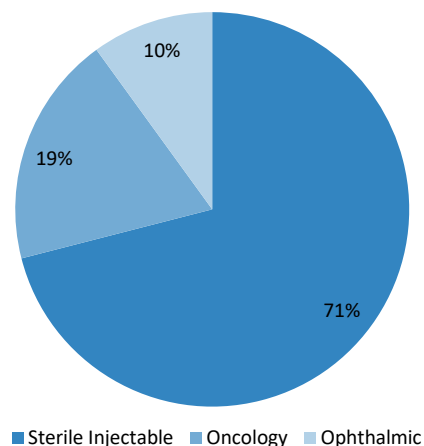
Source: Company Data, Note *- approvals up to Jun, 2020

Figure 23: 267 ANDAs filed up to Jun-20



Source: Company Data

Figure 24: ANDAs filed – Therapy wise

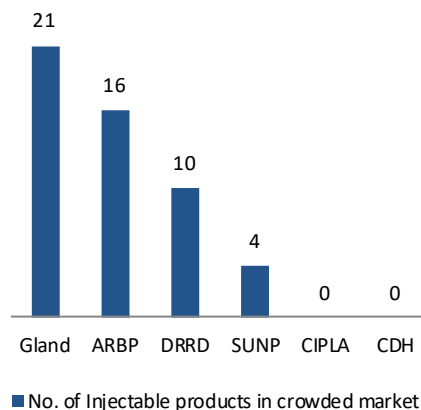


Source: Company Data

Even in products where there are 10+ players present in the market, Gland has been able to secure a leading position with 10%+ market share

Gland's performance stands out in a crowded market: Our analysis of the injectable portfolio of Indian listed players suggests Gland is performing better than front end Indian players like Sun Pharma (SUNP IN), Dr Reddy's Lab (DRRD IN), Cipla (CIPLA IN) and Aurobindo in crowded generic injectable products. Even in products where there are 10+ players present in the market, Gland has been able to secure a leading position with 10%+ market share.

Figure 25: >10% MS in crowded market



Source: Bloomberg, Note Crowded market - >8 players

Figure 26: Key Products with highest MS (%)

Product name	MS (%)	No. of competitors
Dexrazoxane	67	8
Polymyxin	61	8
Ondansetron	51	10
Vancomycin	45	10+
Levetiracetam	29	10+
Enoxaparin	28	10+
Metoprolol	27	9
Daptomycin	25	10+
Labetoral	23	8
Heparin	22	10+

Source: Bloomberg

The US revenues to grow at ~25% CAGR over FY20-23E: We believe the growth in the US revenues will be led by – 1) ramp up in recently launched products, 2) new product launches and 3) regular drug shortages opportunities.

Major revenue growth over next two-three years will continue to come from these recently launched products – Enoxaparin, Caspofungin, Dexmedetomidine etc

Ramp up in recently launched products: Gland has introduced more than 30 products in the US market over the last two years. Unlike the non-injectable space, the market share ramp up happens gradually. Hence we expect the significant revenue growth over the next two-three years will continue to come from these recently launched products – Enoxaparin, Caspofungin, Dexmedetomidine, etc.

Figure 27: Gland's key products in the US

Products	% market share (Apr to Oct-20)	No. of Partners	Partner name (% market share)	Est US market size (US\$ mn)	ANDA approval	No. of manufacturers	Other key player (% market share)
Enoxaparin	28	2	Apotex (8%), Fresenius Kabi (20%)	500	5	10+	Sanofi (16%), Amphastar (14%)
Daptomycin	36	2	Fresenius Kabi (24%), Sagent (12%)	650	10+	10+	Accord (8%), Merck (12%)
Heparin	22	1	Sagent (22%)	600	10+	10+	Pfizer (30%), Meitheal (21%)
Vancomycin	23	4	Fresenius Kabi (10%), Alvogen (8%), Athenex (4%), Sagent (1%)	250	10+	10+	Pfizer (28%), Mylan (22%)
Levetiracetam	29	1	Pfizer (29%)	-	10+	10+	Hikma (15%), Mylan (22%)

Source: HTI estimates, Bloomberg, Note – Market share data is volume based

We expect new product launches over next three years to add at least US\$ 100mn revenues by FY23 in the US segment.

New product launches: We expect Gland to launch 20+ injectable products every year and most of these products will be owned by Gland. These products will be in general injectable, hormones, penem, and oncology categories. We expect new product launches to add at least US\$ 100mn revenues in the US segment over the next three years. Some of the notable launches will be Bridion, Micafungin, Ertapenem, Meropenem.

Figure 28: Expected near term launches

Product	Est US market size (US\$ mn)	ANDA approvals	No. of manufacturer	Key players (% market share - Oct-20)
Micafungin	110	2	2	Astellia (72%), Fresenius Kabi (28%)
Ertapenem	340	3	7	Par (33%), Auromedic (37%)
Meropenem	120	10	10+	App (47%), Auromedic (27%)
Sugammadex	900	n.a	1	Merck (100%)

Source: HTI Research and estimates

Figure 29: Para 4 Opportunities

Brand Name	Molecule	Est US sales (US\$ mn)	Expected no. of competitor
Bridion	Sugammadex Sodium	550	10+
Lexiscan	Regadenoson	350	10+
Kengreal	Cangrelor	200	2
Mozobil	Plerixafor	200	5
Aggrastat	Tirofiban HCL	50	1
Naropin	Ropivacaine HCL	34	7
Lastacaft	Alcaftadine	8	3

Source: HTI Research and estimates

Sizable opportunity for Gland in drug shortages - The number of injectable shortages increased by ~23% in 2018 compared to 2014. Gland has over 12-13 molecules that are currently listed on the US FDA drug shortage list and presents a market value of close to US\$ 490mn. Due to Gland's extensive portfolio of more than 200 injectable products in the US, we believe such opportunities would likely be recurring for players like Gland in the US market even in the future and remain one of the revenue drivers over FY20-23E.

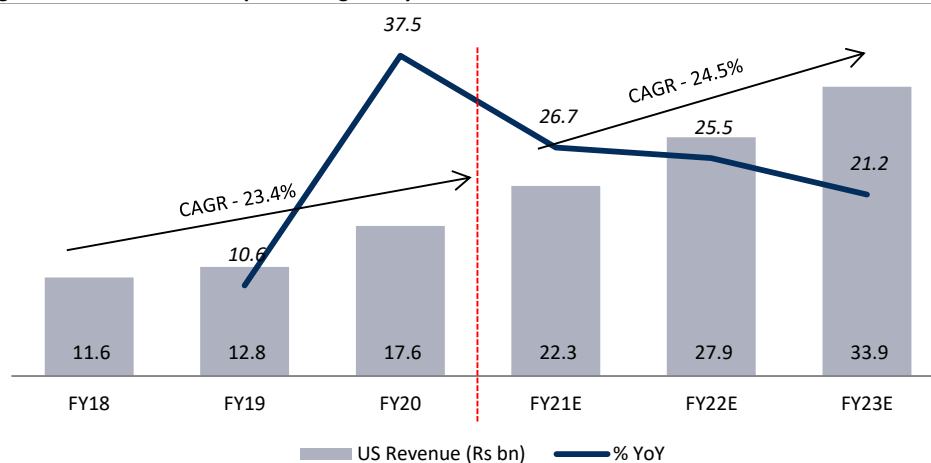
Gland has over 12-13 molecules that are currently listed on the US FDA drug shortage list and presents a market value of close to US\$ 490mn

Figure 30: Molecules in shortage that are relevant to Gland

No.	Generic Name or Active Ingredient	Market Size (US\$ Mn) 2019	Market authorization status
1	Ropivacaine Hydrochloride Injection	~141	Product Tentatively approved
2	Ketorolac Tromethamine Injection	~73	Existing Products
3	Metronidazole Injection, USP	~59	Product filed. Awaiting approval
4	Pantoprazole Sodium for Injection	~51	Product Tentatively approved
5	Dexamethasone Sodium Phosphate Injection	~27	Existing products
6	Calcitriol Injection USP 1MCG /ML	~24	Product Tentatively approved
7	Heparin Sodium and Sodium Chloride 0.9% Injection	~24	Existing Products
8	Sincalide (Kinevac) Lyophilized Powder for Injection	~22	Product Tentatively approved
9	Ondansetron Hydrochloride Injection	~21	Existing Products
10	Labetalol Hydrochloride Injection	~17	Existing products
11	Imipenem and Cilastatin for Injection, USP	~14	Product filed. Awaiting approval
12	Metoprolol Tartrate Injection, USP	~13	Existing products
Total		~486	

Source: Company Data

Figure 31: US revenues is expected to grow by ~24.5% CAGR over FY20-23



Source: Company Data, HTI Estimates

#3. Leading generic injectable Capabilities

Intentionally, Gland restricted itself to that generic injectable space that suits its B2B business model well. Over time, it has expanded its presence from general sterile injectables to complex injectables, oncology, and ophthalmic products. The main focus is meeting diverse injectables needs with a stable supply of high-quality products at low cost.

We expect Gland to expand its presence to Hormones, Peptides, Penems, oncology, steroid/opioids and long acting injectables very quickly.

We have compared its injectable capabilities with leading Indian generic front end players. In terms of execution in getting a higher market share and complexity of the products, Gland appears ahead of Indian peers. Moreover, a large part of its development has happened over the last four years. We expect Gland to expand its presence to Hormones, Peptides, Penems, oncology, steroid/opioids, and long-acting injectables very quickly.

Figure 32: Top injectable products for Gland & Indian peers (Niche products are highlighted)

Gland	Dr Reddy	Sun Pharma	Aurobindo
Enoxaparin Sodium	Doxil	Doxil	Ertapenem
Daptomycin	Daptomycin	Testosterone	Meropenem
Heparin Sodium	Sumatriptan	Leuprolide Acetate	Pantoprazole Sodium
Vancomycin	Palonosetron	Ganirelix Acetate	Lidocaine Hcl
Levetiracetam	Phytonadione	Ketorolac Tromethamine	Piperacillin & Tazobactam
Caspofungin	Fosaprepitant	Chlorothiazide Sodium	Bupivacaine
Ketorolac Tromethamine	Zoledronic	Desmopressin Acetate	Rocuronium Bromide
Voriconazole	Carboprost Tromethamine	Azelastine	Sildenafil
Acetylcysteine	Fondaparinux Sodium	Medroxy Progesterone Acetate	Ropivacaine Hcl
Rocuronium Bromide	Azacidine	Pantoprazole	Fondaparinux Sodium

Source: HTI Research, Note - Blue denotes highly complex product, Grey denotes Mid-level complex product & rest are general injectable

Our analysis of Gland's injectable portfolio in the US suggests that Gland's market share in ~80% of its launched portfolio is more than 10%

In ~80% of launched products, Gland has >10% market share: Our analysis of Gland's injectable portfolio in the US suggests that Gland's market share in ~80% of its launched portfolio is more than 10%. Although Aurobindo appears to be a close second among these Indian peers, Gland's performance becomes more notable as most of these products are old and highly competitive.

Figure 33: Market share comparison for injectable product sold in the US market (As of Oct-20)

Company	% of Injectable products with Market Share (Volume)...			
	Above 40%	Between 20-40%	Between 10-20%	Below 10%
Sun Pharma	n.a	12	24	65
Dr Reddy's Lab	8	17	33	42
Cipla	n.a	n.a	n.a	100
Aurobindo	12	24	27	37
Cadila HC	n.a	18	n.a	82
Gland	16	32	30	22

Source: HTI Research, USFDA, Bloomberg

Strength in heparin class of products:

Heparin: Heparin is an anticoagulant (blood thinner) that prevents the formation of blood clots. Heparin is used to treat and prevent blood clots caused by certain medical conditions or medical procedures. It is also used before surgery to reduce the risk of blood clots. Pharmaceutical-grade heparin is derived from mucosal tissues of slaughtered meat animals such as porcine (pig) intestines or bovine (cattle) lungs.

We expect Heparin revenues to remain steady for next two years

China controls ~80% of global Heparin raw material supply: The global heparin market size is estimated to be ~US\$ 7bn (GMI). The US Heparin market size stands at US\$ ~600mn (GMI). China is considered to be the largest player in the space due to the large consumption of pork as it contributes ~80% of the overall supply. Thus the majority of the API (Active Pharmaceutical Ingredient) for Heparin comes from China.

Gland: A pioneer in heparin technology in India: Gland's founder Mr. PVN Raju is known to be the one who pioneered the development of Heparin technology in India. Raju was able to crack the process of making pharmaceutical-grade Heparin from the livers of slaughtered cows in the 1960s. In 2010, the company launched Heparin in the US market. It currently sells in the US market via its partner, Sagent. Heparin still makes a significant contribution to revenues share for Gland. It is one of the oldest products and reasonably competitive. Thus, we expect Heparin revenues to remain steady for the next two years.

Enoxaparin: Enoxaparin is used to prevent blood clots in the leg in patients on bedrest or who have a hip replacement, knee replacement, or stomach surgery. It is used in combination with aspirin to prevent angina complications (chest pain) and heart attacks. Enoxaparin is an advanced version of an older heparin product with lower molecular weight. It is produced from the same raw material.

The US and EU account for more than US\$1bn markets: The EU is considered the largest market for Enoxaparin with a market size of Euro 900mn (IQVIA). Generic Enoxaparin has been available in the US since 2010. Sandoz's version of Enoxaparin was approved by the FDA in July 2010 and launched later that year. In the US, there are currently nine players in the market. Currently, the market size is ~US\$ 500-600mn (GMI).

We expect Gland to have a 35-40% market share in the coming year

Enoxaparin will be the growth driver for Gland over FY21-23E: In 2004-05, Gland first launched Enoxaparin in India & RoW market. It received its USFDA approval in 2018 and is sold through its partners Apotex and Fresenius Kabi. By FY20, Gland's partners were able to capture only 15% of the market share. By Oct-20, it had already crossed 25%. We expect Gland to have a 35-40% market share in the coming year. Gland is also focusing on securing raw material supply to extend its grip on the heparin class of products like Enoxaparin.

Over next two years, we expect Gland to launch essential products like Micafungin, Ertapenem, and Sugammadex.

Building its strength in peptides, hormones, and long acting injectables: With the help of sterile API Technology, Gland has developed key products like Heterogeneous Peptide, Glatiramer Acetate, Aripiprazole, etc. Along with that, it has also developed non-infringing polymorphic forms of APIs such as Tigecycline and Pemetrexed, and oncology APIs such as Cabazitaxel, Decitabine, Azacitidine, and Pralatrexate. Over the next two years, we expect Gland to launch important products like Micafungin, Ertapenem, and Sugammadex. While complex products in peptides, hormones and long-acting injectables are likely to get commercialized from FY23 onwards, we estimate a US\$ 5bn market size for such products under development.

#1: Hormones: The hormone manufacturing process is one of the tedious ones among various pharma products due to highly potent products. As per the FDA, the companies need to produce potent Hormone products in a separate block. Also, most of the hormonal products are injectable due to the need to circumvent the gastro tract. There are many types of hormone treatment 1) Menopausal, 2) Androgen, 3) Growth Hormones, 4) Thyroid, 5) Glucocorticoid, 6) Insulin etc. We have listed some of the Hormones opportunities that could be tapped by Gland over the next few years.

Complex products in peptides, hormones and long acting injectables are likely to be commercialised from FY23 onwards.

Figure 34: Select hormone opportunities in the US

Molecule	Brand	Est Market Size (US\$ mn)
Epinephrine	Epipen	1,000
Octreotide	Sandostatin LAR	900
Leuprorelin	Lupron LAR	800
Fulvestrant	Faslodex	500
Medroxyprogesterone Acetate	Depo-Provera	200
Isoproterenol Hydrochloride	Isuprel	150
Methylprednisolone Sodium Succinate	Solu-Medrol	100
Norepinephrine	Levophed	100
Carboprost Tromethamine	Hemabate	55
Methylprednisolone Acetate	Depo Medrol	30
Desmopressin Acetate	Ddvp	21

Source: HTI Research and estimates

#2. Peptides: Peptides represent a unique class of pharmaceutical compounds that are molecularly poised between small molecules and protein. Peptides present an enormous opportunity for therapeutic intervention that closely mimics natural pathways. Some of the replacement hormones also fall in this category - products like Octeotide, Leuprorelin and Demopressin listed in Hormone products are peptide molecules. Some synthetic and synthetic analog peptides are generic and are difficult to manufacture, including Copaxone, Kyprolis, Miacalcin, etc. Also, there are several peptide related products in type 2 diabetes treatments.

Figure 35: Peptide opportunities

Molecule	Brand Name	Est US Sales (US\$ mn)
Dulaglutide	Trulicity	3,600
Semaglutide	Ozempic and Rybelsus	3,000
Liraglutide	Victoza	2,700
Glatiramer Acetate	Copaxone	1,200
Octreotide	Sandostatin LAR	900
Leuprorelin	Lupron LAR	800
Carfilzomib	Kyprolis	600
Exenatide	Bydureon	500
Calcitonin Salmon	Miacalcin	180
Glucagon As Hydrochloride	Glucagon As Hydrochloride	20

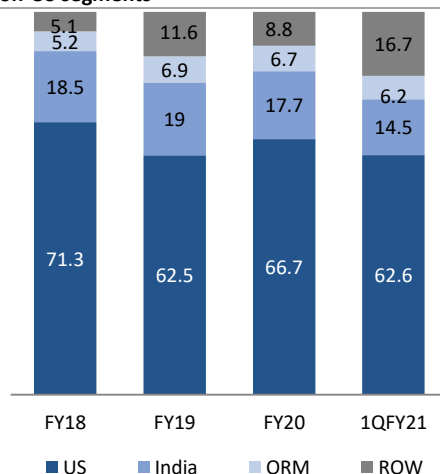
Source: HTI Research and estimates

We believe despite higher contribution from these markets, the profitability is likely to remain unaffected as Gland has been opportunistic about product launches in these markets

#4. Non-US market growth will be driven by RoW & China

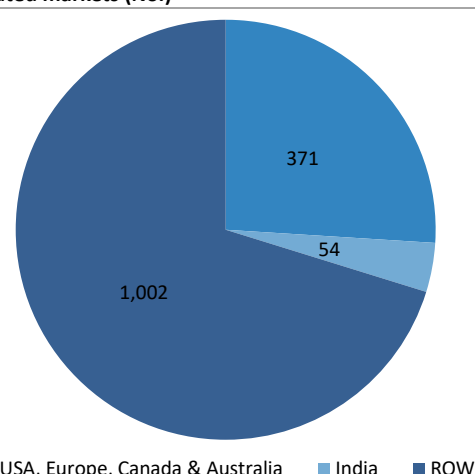
Apart from the US, Gland has a sizable presence in India, Europe, Canada, Australia, and RoW markets. In total, these non-US business segments contributed ~33% of total revenues in FY20. Notably, the contribution has gone up from 29% in FY18 on account of the ramp up seen in RoW markets. It has gone up further to 37% in 1QFY21. Although non-US segments are not a focus for the management, we expect the scale-up in ROW to continue driven by some key product launches, leveraging existing capacity. Entry into the Chinese injectable market in FY22 should also trigger the segment contribution to move up sharply in the coming years. Despite a higher contribution from these markets, the profitability is likely to remain unaffected as Gland has been opportunistic about product launches in these markets.

Figure 36: ~ 37% of revenue comes from the Non-US segments



Source: Company Data

Figure 37: Most of the products are registered in the regulated markets (No.)



Source: Company Data

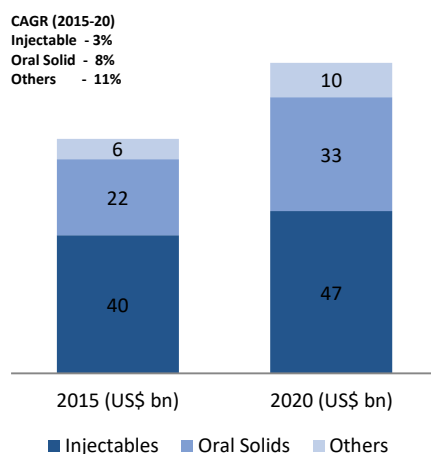
India: It accounts for 17-18% of revenues. A large part of India's revenues (~13% of sales) was generated through the CMO business. It manufactures humisulin for Eli Lilly, and the remaining ~4% of the revenues come from the B2C branded injectable business in India. We expect an excellent scale up in the B2C business based on the small base, but the CMO business is unlikely to grow due to a lack of new business opportunities.

Other regulated markets (ORM): Europe, Canada, and Australia contributed 17.7% of revenues in FY20. Gland operates in the B2B business model in all of these geographies, and within B2B, these are majorly tech transfer or toll manufacturing CMO business contracts. We expect Gland to scale up in Canada and Australia on the back of a smaller base, but the Europe ramp-up could be opportunistic due to low price realization.

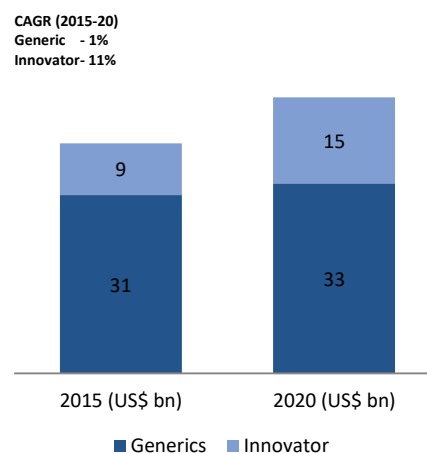
RoW: We believe Brazil could be the most extensive geography within the RoW segment. Also, we do expect Gland to scale up in this segment aggressively led by expanding a complex generic portfolio, which could get better pricing in these countries.

China: Apart from the RoW, China will be the next segment driving the Non-US segment's growth. China is an equally large generic injectable market like the US. Moreover, due to the high volume, we believe the profitability could be comparable to the US market. As a result, Gland has decided to expand its presence in China with the help of Fosun (600196 CH) initially. It has filed six dossiers and is awaiting approval, which could come in 1H CY21. It has plans to file more than 60 products in China. We expect it to become the second-largest segment for the company over the next few years. However, we have not built in any revenues in our estimates as of now.

We expect it to become the 2nd largest segment for the company over the next few years

Figure 38: China's injectable market has grown by ~3% CAGR (2015-20)

Source: Gland's RHP

Figure 39: China's generic injectable market has grown by ~1% CAGR (2015-20)

Source: Gland's RHP

Figure 40: Overall Segmental Assumptions

	FY18	FY19	FY20	FY21E	FY22E	FY23E
US	9,528	10,147	14,451	19,287	24,587	30,193
% YoY		7	42	33	27	23
India	2,997	3,884	4,661	4,894	5,873	6,754
% YoY		30	20	5	20	15
Europe	551	1,104	1,159	1,332	1,399	1,609
% YoY		100	5	15	5	15
Canada	178	225	474	758	758	948
% YoY		26	111	60	-	25
Australia	113	82	132	184	240	288
% YoY		-28	61	40	30	20
RoW	826	2,371	2,343	4,687	3,843	4,804
% YoY		187	-1	100	-18	25
Product services (US focused)	1,624	2,119	2,498	2,873	3,246	3,571
% YoY		30	18	15	13	10
Other op income	399	511	615	100	100	100
% YoY		28	20	-	-	-
Total	16,216	20,442	26,332	34,115	40,046	48,266
% YoY		26	29	30	17	21

Source: Company Data, HTI Estimates

Figure 41: Warning letters by the USFDA in the last 5 years

Company	No. of warning letters
SunP	2
Cipla	1
DRRD	1
Cadila	2
Aurobindo	0
Hikma	1
Gland	0

Source: HTI Research

Due to repeated inspections by Gland's clients and close management scrutiny, Gland has been able to maintain clean regulatory slate, which helps Gland to get long-term contracts from major front players in the US

#5. Clean compliance record

Gland has seven manufacturing facilities that include two sterile injectable facilities, one dedicated Penem facility, three API facilities, and one Oncology facility.

Vertically Integrated Supply Chain: Gland has three API manufacturing facilities that are USFDA approved. One is an R&D pilot plant, and the other two have an annual capacity of 3,000 kg and 8,000 kg, respectively. Several of Gland's ANDAs are vertically integrated, and the in-house APIs also support a substantial portion of their pipeline.

Clean compliance record: Being a B2B player, Gland must maintain high-quality standards to avoid any FDA enforcement action. So far, the US FDA has been very strict with any shortfalls of quality standards of injectable units globally and has given several warning letters in the past. In the last 5 years, large Indian players have received six warning letters for their injectable units. Due to Gland's clients' repeated inspections and close management scrutiny, Gland has maintained a clean regulatory slate, which helps Gland get long-term contracts from major front players in the US.

Figure 42: Gland's manufacturing units

No.	Location, Facility	Presentation	Capacity (Lines)	Existing Capacity (Units/annum)	Capacity Utilisation (%) in FY20	Key regulatory approvals
1	Dundigal, Hyderabad, India (Sterile injectables)	Liquid Vials	6	240 mn	91	USFDA (US), MHRA (UK), ANVISA (Brazil), TGA (Australia), BGV Hamburg (Germany)
		Lyophilizers (7 Nos)	N/A	48 mn	75	
		Ampoules	1	60 mn	26	
		Pre-filled Syringes	2	60 mn	50	
		Bags	2	5 mn	51	
		Ophthalmics	1	45 mn	17	
2	Pashamylaram, Hyderabad, India (Sterile injectables)	Liquid Vials	3	132 mn	73	USFDA (US), GUB Munich (Germany)
		Lyophilizers (3 Nos)	N/A	18 mn	76	
		Ampoules	2	120 mn	29	
3	Pashamylaram, Hyderabad, India (Penems)	Vials (2 Lyophilizers)	1	8 mn	-	USFDA (US)
		Dry Powder	1	4 mn	-	
4	Vishakhapatnam, India (Oncology)	Liquid Vials	3	11 mn	48	USFDA (US), AGES (Austria), TGA (Australia),
		Lyophilizers (4 +1)#	N/A	5 mn	24	
5	Dundigal, Hyderabad, India (API)*	-	-	N/A^	-	USFDA (US), MHRA (UK), ANVISA (Brazil), TGA (Australia), BGV Hamburg (Germany)
6	Vishakhapatnam, India (API)*	-	-	3,000 kg/year	-	USFDA (US), ANVISA (Brazil)
7	Vishakhapatnam, India (API)*	-	-	8,000 kg/year	-	USFDA (US), DMA (Denmark)

Source: Company Data

#6. Vaccine: Joker in the pack

One of the largest vial bottling capacities could be put in use: Vaccine production has several stages. First, the antigen itself is generated. Then, it is isolated from the cells used to generate it. Finally, the vaccine is formulated by adding adjuvant, stabilizers, and preservatives. The adjuvant enhances the antigen's immune response, stabilizers increase the storage life, and preservatives allow the use of multi-dose vials.

The final stage in vaccine manufacturing before distribution is fill and finish, filling vials with vaccines and packaging them for distribution. Although this is a conceptually simple part of the vaccine manufacturing process, it is often a bottleneck in distributing and administering vaccines. Gland has close to 380mn vial capacity in two large sterile plants that can be used for the fill and finish process. We believe the company would be able to at least produce a 40-50mn dosage from vacant capacity or more if Gland can optimise its production.

Fosun pharma has purchased 100mn dosages from BioNtech/Pfizer with close to 50% in bulk form, which could potentially come Gland's way as it is one of the only large injectable subsidiaries of Fosun pharma. There could be other opportunities as well, like Moderna, Sputnik and others. All these vaccine producers are aiming to supply as many vaccines as possible to various geographies. So, any incremental bottling capacity that Gland has could come in handy for these companies.

We have found out that a typical vaccine fill and finish job accounts for 20-30% of Vaccine single dose vial COGS. Thus, we estimate for 50mn dosage of Rs 2000/dose for Pfizer/BioNtech or Rs 500/dose for a low-cost vaccine, and we estimate it could be anywhere between a Rs 4 to 15bn opportunity for Gland. We have not built these numbers into our estimates.

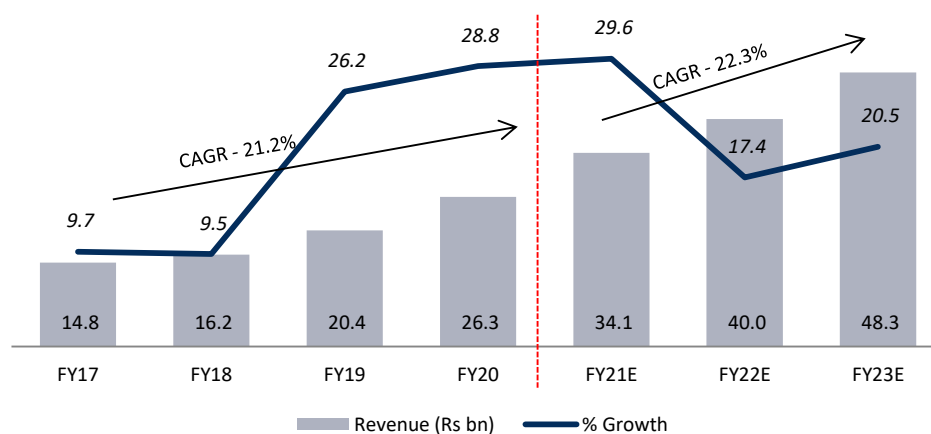
We believe the company would be able to at least produce a 40-50mn dosage from vacant capacity or more if Gland can optimize its production

#7: Led by strong business model Gland boasts robust financials

Solid top line growth to continue: In FY20, revenues grew by ~29% YoY on account of an increase in export of key products like Daptomycin, Enoxaparin and Heparin along with 51 product launches in key regulated markets including US & Europe. With 20+ launches expected in the US every year & expansion in RoW markets, we expect revenue to grow by 22.3% CAGR between FY20-23E.

With 20+ launches in US and expansion in RoW, we expect revenue to grow by 22.3% CAGR (FY20-23E)

Figure 43: Revenue is expected to grow by 22.3% CAGR (FY20-23E)

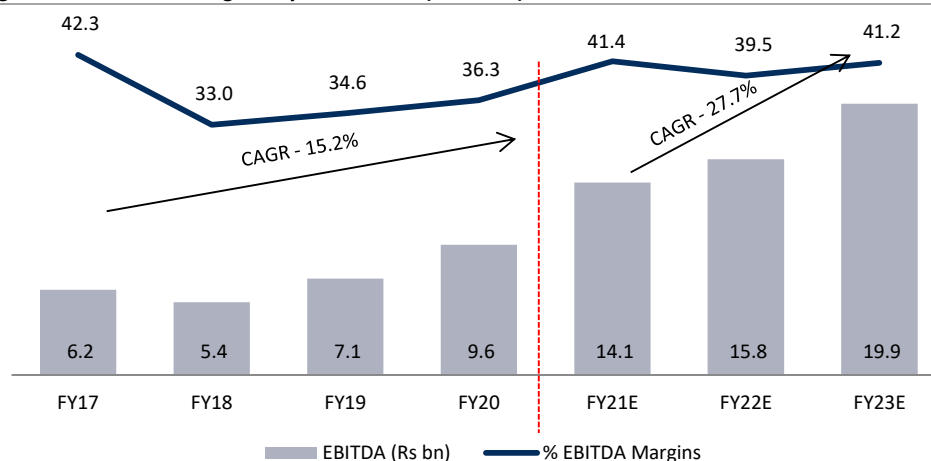


Source: Company Data, HTI Estimates

Improving product mix and business mix to drive margins: With higher utilization of high gross margin lines like Lyophilized vials, PFS, pens and Cartridges, and also improving business mix with more approvals coming in from Gland owned products, we expect the EBITDA margin to continue to expand over next 3 years and to drive 27.7% EBITDA CAGR over FY20-23E.

Improving product and business mix to help drive EBITDA grow by ~28% CAGR over next 3 years

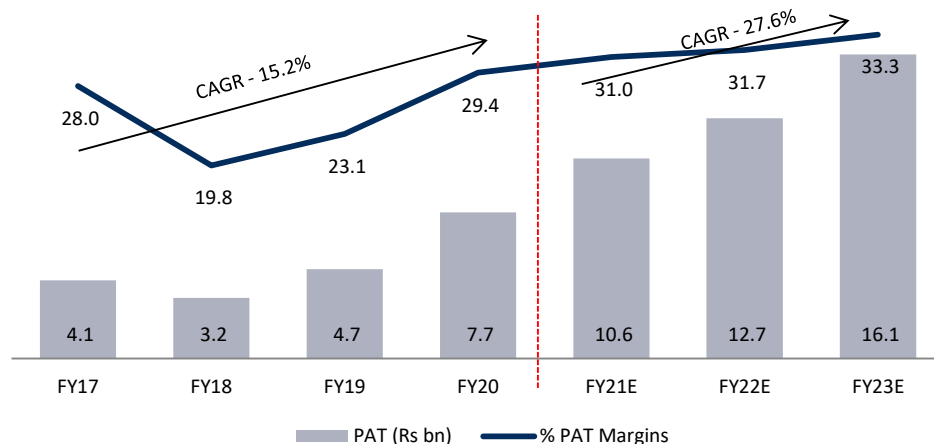
Figure 44: EBITDA should grow by 27.7% CAGR (FY20-23E)



Source: Company Data, HTI Estimates

High earnings growth, return ratios and strong B/S: Driven by 22% top line and 28% EBITDA CAGR, we expect Gland's earnings to grow at 28% CAGR over FY20-23. Due to high profitability and low requirement of capex, the return ratios are also likely to remain healthy at ~40-50%. Gland is also likely to generate free cash flow in the range of Rs 3-7bn every year. Due to economies of scale and long term business contracts with both suppliers and front end partners, Gland boasts robust financials. Moreover, the balance sheet also looks strong with Rs 30bn+ cash on books post the IPO, which we believe could potentially be utilized to acquire new technological assets across the globe.

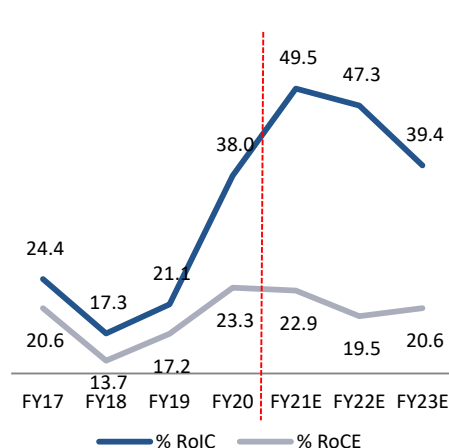
Figure 45: With growth in revenue and improved margins, PAT is expected to grow at ~28% CAGR (FY20-23E)



Source: Company Data, HTI Estimates

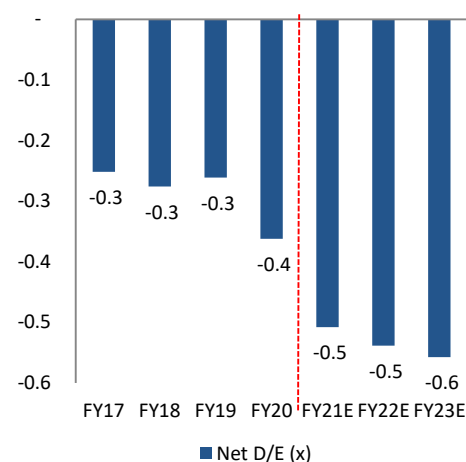
Due to high profitability and low requirement of capex, the return ratios (ROICs) are also likely to remain healthy at ~39-50%

Figure 46: ROIC to remain elevated



Source: Company Data, HTI Estimates

Figure 47: Leverage position to remain around current levels



Source: company Data, HTI Estimates

Valuation & recommendation:**We like Gland on account of:**

- 1) Fast expanding presence in difficult to penetrate injectable space with capabilities to take highest market share even in crowded markets at good profit margins
- 2) Various triggers on the horizon that includes ramp up in global enoxaparin market, entry into China, complex product launches (ex. peptides, long acting injectables) and vaccine filling opportunity
- 3) Superior track record in revenue, EBITDA and earnings **with respect to** both B2B and front end peers
- 4) Robust balance sheet with Rs 30bn cash on books, healthy ROICs at ~40%, and improving free cash generation (Rs 3-7bn over FY21-23E)

We value Gland at 30x PE on Dec-22 EPS of Rs 92.8 to arrive at a target price of Rs 2,790/sh. Initiate with an Outperform rating

Due to the hybrid model of Gland, which has B2B model advantages like economies of scale, high visibility on earnings, and fewer capital requirements along with IP rights like front end players, which enables Gland to share profits, we believe Gland's ratios are superior to both B2B and front end companies. However, such a business model's scalability and superior returns are likely to remain restricted to the injectable/biological space. Since there is a multi-year runway for growth and abundant market opportunity, we believe Gland's PE is likely to remain on the up-trend for some time. We value Gland at 30x (At a par with the B2B peer average of ~30.4x as of CY22E) PE on Dec-22 EPS of Rs 92.8 to arrive at a target price of Rs 2,790/sh. Initiate with an Outperform rating.

Figure 48: Peer comparison

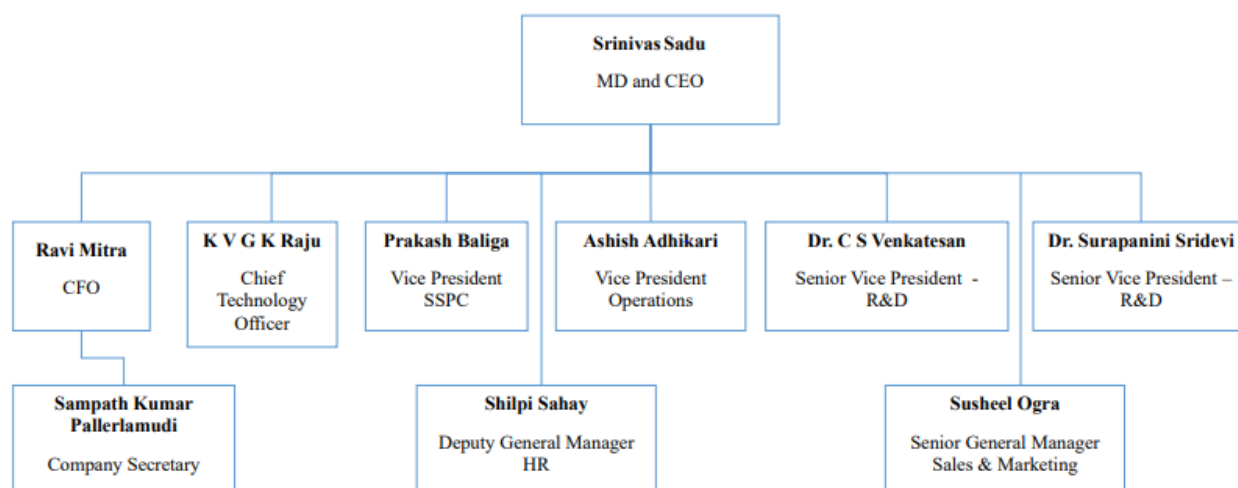
Company		Revenue CAGR		Profit CAGR		CY19/FY20 Ratios			P/E			EV/EB		
		(CY15-19)/ (FY16-20)	(CY19-22E)/ (FY20-23E)	(CY15-19)/ (FY16-20)	(CY19-22E)/ (FY20-23E)	FCF/EB	Net D/E	ROE	CY20E/ FY21E	CY21E/ FY22E	CY22E/ FY23E	CY20E/ FY21E	CY21E/ FY22E	CY22E/ FY23E
Market Cap (US\$ bn)														
B2B Players														
Lonza	46	11.7	6.9	23.5	11.3	34%	0.5	10.1	40.4	35.4	30.9	26.1	23.3	20.5
Catalent	17	13.8	17.7	18.6	44.6	16%	0.6	9.9	59.6	40.3	34.3	19.8	21.5	19.0
Recipharm	3	21.8	18.2	12.4	24.7	21%	0.7	6.2	50.6	32.5	26.1	16.3	14.3	13.1
Gland	5	18.2	22.4	25.2	27.6	33%	-0.4	23.8	36.0	29.9	23.7	26.0	23.2	18.4
Average		16.4	16.3	19.9	27.0	26%	0.4	12.5	46.6	34.5	28.7	22.0	20.6	17.8
Front end Players														
Hikma	8	11.3	4.5	17.8	-0.1	49%	0.1	25.6	20.1	17.9	16.3	12.5	11.5	10.7
SUNP	18	4.1	7.7	-4.6	14.9	36%	0.0	8.7	30.3	25.5	23.1	20.3	18.6	16.5
DRRD	11	3.1	14.0	-0.6	23.3	35%	0.0	16.6	34.4	32.5	23.4	18.3	18.5	18.2
CIPLA	8	5.9	10.1	3.3	26.4	41%	0.1	10.1	37.5	26.0	23.2	19.7	19.3	15.0
ARBP	7	13.5	8.0	8.7	12.9	201%	0.2	18.4	18.3	15.1	13.9	12.8	11.2	9.6
Average		7.6	8.9	4.9	15.5	72%	0.1	15.9	28.1	23.4	20.0	16.7	15.8	14.0

Source: Bloomberg, HTI Estimates (marked in Grey), Note – Last updated as on 21st Dec, 2020 (Closing)

Risks:

- Due to heavy dependence on export revenue, negative forex impact could be significant
- Gland's success is dependent on their business arrangements with their marketing partners and customers for the sale of their products
- Any future negative outlook from regulators esp. USFDA
- Competition from future generic products

Figure 49: Management Organization Chart



Source: HTI

Valuation Compendium

					Revenue CAGR		Profit CAGR		FY20 Ratios			P/E			EV/EB		
Company	CMP (Rs/sh)	Market Cap (Rs bn)	TP (Rs/sh)	Rating	(FY16-20)	(FY20-23E)	(FY16-20)	(FY20-23E)	FCF/EB	Net D/E	ROE	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
US Generics																	
SUNP	553	1,326			4.1	7.7	-4.6	14.9	36%	0.0	8.7	25.5	23.1	20.3	16.5	14.9	13.4
DRRD	5,069	842	6,400	Outperform	3.1	14.0	-0.6	23.3	35%	0.0	16.6	32.5	23.4	18.3	18.2	15.0	11.2
CIPLA	779	628			5.9	10.1	3.3	26.4	41%	0.1	10.1	26.0	23.2	19.7	15.0	13.8	12.1
LPC	932	422			2.4	7.3	n.a	39.6	-22%	0.3	-2.1	39.6	25.0	20.3	18.1	13.6	11.7
CDH	453	464	445	Neutral	11.1	7.8	-11.7	18.3	44%	0.6	12.3	26.4	25.0	22.0	15.8	15.3	14.0
ARBP	846	496			13.5	8.0	8.7	12.9	201%	0.2	18.4	15.1	13.9	12.8	9.6	9.1	8.4
Gland	2,320	380	2790	Outperform	18.2	22.4	25.2	27.6	33%	-0.4	23.8	36.0	29.9	23.7	26.0	23.2	18.4
Average					8.3	11.0	3.4	23.3	53%	0.1	12.5	28.7	23.4	19.6	17.0	15.0	12.7
MNC peers																	
GLXO	1,551	263	1,790	Outperform	-1.1	7.6	-0.2	18.4	8%	-0.6	22.0	49.8	42.1	36.5	37.1	29.8	26.2
BOOT	15,848	337	16,800	Neutral	12.7	11.6	23.5	17.5	70%	-0.9	26.7	45.7	40.9	35.1	34.0	30.6	26.0
PFIZ	5,170	237			1.9	7.3	23.0	9.2	61%	-0.7	15.9	43.6	40.5	35.7	30.5	27.7	24.9
SANL	7,969	184			8.5	3.5	6.5	13.2	42%	-0.5	17.8	35.5	32.3	27.9	23.8	22.4	19.6
Average					5.5	7.5	13.2	14.6	45%	-0.7	20.6	43.7	38.9	33.8	31.3	27.6	24.2
India branded																	
TRP	2,668	451	2,450	Neutral	4.4	6.7	9.4	16.8	51%	1.1	21.5	38.6	33.6	27.7	20.2	19.4	17.4
ALKEM	2,876	344	4,400	Outperform	13.4	11.5	11.0	19.0	7%	0.1	19.4	20.6	21.8	18.1	23.6	16.1	16.5
IPCA	2,219	280			12.8	15.4	59.5	25.7	49%	0.1	17.9	24.7	24.5	21.3	18.4	18.0	15.8
NTCPH	922	168	1,090	Outperform	17.1	39.3	30.9	66.0	42%	2.2	12.7	25.9	12.9	8.1	18.3	9.9	6.5
ALPM	1,029	194			9.7	14.9	3.6	12.5	-6%	0.6	27.9	17.9	20.6	18.5	13.4	14.2	12.5
AJP	1,594	139			10.6	12.1	3.0	20.5	19%	-0.1	19.3	24.6	21.2	17.4	16.1	14.5	12.5
ERIS	564	77	690	Outperform	15.8	12.0	22.0	15.0	47%	-0.1	24.2	22.4	19.4	17.0	18.7	16.9	15.0
FDC	329	56			8.0	n.a	9.2	n.a.	28%	0.0	16.0	18.6	15.7	n.a.	14.0	10.6	n.a.
JBCP	1,051	81			10.2	11.0	13.7	16.8	30%	0.0	18.7	24.0	22.1	18.7	16.8	15.4	13.4
INDR	268	25			2.4	15.8	-26.3	86.8	-17%	0.2	3.6	27.4	18.2	14.0	12.8	10.1	8.3
Average					10.5	15.4	13.6	31.0	25%	0.4	18.1	24.5	21.9	19.1	16.5	14.5	12.8
CRAMS																	
DIVI	3,634	965			9.4	21.3	5.2	27.5	152%	0.0	19.3	50.5	42.0	34.8	35.4	29.6	24.6
SYNG	572	229			16.7	16.9	14.4	19.7	6%	0.1	19.9	57.0	46.1	35.4	33.2	26.8	21.8
Average					13.0	19.1	9.8	23.6	79%	0.0	19.6	53.7	44.0	35.1	34.3	28.2	23.2

Source: HTI Estimates, Bloomberg (Marked in grey), Note – Last updated as on 21st Dec, 2020 (Closing)

Financial Statements Summary

Profit & Loss (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenues	20,442	26,332	34,115	40,046	48,266
Cost of Sales	8,570	11,020	13,305	16,419	19,548
Gross Profit	11,872	15,312	20,810	23,627	28,718
Operating Expense	4,807	5,758	6,687	7,809	8,833
EBITDA	7,065	9,555	14,124	15,818	19,885
Depreciation	821	946	1,090	1,247	1,438
Interest Expense	37	72	500	12	11
Other Income	856	1,392	1,936	2,363	2,971
Exceptional Items	200				
Pre Tax Income	6,863	9,929	14,470	16,922	21,407
Tax	2,344	2,200	3,907	4,231	5,352
R - Post Tax Income	4,519	7,729	10,563	12,692	16,055
A - Post Tax Income	4,719	7,729	10,564	12,694	16,057

Key Ratios	FY19	FY20	FY21E	FY22E	FY23E
Growth (%)					
Revenue Growth	26.2	28.8	29.6	17.4	20.5
EBITDA Growth	32.0	35.2	47.8	12.0	25.7
APAT Growth	47.0	63.8	36.7	20.2	26.5
Margins (%)					
Gross Margins	58.1	58.1	61.0	59.0	59.5
EBITDA Margins	34.6	36.3	41.4	39.5	41.2
Tax Rate	23.1	29.4	31.0	31.7	33.3
Profit After Tax Margins	34.2	22.2	27.0	25.0	25.0
Return Ratios (%)					
RoE	17.9	23.8	22.2	19.8	20.8
ROIC	21.1	38.0	49.5	47.3	39.4
RoCE	17.2	23.3	22.9	19.5	20.6
Working Capital					
Inventory (days)	162.8	104.8	113.1	114.8	113.4
Debtors (days)	90.4	83.4	85.0	85.0	85.0
Payables (days)	79.7	34.5	31.2	32.8	32.4
Cash Conversion Cycle (days)	191.4	161.2	172.4	170.9	168.7
Credit Ratio					
Net D/E (x)	-0.3	-0.4	-0.5	-0.5	-0.6
Valuation					
P/E (x)		45.9	36.0	29.9	23.7
EV/EBITDA (x)		35.8	24.8	21.6	16.7

Source: Company data, HTI estimates

Balance Sheet (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Inventory	9,119	7,563	10,571	12,595	14,995
Debtors	5,061	6,018	7,945	9,326	11,240
Cash & Bank	7,533	13,252	29,768	37,752	47,135
Total Current Assets	23,574	28,463	50,097	61,677	75,590
Net PPE	9,297	9,681	10,691	11,544	13,106
Total Non Current Assets	11,661	12,397	13,444	14,297	15,858
Total Assets	35,235	40,860	63,541	75,974	91,449
Creditors	4,462	2,491	2,916	3,599	4,284
Total Current Liability	5,322	3,581	4,214	5,174	6,141
Non Current Liability	1,293	817	816	814	809
Total Shareholders Fund	28,620	36,462	58,511	69,985	84,499
Total Liability	35,235	40,860	63,541	75,974	91,449

Cashflow (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Cash flow from Operating Activities	1,853	7,009	5,696	8,952	10,970
Cash flow from Investing Activities	-3,141	-7,661	-2,100	-2,100	-3,000
Cash flow from Financing Activities	-76	-18	12,921	1,132	1,413
Net Cash Increase/(Decrease)	-1,364	-669	16,516	7,983	9,383
Net Cash & Cash Equivalent (End)	7,533	13,252	29,768	37,752	47,135
Free Cash Flow	501	5,302	3,596	6,852	7,970

Source: Company data, HTI estimates

APPENDIX

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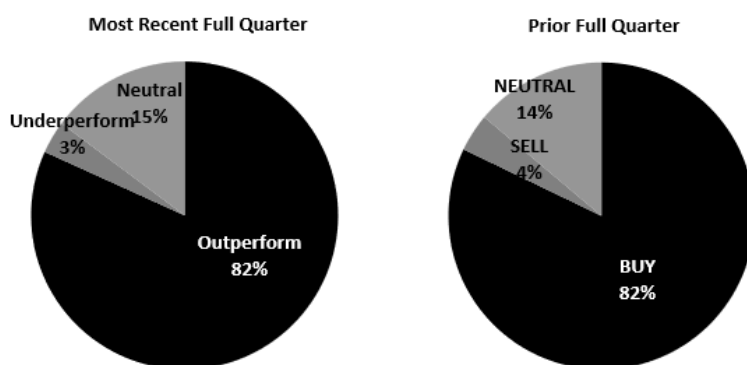
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