

Gland Pharma



A Master Injector

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Gland Pharma: A Master Injector

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Financials and valuations

Gland Pharma

BSE Sensex
52,104S&P CNX
15,313

CMP: INR2,206

TP: INR2,700 (+23%)

Buy



Stock Info

	GLAND IN
Bloomberg	GLAND IN
Equity Shares (m)	155
M.Cap.(INRb)/(USD\$b)	358 / 5.1
52-Week Range (INR)	2509 / 1700
1, 6, 12 Rel. Per (%)	-/-/-
12M Avg Val (INR M)	1637
Free float (%)	41.6

Financials & valuations (INR b)

Y/E March	FY21E	FY22E	FY23E
Sales	34.3	41.3	50.2
EBITDA	12.4	15.2	19.2
Adj. PAT	9.4	11.8	15.1
EBIT Margin (%)	33.3	34.3	35.8
Cons. Adj. EPS (INR)	57.7	72.6	92.3
EPS Gr. (%)	22.1	25.7	27.1
BV/Sh. (INR)	356	428.6	520.8

Ratios

Net D:E	-0.5	-0.5	-0.5
RoE (%)	19.9	18.5	19.4
RoCE (%)	20.0	18.6	19.5
Payout (%)	0	0	0

Valuations

P/E (x)	38.1	30.3	23.8
EV/EBITDA (x)	26.7	21.2	16.4
Div. Yield (%)	0.0	0.0	0.0
FCF per share (INR)	9.3	36.0	47.8
EV/Sales (x)	9.6	7.8	6.2

Shareholding pattern (%)

As On	Dec-20
Promoter	58.4
DII	10.8
FII	12.7
Others	18.1

FII Includes depository receipts

A Master Injector

Gland Pharma (GLAND) is a comprehensively injectable-focused company, with a wide generics portfolio comprising of a) own/contract development, b) technology transfer, c) an established manufacturing value chain across the range of delivery systems, and d) extensive regulatory capabilities. GLAND is progressing well on building a complex product pipeline, backward integration, and gaining market share in commercialized limited-competition products. Accordingly, we expect a 25% earnings CAGR over FY20–23. The potential upside in earnings owing to inorganic opportunities funded through cash available on balance sheet is not captured in our estimate. GLAND stands out in the pharma universe with solid track record of developing and commercializing complex products in the injectables space. Given that injectables have stringent regulatory guidelines compared with other dosages, GLAND is clearly at an advantage on account of its successful compliance. Moreover, it has delivered superior profitability / return ratios with minimal financial leverage. Accordingly, we value GLAND at 29x 12M forward earnings to arrive at Target Price of INR2,700. Initiate with a Buy rating on the stock.

Complex portfolio / Manufacturing capability to lead sustainable growth

GLAND has a robust Injectables portfolio across multiple therapeutic areas – the company reported a 27% sales CAGR to INR26b over FY18–20. Over the years, GLAND has been able to navigate through complexities at various stages – right from the R&D stage to the API/formulation manufacturing of Injectables – thereby building ~1,478 global registrations (owned/partnered) till 3QFY21, including 282 ANDAs filed in the US and 1,022 registrations in RoW. It intends to further enhance the pipeline through efforts on peptides, long-acting injectables, suspensions, hormones, and vaccines as well as improve growth visibility over the next 3–4 years.

Proven credentials for niche launches

GLAND has commercialized various niche products, such as Heparin, Enoxaparin Sodium, Daptomycin, Caspofungin, and Micafungin, to name a few. GLAND has been able to work on product-specific critical R&D/manufacturing parameters, driving cost efficiency; this has helped the company gain market share globally. The top five products formed ~45% of sales in FY20. GLAND had ~45/51 launches in FY19/FY20, which contributed 13%/9% to sales in FY19/FY20.

Well-placed to benefit from products under shortage list

The US market has seen the shortage of 125+ products every year over CY14–19, of which 40–60% has been in injectables. Quality-/Compliance-related issues have been cited among the major reasons for the shortage. There are at least 12 products in Gland's existing, filed, and tentative product portfolios in shortage in the US, with an addressable market size of USD450m+, which presents better opportunities to grow sales and expand margins.

US forms strong base; ROW to build further momentum

The US is the biggest geography for GLAND, accounting for 61% of total sales (9MFY21). India accounted for 17% of sales. Within India, 42% of sales are from the B2B segment and 23% of sales are from B2C customers. While GLAND continues to file and launch ANDAs for the US market, it is also expanding its footprint in ROW – ~67% revenue CAGR over FY18–20. Entering newer markets and gaining market share would sustain the momentum in ROW markets for GLAND.

Impeccable compliance track record

GLAND has exhibited sound compliance across facilities since its inception. Specifically, it has successfully faced seventeen USFDA inspections to date. It has also maintained compliance with other global regulatory agencies such as MHRA (UK), TGA (Australia), ANVISA (Brazil), AGES (Austria), and BGV Hamburg (Germany). Given that regulatory compliance is the major constraint for injectable supplies, GLAND's track record has built strong confidence among customers regarding the consistency of supplies and thereby presents better business opportunities for the company.

Earnings CAGR / FCF present scope for inorganic growth

We expect a 24%/25% sales/PAT CAGR over FY20–23, led by a) new launches across markets, b) market share gains in existing markets, led by economies of scale, and c) new market entries. GLAND is also in process of increasing capacity to manufacture APIs in-house. This would enable better profitability with enhanced back ward integration. Accordingly, we expect GLAND's EBITDA margin to expand 200bp to 38.2% over FY20–23. The free cash flow from the existing business provides enough ammunition for potential inorganic opportunities.

Initiate with BUY

GLAND has been successful in ticking all of the boxes in terms of key operating metrics – product portfolio, manufacturing value chain, successful compliance, and financial track record. GLAND has spent nearly two decades building up its Injectables portfolio, supported by strong manufacturing capabilities / capacities under rigorous quality guidelines. This is a remarkable stint in comparison with peers in the Pharma space. Furthermore, the company has not only delivered superior margins but also maintained minimum financial leverage. The FCF generated provides further impetus for inorganic growth. Accordingly, we ascribe a PE multiple of 29x on 12M forward earnings to arrive at Target Price of INR2,700, implying a 23% upside from current levels. Initiate with a **BUY** rating on the stock.

Exhibit 1: Valuation snapshot

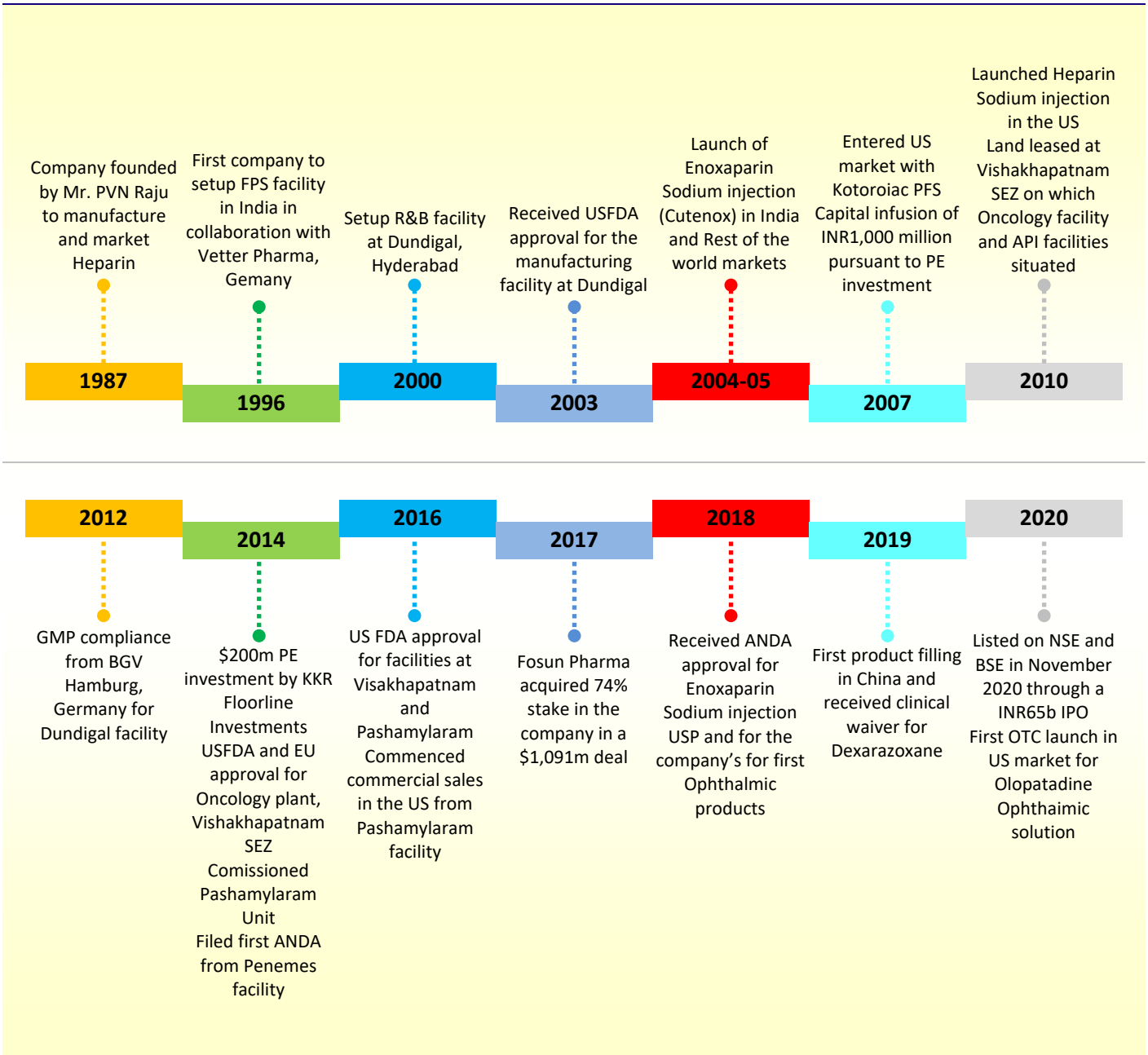
Company Name	EPS (INRs)			ROE (%)			P/E (x)			EV/EBITDA (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Large Cap												
Sun Pharma	25.7	26.8	29.9	13.4	12.9	12.9	24.6	23.6	21.1	18.0	16.4	14.5
Divis	76.4	99.5	129.3	25.0	26.5	27.7	48.2	37.0	28.5	33.0	25.8	20.1
Dr. Reddy's Lab	158.1	180.0	210.6	15.7	15.6	15.9	29.7	26.1	22.3	16.6	14.4	11.8
Cipla	33.6	36.6	41.8	14.7	14.0	13.9	25.3	23.2	20.3	14.6	12.9	11.0
Aurobindo Pharma	54.5	61.1	68.6	16.5	15.1	14.7	17.2	15.3	13.7	9.8	8.7	7.5
Zydus Cadila	20.0	23.3	24.7	16.1	16.2	15.2	23.4	20.1	19.0	15.6	13.5	12.4
Lupin	25.3	39.4	45.6	8.9	12.8	13.4	43.2	27.8	24.0	19.6	14.7	12.6
Average	56.2	66.7	78.6	15.7	16.2	16.3	30.2	24.7	21.3	18.2	15.2	12.8
Median	33.6	39.4	45.6	15.7	15.1	14.7	25.3	23.6	21.1	16.6	14.4	12.4
Mid Cap												
Torrent Pharma	73.8	88.5	100.4	23.9	24.6	23.9	35.1	29.2	25.8	18.5	16.3	14.6
Alkem	129.2	137.0	152.9	22.8	20.5	19.6	22.3	21.0	18.8	17.1	15.6	13.4
Ipca	95.2	95.5	102.7	29.1	23.3	20.8	20.0	19.9	18.5	14.4	14.2	11.0
Alembic	59.4	52.4	57.3	29.4	20.1	19.0	16.2	18.4	16.8	11.8	12.7	11.3
Ajanta	69.6	78.1	90.5	21.6	20.6	20.4	25.9	23.1	19.9	16.7	14.8	12.7
Average	85.4	90.3	100.7	25.4	21.8	20.7	23.9	22.3	20.0	15.7	14.7	12.6
Median	73.8	88.5	100.4	23.9	20.6	20.4	22.3	21.0	18.8	16.7	14.8	12.7
Small Cap												
Laurus Labs	18.3	22.5	27.4	44.7	38.7	34.5	20.5	16.6	13.7	13.8	11.1	9.1
Jubilant life	58.7	60.3	69.1	19.2	21.6	20.5	14.3	14.0	12.2	7.7	7.8	6.5
Granules India	22.5	26.3	30.3	27.7	26.0	24.2	15.7	13.4	11.6	9.6	7.9	6.6
Strides	25.8	44.1	54.4	8.8	13.6	15.1	34.8	20.4	16.5	15.5	12.0	10.2
Average	31.3	38.3	45.3	25.1	25.0	23.5	21.3	16.1	13.5	11.7	9.7	8.1
Median	24.2	35.2	42.3	23.4	23.8	22.3	18.1	15.3	12.9	11.7	9.5	7.9
Total Average	59.1	67.0	77.2	21.1	20.1	19.5	26.0	21.8	18.9	15.8	13.7	11.6
Total Median	56.6	56.3	62.9	20.4	20.3	19.3	24.0	20.7	18.9	15.5	13.8	11.5
Gland Pharma	57.7	72.6	92.3	19.9	18.5	19.4	38.1	30.3	23.8	26.7	21.2	16.4

Source: MOFSL, Bloomberg

Journey so far...

- GLAND was founded by Mr P V N Raju as a Heparin manufacturing company.
- Fosun Pharma acquired 74% stake, taking over as the controlling entity in GLAND.
- The company successfully completed an IPO in CY2020 and was listed on Indian bourses.

Exhibit 2: Established in 1978, GLAND has had an exciting journey, with listings in India in CY2020



Source: MOFSL, Company

Business snapshot

- GLAND has an established portfolio of injectable products across Sterile Injectables, Oncology, and Ophthalmics, with a focus on complex products – NCE-1s, First to file, and 505 (b) (2) products.
- Manufacturing facilities largely cater to finished formulation requirements and captive API consumption.
- Furthermore, its business model has evolved over time from contract manufacturing to supplying injectables globally under the B2B and B2C models.

GLAND has an established portfolio of injectable products, which it supplies globally through B2B model. Additionally, it supplies through B2C models as well in India

Extensive base portfolio across therapeutic areas

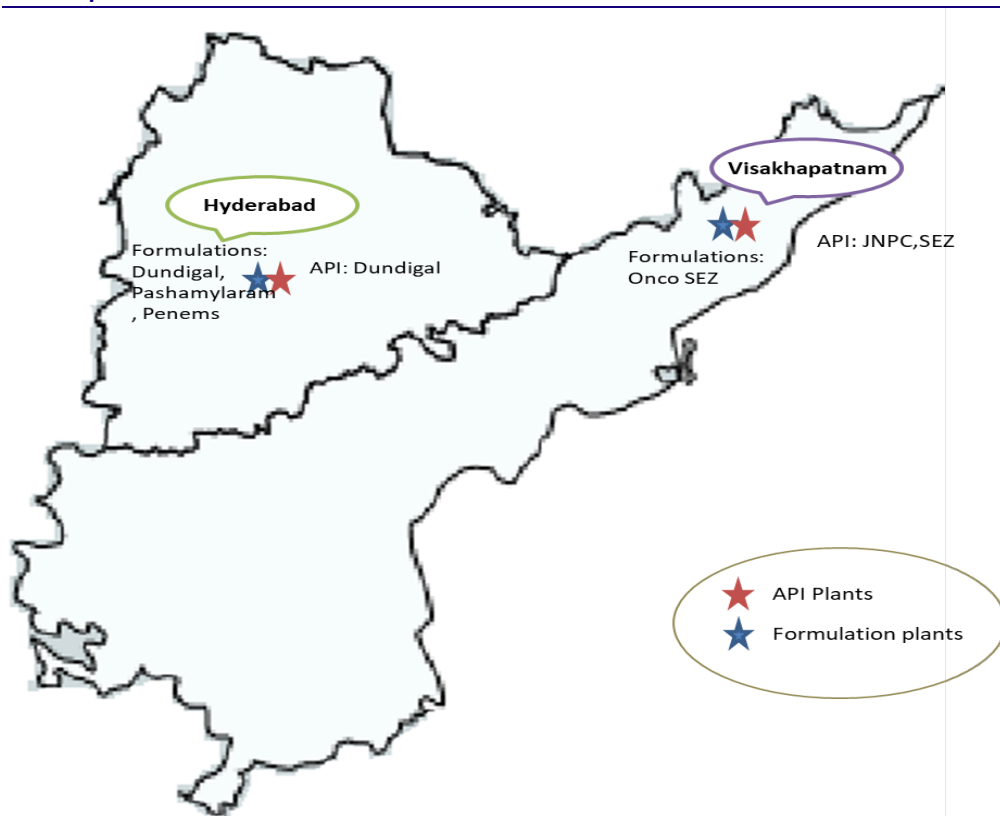
- GLAND has 1,478 product registrations globally, of which 387 products are registered in the US, Europe, Canada, and Australia; 69 in India; and 1,022 in RoW. As of 3QFY21, it had 226 approved ANDAs in the US.
- Gland has capabilities in manufacturing products via different delivery routes, such as liquid vials, lyophilized vials, pre-filled syringes, ampoules, bags, and drops. It has the capacity to produce 767m units of finished dosages and 11,000 kg of API per annum.
- Its products fall under various therapies, such as Anti-diabetic, Anti-Infectives, Anti-Malarials, Oncology, Blood-related, Cardiac, Gastrointestinal, Hormones, CNS, Ophthalmic, Pain & Analgesics, Respiratory, and VMNs.

Four formulations and three API manufacturing plants are located in Hyderabad and Visakhapatnam, with wide-ranging capabilities to manufacture injectable products

Manufacturing footprint for formulations and critical APIs

- GLAND has four formulations plants that use aseptic fillings and/or terminal sterilization compliant with the requirements of various regulatory authorities across the world. The formulation plants are located in Dundigal and Pashamylaram in Hyderabad; the company also has a Penems facility in Hyderabad and an Onco facility in Visakhapatnam SEZ. These facilities are approved by major regulators across the world.
- The facilities together have the capacity to manufacture 383m liquid vials, 8m vials, 180m ampoules, 71m lyophilized units, 45m ophthalmic products, 60m pre-filled syringes, 5m bags, and 4m dry powders.

Exhibit 3: GLAND has a total of seven manufacturing facilities in Hyderabad and Visakhapatnam



Source: MOFSL, Company

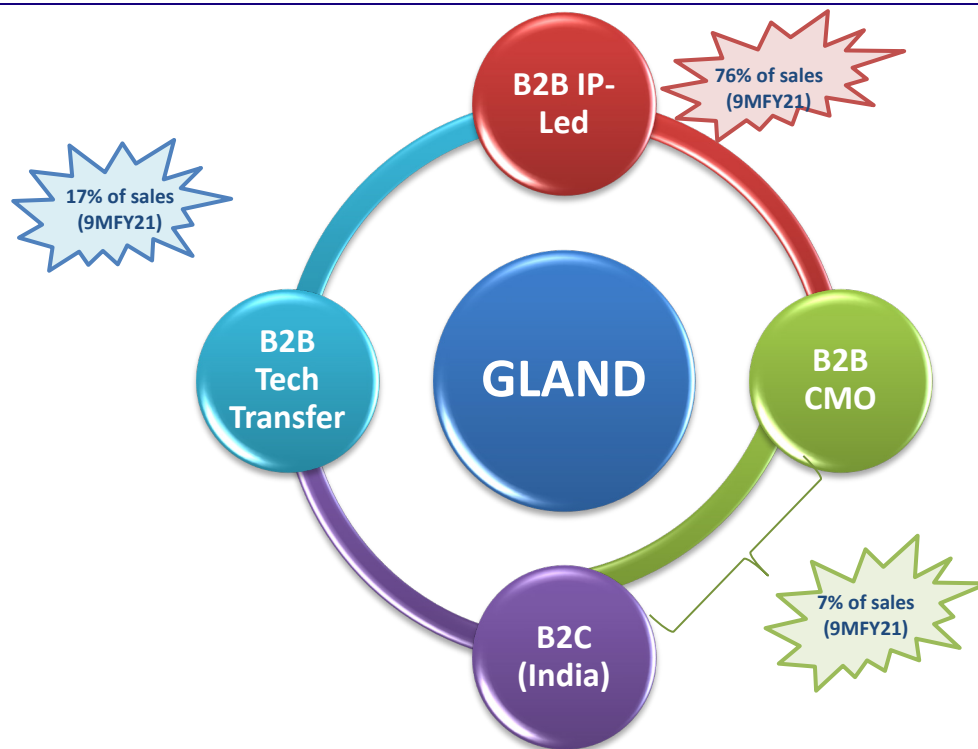
Exhibit 4: GLAND has capabilities in manufacturing a wide range of injectable products across different facilities

Location	Facility	Presentation	Capacity (Lines)	Exiting Capacity (Units per yr)	Capacity Utilization (%) in Fiscal			Key products	Key regulatory approvals
					2018	2019	2020		
Dundigal, Hyderabad, India	Sterile injectables	Liquid Vials	6	240 million	87	90	91	Enoxaparin Sodium, Caspofungin, Levetiracetam, Daptomycin	USFDA (US), MHRA (UK), ANVISA (Brazil), TGA (Australia), BGV Hamburg (Germany)
		Lyophilizers	N/A	48 million	81	74	75		
		Ampoules	1	60 million	69	35	26		
		Pre-filled Syringes	2	60 million	30	75	50		
		Bags	2	5 million	22	75	51		
Pashamylaram, Hyderabad, India	Sterile injectables	Liquid Vials	3	132 million	47	59	73	Heparin Sodium, Vancomycin	USFDA (US), GUB Munich (Germany)
		Lyophilizers	N/A	18 million	34	73	76		
		Ampoules	2	120 million	22	21	29		
Pashamylaram, Hyderabad, India	Penems	Vials	1	8 million	-	-	-	-	USFDA (US)
		Dry Powder	1	4 million	-	-	-		
Visakhapatnam, India	Oncology	Liquid Vials	3	11 million	36	28	48	Paclitaxel, Bortezomib	USFDA (US), AGES (Austria), TGA (Australia)
		Lyophilizers	N/A	5 million	16	28	24		
Dundigal, Hyderabad, India(2)	API	-	-	NA	-	-	-	-	USFDA (US), MHRA (UK), ANVISA (Brazil), TGA (Australia), BGV Hamburg (Germany)
Visakhapatnam, India	API	-	-	3000 kg/year	-	-	-	-	USFDA (US), ANVISA (Brazil)
Visakhapatnam, India	API	-	-	8000 kg/year	-	-	-	-	USFDA (US), DMA (Denmark)

Source: MOFSL, Company

B2B model (ex-India) and B2C model in India

Exhibit 5: GLAND business models – B2B IP-led segment contributes the most to GLAND’s revenues



Source: MOFSL, Company

Gland operates via the B2B and B2C business models, with ~96% of revenues coming from the former

- GLAND operates in two segments – B2B and B2C. In the B2B segment, it has three business models: IP-led, Technology Transfer, and CMO. ~96% of Gland’s revenues come from the B2B models.
- **B2B IP-led:** In the B2B IP-led model, Gland has two sub-models depending on whether the filing is own or that of a partner. For its own filings, GLAND outlicenses the product to a marketing partner with long-term supply contracts built in. GLAND earns license fees / milestone payments, manufacturing cost markup, and profit share on sales. In the case of a partnered filing, the IP ownership is co-owned; GLAND may receive royalty as a percentage of sales or profit share after commercialization.
- **B2B Technology Transfer:** Under this model, the product is partially developed by the partner who subsequently transfers the relevant technology required to manufacture, test, and package such products to GLAND. The company then conducts method transfer and validation, execution of scale-up and exhibit batches, and stability studies, etc., on these products, helping the partner with the filing of these products. In this case, GLAND would not have IP ownership/marketing rights. GLAND retains the manufacturing rights and would receive royalty / profit share on the sale of the product.
- **B2B CMO:** This model is used primarily in India. The B2B CMO provides fill-and-finish services for aseptically or terminally sterilized injectables to other pharma companies for already approved products. GLAND retains only the manufacturing rights in this format. It does not hold the dossiers, IP, marketing rights, etc. for these products.

- **B2C:** Gland operates in the B2C model only in India. Gland promotes its products to a network of ~2,000 corporate hospitals, nursing homes, and government facilities through its ~200-strong field force. ~4% of Gland's annual revenues come from the B2C market in India. Some of the important products promoted through the B2C model in India include Hep 5, Hep 25, Cutenox, and Synject.

Exhibit 6: Typical features of GLAND's business models

Business model		ANDA/Product registration ownership	Development by Gland	IP ownership	Marketing rights	Royalty / Profit sharing
B2B IP-Led	Own filing	✓	✓	✓	✓	✓
	Partner filing	✗	✓	↔	✗	✓
B2B Technology Transfer		✗	✓	✗	✗	✓
B2B CMO		✗	✗	✗	✗	✗
B2C		✓	✓	✓	✓	NA

Legend - ✓ : Yes, ✗ : No, ↔: Co-Owned

Source: MOFSL, Company

Advanced capabilities toward technologically challenging products

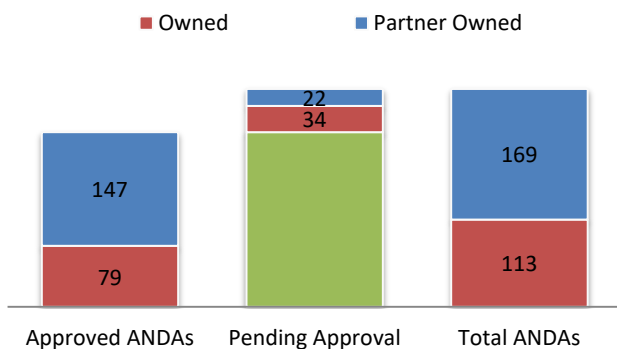
- GLAND has utilized its synthetic and analytical chemistry skill sets toward developing tools to characterize complex molecules, including protein-based molecules.
- Gland also has a keen understanding of scaling up the technology for manufacturing at the commercial level, thereby ensuring the smooth execution of projects.
- In addition to having existing product registrations pending approval, we believe GLAND is building a long runway for growth through the development of peptides, long-acting injectables, suspensions, and hormonal products.
- The new delivery systems would further enhance growth prospects for the company.

It has registered 1,022 products in ROW markets; 387 products in the US, Canada, Europe, and Australia; and 69 in India

1,478 product registrations thus far...

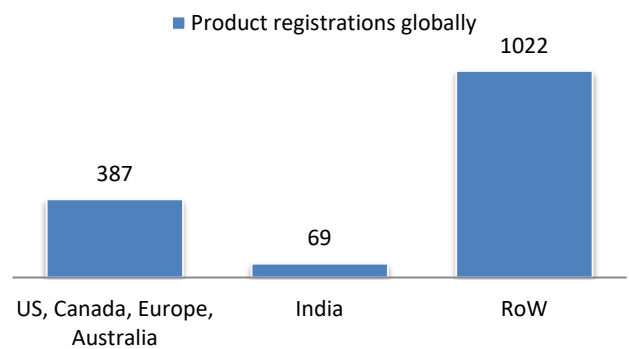
Since FY03 to date, GLAND has registered ~1,478 products across different geographies. It has almost 387 registrations in the US, Canada, Europe, and Australia. It has ~69 registrations in India and ~1022 registrations in ROW. Particularly, 282 ANDAs (own/partnered) have been filed in the US toward sterile injectables

Exhibit 7: 282 ANDAs (owned and partnered) filed to date



Source: MOFSL, Company

Exhibit 8: 1,478 product registrations globally



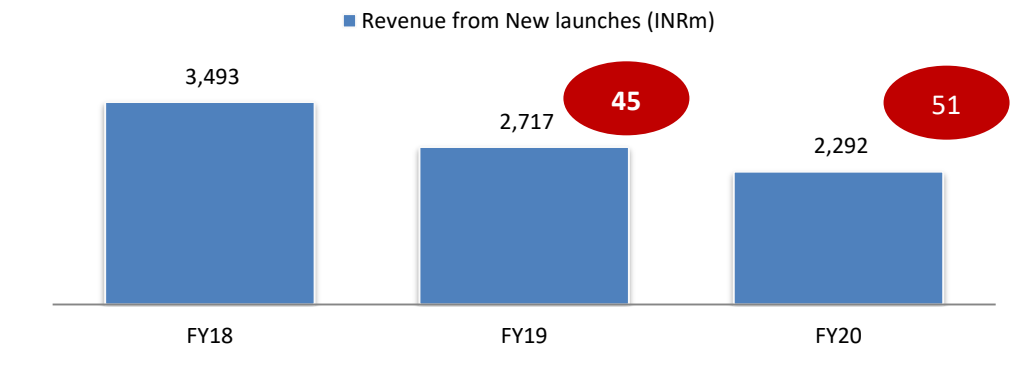
Source: MOFSL, Company

It is developing niche products and new delivery systems such as pens and cartridges for the next leg of growth

...and transitioning to difficult-to-make products

GLAND is expanding its capabilities in peptides, long-acting injectables, suspensions, and hormonal products. Furthermore, it is working on new drug delivery systems such as pens and cartridges. GLAND is thus enhancing its portfolio to enable growth over the next 3–4 years. In fact, new launches have boosted growth in the past and are expected to strengthen the growth momentum for GLAND.

Exhibit 9: Launched 45 new products in FY19 and 51 in FY20



Source: MOFSL, Company

It does extensive research to establish product viability before moving to the R&D stage; it has a strong team of scientists for developing the products

Economic viability backed by solid research to develop APIs/formulations

GLAND considers multiple factors such as a) the time for loss of exclusivity on the market, b) market intelligence on the potential drug, c) customer feedback, d) product extensions and the entry of such extensions, and e) market trends for drug development to understand the cost benefit ratio. Subsequently, once the cost benefit ratio is deemed favorable, the product moves to the R&D stage.

GLAND has a team of ~265 members – comprising PhDs, pharmacists, graduates, and chemists – with expertise in the synthesis of low molecular weight injectables, steroids, and oncology drugs. This would further drive the development process for both APIs as well as formulations.

Exhibit 10: Wide-ranging development capabilities for APIs/formulations

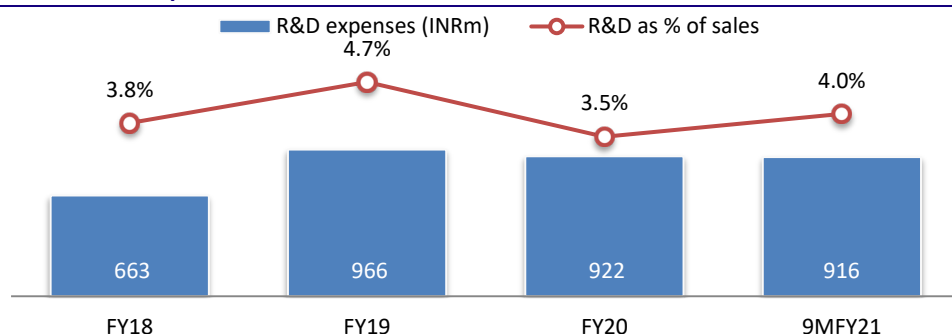
Right capability matrix in products and delivery systems

Expertise in synthesis of complex	Present in	Focused on	Expanding capabilities in	Expanding in new delivery systems	Key products include
<ul style="list-style-type: none"> •Low molecular weight Heparins •Steroids •Cytotoxics 	<ul style="list-style-type: none"> •Oncology •Ophthalmics and Otologicals •Blood-related •Neurological and central nervous system •Pain, neuromuscular agents and analgesics 	<ul style="list-style-type: none"> •Complex injectables •NCE-1s •First-to-File products •505(b) (2) filings 	<ul style="list-style-type: none"> •Peptides •Long-acting injectables •Suspensions •Hormonal products 	<ul style="list-style-type: none"> •Pen •Cartridges 	<ul style="list-style-type: none"> •Cis-Atracurium Besylate •Enoxaparin Sodium •Heparin Sodium •Rocuronium Bromide

Source: MOFSL, Company

GLAND spent 3.5% of its FY20 sales toward R&D and intends to spend at similar levels to build the product pipeline. GLAND also intends to set up a new R&D facility at Pashamylaram, Hyderabad and increase its R&D strength to maintain the pace of development of complex molecules.

Exhibit 11: R&D spend ~ 3.5-4% of sales



Source: MOFSL, Company

Overall, we expect the pace as well as quality of filings to improve over the next 3–4 years based on its R&D capabilities and the ability to link product development to commercial manufacturing.

In-house API capabilities help in keeping costs low and de-risking the supply chain for critical products

Benefits of backward integrations

- In addition to four formulations plants, Gland has three API plants located in Hyderabad and Visakhapatnam. The API plants have received approvals from USFDA (US), MHRA (UK), ANVISA (Brazil), TGA (Australia), BGV Hamburg (Germany), and DMA (Germany).
- 24 of the company's critical products are supported by in-house APIs. These not only keep product costs low but also help in securing the necessary supply chain control over products – to avoid delays/penalties/stockouts and unwarranted cost escalation from shortages.
- Gland has filed 40 drug master files (DMFs) in the US. The company plans to enhance backward integration in its products to achieve better margins and reduce disruptions in the supply chain.

Exhibit 12: DMFs for 40 APIs filed in the US under Gland brand

Submit Date	Subject	Submit Date	Subject
Dec'20	Ketamine Hydrochloride	Sep'16	Betadex Sulfobutyl Ether Sodium Usp- Nf
Dec'20	Epinephrine	Aug'16	Betamethasone Acetate Usp Sterile
Nov'20	Fomepizole	Sep'15	Foscarnet Sodium Usp
Aug'20	Edaravone	Sep'15	Fulvestrant Usp
Jun'20	Zinc Sulfate Heptahydrate	Jul'15	Levothyroxine Sodium Usp
Apr'20	Lacosamide	Jun'15	Iron Dextran Complex
Dec'19	Erythromycin Lactobionate	Apr'15	Nicardipine Hydrochloride Usp
Oct'19	Sugammadex Sodium	Jul'14	Sodium Phenylacetate
Sep'19	Etomidate	Feb'14	Regadenoson
May'19	Fluphenazine Decanoate	May'12	Tigecycline Usp
Apr'19	Fosphenytoin Sodium	Dec'11	Dalteparin Sodium Ph.Eur.
Feb'19	Isoproterenol Hydrochloride	Oct'11	Indomethacin Sodium Usp
Sep'18	Doxycycline Hyclate Usp	Oct'11	Argatroban Monohydrate Usp
Sep'18	Glatiramer Acetate	Apr'10	Heparin Sodium Usp
Jan'18	Ertapenem Sodium	Oct'09	Dexmedetomidine Hydrochloride Usp
Oct'17	Neostigmine Methylsulfate	Oct'09	Tirofiban Hydrochloride
Oct'17	Paliperidone Palmitate Sterile	Sep'09	Dexrazoxane
Jul'17	Caspofungin Acetate	Jul'09	Cisatracurium Besylate
Apr'17	Plerixafor	Dec'07	Atracurium Besylate Usp
Sep'16	Ziprasidone Mesilate Trihydrate	Sep'07	Rocuronium Bromide Usp

Source: MOFSL, USFDA

Daptomycin – a case in point

- Daptomycin is one of the complex molecules manufactured using the biosynthesis process.
- Global sales of Daptomycin stand at ~USD5b, with US sales at ~USD600m. Considering the market size, complexity in manufacturing, and limited competition, we expect this to be a sustainable niche opportunity for Gland.

Daptomycin is a niche product with a complex manufacturing process; GLAND’s partner has more than 58% market share in the Daptomycin injectable in the US

There are 10 ANDA filers for Daptomycin, with only 5 meaningful API suppliers in the US

About Daptomycin

- This is a cyclic lipo-peptide antibiotic used in the treatment of systemic and life-threatening infections caused by Gram-positive bacteria. It is a naturally occurring compound.
- The biosynthesis route makes it a complex product to manufacture, given that it needs to be extracted from *Streptomyces roseosporus* (a species of Actinobacteria).

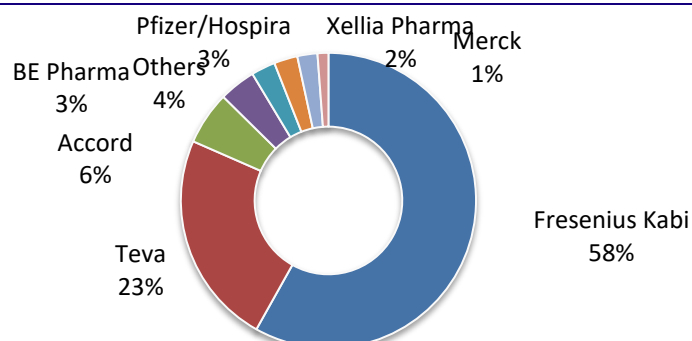
Rising infections to drive Daptomycin offtake

- Complicated Skin Structure Infections is the fastest growing and largest segment in the market.
- Increasing infections in the bloodstream are further supporting the requirement for Daptomycin.
- The global market size for Daptomycin is ~USD5b, and it is expected to register a 4.4% CAGR over FY20–27.
- Particularly, the US market size is ~USD600m (for 12M ended Jun’19).

Limited approvals, few suppliers among these

- Currently, 10 ANDA filers are being approved by the USFDA for the generic version of Daptomycin. The number of DMF filers is also limited to nine thus far. However, there are only five meaningful suppliers among these (forming 90%+ market share).
- The Daptomycin safety datasheet indicates GLAND is among the manufacturers for Fresenius Kabi in the US. Fresenius is one of the dominant players in Daptomycin in the US.
- Interestingly, in Jul’20, Mylan recalled one lot of Daptomycin citing it had been contaminated with particulate matter. We believe this will have benefitted other generic manufacturers marginally.
- With Fresenius’ dominant position in Daptomycin, and with just nine DMF filers for the product, we believe competition is still relatively low in this product. As Vancomycin is already more widely used and both products are available as generics, the risk to Gland’s Daptomycin sales remains low.

Exhibit 13: GLAND’s partner Fresenius Kabi has > 50% market share in Daptomycin



Source: MOFSL, Bloomberg

Heparin and its derivatives – base business products

- Heparin and Enoxaparin are key molecules that contribute meaningfully to Gland’s total sales.
- A key raw material is extracted from Porcine, following which it undergoes a yield optimization process – this makes Heparin/Enoxaparin a complex product to manufacture.
- Considering Gland’s vast experience in Heparin and Enoxaparin, we believe it is well-positioned to further improve market share in the US and ROW markets.
- Also, we believe high-cost alternatives (such as oral anticoagulants) are less likely to erode Heparin franchise sales for Gland in the US and other markets.

GLAND has decades of experience in manufacturing Heparin and Enoxaparin

Heparin/Enoxaparin – among Top 5 products for GLAND

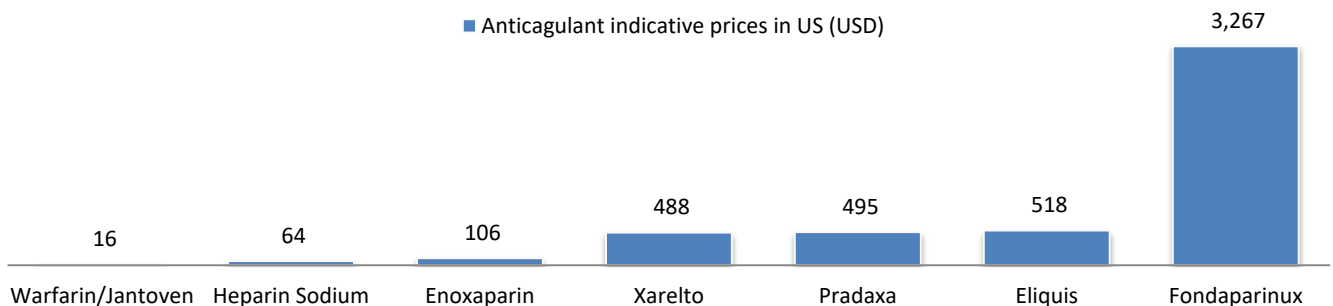
- Gland has been selling Enoxaparin in India and ROW markets since FY05. It launched the Heparin Sodium injection in the US in CY2010. The USFDA approval for the Enoxaparin Sodium injection in CY18 has enabled GLAND to sell in the US market as well. Thus, GLAND has been building a robust revenue base of Heparin and Enoxaparin globally by entering into newer markets and increasing penetration in existing markets.

The global Heparin market stands at ~USD4b and is expected to grow at a CAGR of 7–8% over the next 5 years; increasing demand, legacy expertise, and manufacturing complexity would keep the risk low for GLAND in Heparin and Enoxaparin

Demand remains favorable for Heparin/Enoxaparin – further scope to strengthen sales

- Heparin and Enoxaparin have been traditionally used as anti-coagulants (blood thinners). Some of the conditions for which anti-coagulants are used include atrial fibrillation, Deep Vein Thrombosis, hip or knee replacement surgery, Ischemic stroke, and myocardial infarction / heart attack.
- The global Anti-Coagulants market size is estimated at USD20–24b, and is pegged to grow at a CAGR of 7–8% over the next 5–7 years. Particularly, the Porcine-based Heparin market size is around USD4.1b (2019) and is expected to reach USD6.6b by CY2026.
- Overall, the Anti-Coagulants group consists of Novel Oral Anti-Coagulants (NOACs), Heparin & Low Molecular Weight Heparin (LMWH), Ultra Low Molecular Weight Heparin, Vitamin K antagonist, and others. The biggest category of drugs value-wise comprises NOACs such as Eliquis (Apixaban) and Xarelto (Rivaroxaban). CY19 global sales stood at USD4.2b for Eliquis and USD2.3b for Xarelto.
- However, Heparin and Enoxaparin remain the lowest priced anti-coagulants, which are driving volume growth at the industry level.

Exhibit 14: Heparin – among the cheapest and most effective anticoagulants available in the market



*Actual prices paid by patients would vary depending on their insurance coverage

Source: MOFSL, GoodRx

Exhibit 15: Despite being an old product, Heparin still shows some advantages over NOACs

	Xarelto	Eliquis	Heparin
Upsides	As effective as other anticoagulants	Highly effective in reducing stroke in people with atrial fibrillation or other clotting disorders	Can be used in pregnant women
	Does not require regular blood tests	Does not require regular blood tests	Generic and hence cheaper v/s branded drugs
	Does not interact with many types of food, unlike other oral anticoagulants such as Warfarin	Lower risk of reoccurrence of clots in leg or lungs	
Downsides	Increased risk of bleeding	Can be difficult to stop bleeding from cuts and wounds and internal bleeding	Treatment for unexpected bleeding when using Heparin is available
	Branded and patent-protected and hence costly	Cannot be used by people with artificial heart valves	Requires frequent blood tests to check whether the drug is working
	No antidote to stop bleeding in case of overdose	Branded and patent protected and hence costly	Higher risk of clotting v/s other anti-coagulants
	Not indicated for use in pregnant women	Bleeding from Eliquis overdose can be harder to treat v/s some other anti-coagulants	

Source: MOFSL, Industry

Exhibit 16: Global annual Heparin sales are estimated at USD6–7b

	Unfractured Heparin	Low Molecular Weight Heparin (LMWH)	Ultra Low Molecular Weight Heparin (ULMWH)
Drugs	Heparin / Heparin Sodium	Enoxaparin, Dalteparin, Nadroparin, Bemiparin, Tinzaparin	Arixtra/Fondaparinux, Idraparinux
Est. global market size	~USD1b	~USD4b	~USD2–3b
Growth	Low growth	Medium growth	Fastest growing segment

Source: MOFSL, Industry

Low mid-term risk from substitutables strengthens case for better offtake of Heparin and derivatives

- Eliquis has Drug Product (DP) / Drug Substance (DS) patents up to Nov'26/Feb'31. Xarelto has DP/DS patents expiring in Aug/Nov'28. Johnson & Johnson and Bayer have bagged recent wins against generic drug makers, protecting the exclusivity of Xarelto up to Nov'24. On the other hand, partners BMS and Pfizer have secured wins for Eliquis, protecting its exclusivity from generic drug makers. In light of these events, we expect these drugs to remain at premium pricing compared with Heparin/Enoxaparin. This, in turn, lowers the risk to GLAND's Heparin/Enoxaparin franchise for the medium term.

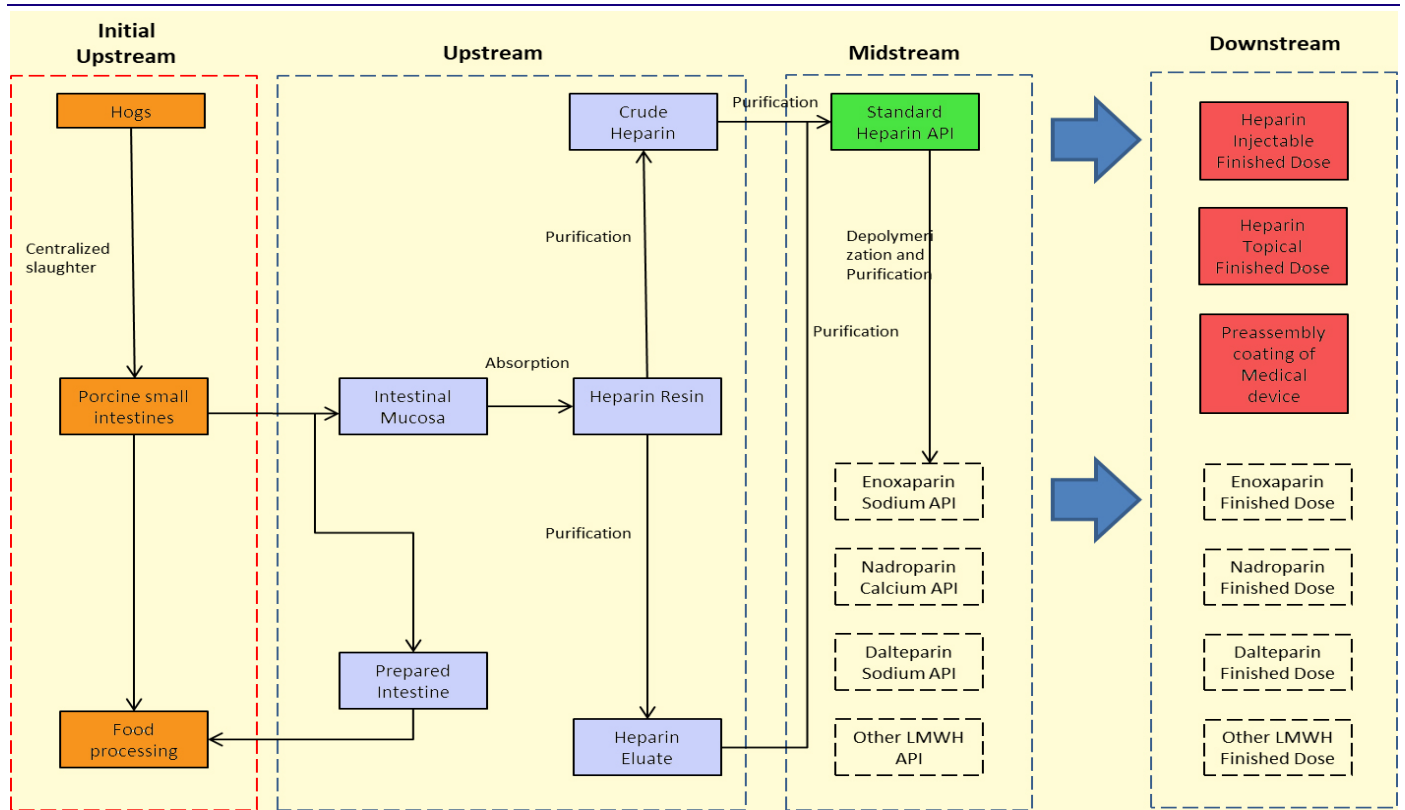
Enoxaparin superior to other Low Molecular Weight Heparin

- Enoxaparin Sodium has superior pharmacological and chemical properties – including a longer elimination half-life, superior bioavailability, and a higher anti Xa/IIa activity ratio – vis-à-vis other Low Molecular Weight Heparin (LMWH) products such as Dalteparin and Nadroparin Calcium. Additionally, Enoxaparin Sodium is manufactured via β -elimination; this eliminates the risk of carcinogenic and toxic nitrite impurities. On the other hand, the manufacturing process of Nadroparin and Dalteparin may cause contamination with nitrite impurities. These factors reduce the risk to Enoxaparin from other LMWH products.

Manufacturing process of Heparin and LMWH

- Heparin manufacturing includes initial upstream procurement of Porcine small intestines, which then undergo upstream processing and purification that transforms the intestinal mucosa into crude Heparin. Crude Heparin then undergoes the midstream purification process for conversion into standard a Heparin API and other LMWH API products. In the final step of downstream manufacturing, the Heparin and LMWH Heparin API is converted to finished dosage products. The sourcing of extracts of Porcine intestine and yield at the formulation manufacturing level are the critical parameters to determine the manufacturing viability of these products.

Exhibit 17: Heparin and derivatives – API manufacturing process



Source: MOFSL, Industry

- Overall, we believe GLAND is well-placed to gain better traction in Heparin Sodium and Enoxaparin through entering into newer markets and capturing further market share in existing markets.

Micafungin – near-term limited competition opportunity

- Gland's partner could potentially garner USD40–50m in annual sales for Micafungin in the US in FY22 on the back of the product's exclusivity.
- Being a limited competition drug, Gland's share of profit and margin is expected to be better than the overall company margins on this drug.

Micafungin is a limited-competition opportunity for GLAND, with better margins, owing to partner Fresenius Kabi's exclusivity

About Micafungin

- Micafungin is an anti-fungal medication belonging to the Echinocandins class – used to treat invasive fungal infections. Micafungin is indicated (i) for the treatment of Candidemia, Acute Disseminated Candidiasis, Candida Peritonitis, and Abscesses, (ii) for the treatment of Esophageal Candidiasis, and (iii) as Prophylaxis for Candida Infections.
- Other medication used to treat fungal infection includes Caspofungin and Anidulafungin.

Limited competition opportunity for Gland

- Fresenius Kabi became the first company to launch generic Micafungin in the US in May'20. As this was the first generic launch, the company had 180 days' exclusivity on the product. As per innovator data, Micafungin recorded USD106m in sales in the US in CY19.
- GLAND supplies Micafungin injection finished doses to its partner Fresenius Kabi in the US. There are currently two approved generics for Micafungin – Fresenius Kabi and Apotex. Teva has tentative approval for the drug, while Jiangsu and Xelia are known para IV filers of the product.
- There are eight DMF manufacturers for Micafungin, indicating a low risk of increased competition for the product beyond the already known names.
- Being a limited competition drug with few known filers, we believe Fresenius could report USD40–50m in annual sales (with superior profitability) for Micafungin in the US.

Caspofungin – another interesting product for GLAND

- Caspofungin remains a limited competition product despite there being no patents on this product.
- In fact, there has been no generic approval for this product since Jul'18.
- Considering the competitive scenario, a market size of ~USD150m, and manufacturing integration by GLAND, we expect this to generate USD15–20m and contribute 4–5% to sales for the company.

About Caspofungin

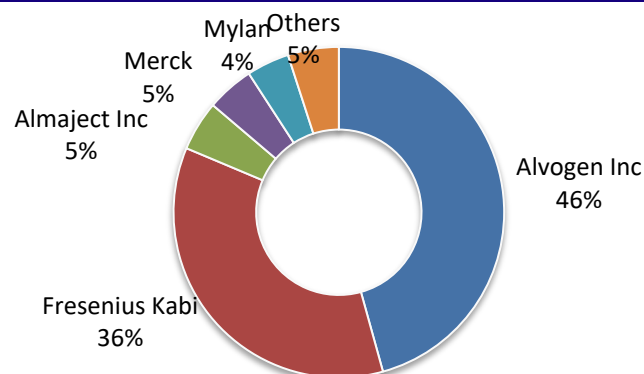
- Caspofungin is semi-synthetic lipo-peptide drug used to treat severe fungal infections. The active ingredient is derived from fungus. As it is not absorbed orally, it is manufactured only in injectable form. Other drugs used to treat fungal infections include Itraconazole, the Amphotericin B liposome, and Voriconazole.
- The stability of the product is the critical aspect during manufacturing; thus, Caspofungin is a complex product to manufacture.

Sustainable niche opportunity

- For the US market, there are five approved generics, taking the total number of companies in the market to six, including innovator(s) for Caspofungin Acetate. There are ~10 approved DMF holders in the US.
- Industry data suggests global annual sales of Caspofungin are estimated to be ~USD480m, with an estimated 30% of sales coming from the US. This translates to ~USD150m annual sales for the Caspofungin Acetate injection in the US.
- Given that there has been no generic approval for the product since Jul'18, only six companies distribute this product in the market, and manufacturing the product is a complex process, we believe GLAND is well-placed to build market share for Caspofungin as it is backward integrated up to the API level. Additionally, GLAND has its own ANDA, implying better profitability v/s products wherein the ANDA is on another's name. As a result, we believe Caspofungin Acetate contributes 4-5 % to Gland's revenues.

There is a USD100m+ market opportunity in the US in limited-competition products; GLAND has Caspofungin data in its own name

Exhibit 18: AlvoGen leads in Caspofungin with 46% market share



Source: MOFSL, Bloomberg

Well-placed for opportunities arising from shortages

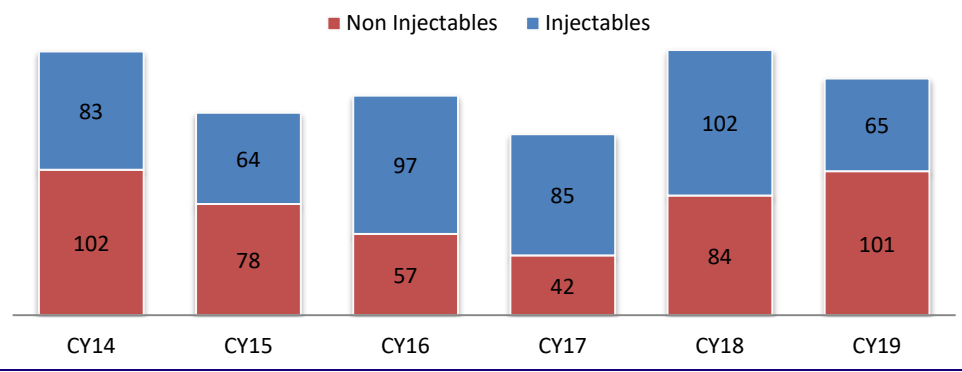
- The US market has seen shortages in 125+ products every year over CY14–19, of which 40–60% have been injectables.
- 12 products in Gland’s existing, filed, and tentative product portfolios are in shortage in the US – with an addressable market size of USD450m+ – providing the company better opportunities to grow its sales and expand margins.

Quality issues remain the biggest reason for drug shortages in the US; injectable plants have seen a higher number of adverse regulatory actions v/s OSD plants

62% shortage of drugs in US due to quality issues

- Quality issues were the main reason for the shortage of drugs in the US (62%), followed by increased competition (12%) and natural disasters (6%).
- Under import alert, companies are banned from exporting drugs to the US. Even regulatory action (such as Warning Letter / OAI) by the USFDA may require corrective measures, temporarily impacting production and disrupting supply to the US market. At times, this leads to the shortage of drugs in the US. Also, it has been observed that the timeline to resolve compliance issues varies from at least 1 year to 3+ years, presenting significant opportunity for compliant companies such as GLAND.
- Furthermore, within the generics category, plants for injectables are more difficult to maintain in compliance with regulatory norms – due to the requirement for the sterile processing of the drugs. As a result, a major chunk of the drugs that are in shortage are injectables.

Exhibit 19: 125+ drugs in shortage per year over CY14–19



Source: MOFSL, USFDA, Company

- Despite being one of the biggest markets for generics in the world, characterized by very high competition among the pharma companies, the US continues to experience drug shortages at an alarming rate. Particularly, 166 drugs were in shortage in the US in CY19. Injectables account for 40–60% of the drugs in shortage annually.

GLAND has a strong compliance record with no OAI/WL from the USFDA ever; owing to a strong compliance record, it stands to benefit from the shortage-led opportunities

Gland benefits from consistent compliance track record

- GLAND has a proven track record of regulatory compliance, with no OAI or Warning Letter in the company’s history – a commendable task given that the company largely manufactures injectables. As a result, Gland is well-placed to capitalize on opportunities to gain market share and realize better price and margins. A continued rate of filings and spotless compliance record would result in further opportunities going forward.
- Currently, Gland has a portfolio of ~12 approved, filed, and tentatively approved products, with a market size of USD450m+, currently in short supply in the US. These products not only provide an upside to sales but also have better margins on account of having limited competition.

Exhibit 20: ~USD500m opportunity for GLAND from drugs in shortage in US

Generic Name or Active Ingredient	Approx. Market Size in USD m in 2019	Market Authorization Status	Total Approvals for Product
Ropivacaine Hydrochloride Injection	141	Product Tentatively Approved	9
Ketorolac Tromethamine Injection	73	Existing Products	10
Metronidazole Injection, USP	59	Product approved	5
Pantoprazole Sodium for Injection	51	Product Tentatively Approved	3
Dexamethasone Sodium Phosphate Injection	27	Existing Products	7
Calcitriol Injection USP 1MCG /ML	24	Product approved	2
Heparin Sodium and Sodium Chloride 0.9% Injection	24	Existing Products	4
Sincalide (Kinevac) Lyophilized Powder for Injection	22	Product Tentatively Approved	1, Patent expiry in Aug 2022
Ondansetron Hydrochloride Injection	21	Existing Products	11
Labetalol Hydrochloride Injection	17	Existing Products	4
Imipenem and Cilastatin for Injection, USP	14	Product Filed. Awaiting Approval	2
Metoprolol Tartrate Injection, USP	13	Existing Products	7
Total Market Size	486		

Source: MOFSL, Company

Rocuronium Bromide, an important product for GLAND, is on the USFDA’s drug shortage list due to its high demand on account of use in COVID treatment

Rocuronium Bromide shortage benefits in the near term

- Rocuronium Bromide is a muscle relaxant used in tracheal intubation by providing skeletal muscle relaxation. Owing to its use in the intubation of patients with breathing difficulty, its demand has increased manifold amid the COVID crisis for patients requiring ventilation.
- Per the USFDA, there is a shortage of Rocuronium Bromide. There are 10 approved ANDAs for this product – Gland supplies the product to Mylan. Gland also sells Rocuronium Bromide to Almaject and Alvogen, which do not hold ANDAs. There are 10 approved DMF filers for the Rocuronium API. As the drug is in short supply, API manufacturers such as Wavelength Pharmaceuticals have ramped up their Rocuronium API production by 3–4x to keep up with demand.
- Gland is backward integrated on Rocuronium Bromide and benefited from increased demand in 6MCY20. With the number of COVID cases still alarmingly high in the West, we expect a sustained increase in demand for this product until the number of COVID cases decline in the west, particularly in the developed countries.

US forms strong base; ROW to build further momentum

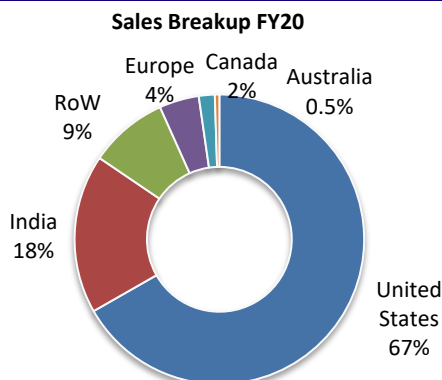
- The US is the biggest geography for GLAND and accounted for 67% of total sales in FY20 (61% for 9MFY21).
- India, comprising the B2B, B2C, and Services/CMO segments, accounted for 18% of sales in FY20 (17% in 9MFY21), with 42% from B2B and 23% from B2C customers.
- While GLAND continues to file and launch ANDAs in the US market, it is also expanding its footprint in ROW markets, driving overall earnings growth (9% of sales in FY20 and 16% of sales in 9MFY21).

The US is the biggest geography for GLAND, with 67% of revenues in FY20 coming from the US

Lion’s share of revenue from US currently

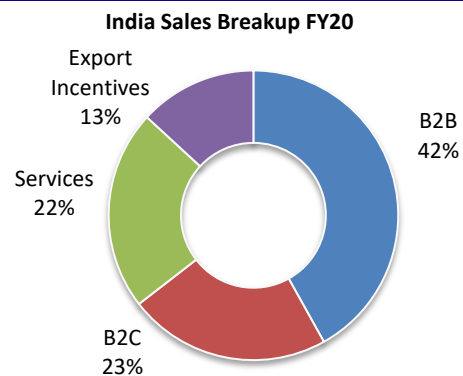
- US sales stood at INR17.6b in FY20 and accounted for 67% of total sales. India was the second largest market for Gland – it generated INR4.7b in revenues across different segments, accounting for 18% of total sales. ROW markets accounted for 9% of total sales, with INR2.6b in revenues in FY20. Canada sales constituted 2% of total sales in FY20, while Australia was the smallest geography in terms of sales in FY20, accounting for 0.5% of total sales.
- Revenue from the sale of goods in India stood at INR3b in FY20, of which INR2b came from B2B customers (42% of India sales). Sales from the marketing representative (MR)-promoted B2C segment stood at INR1.1b in FY20 (23% of India sales). Services revenue stood at INR1.1b in FY20 (22% of sales).

Exhibit 21: US accounted for 67% of total sales in FY20



Source: MOFSL, Company

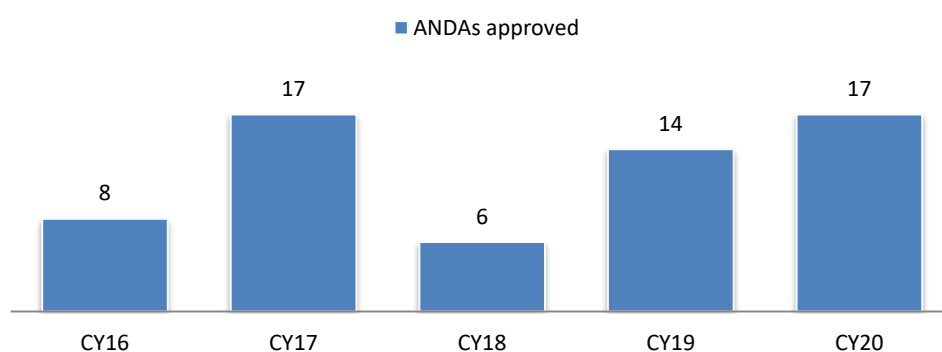
Exhibit 22: 42% of India sales came from B2B customers



Source: MOFSL, Company

Healthy rate of ANDA approvals aids growth in US

- GLAND owns the ANDAs in the B2B IP-Led Own Filings segment. Over the past five years, the company has received 73 ANDA approvals from the USFDA. It acquired 17 ANDA approvals in CY20, three more than in CY19.

Exhibit 23: Healthy rate of own ANDA approvals in last five years (own filings)

Source: MOFSL, USFDA

Impeccable track record of regulatory compliance

- Gland has an impeccable track record of compliance. None of its plants are under any regulatory sanctions currently. Notably, it has never received an OAI or Warning Letter of an import alert for any of the plants. Given the complexity of manufacturing and difficulty in maintaining compliance at injectable plants – in the light of the regulatory headwinds faced by other pharma companies in India – Gland has a compliance record of notable significance.

Exhibit 24: ~17 successful USFDA inspections till date

City	Inspection End Date	Classification
Chitkul	Nov'19	VAI
	Feb'18	VAI
	Sep'15	VAI
Medchal-Malkajgiri District, Hyderabad	May'19	VAI
	Feb'17	VAI
	Mar'15	VAI
	Sep'12	VAI
	Jan'11	NAI
Parawada, Visakhapatnam	Apr'18	VAI
	Oct'15	NAI
Visakhapatnam	Nov'19	VAI
	Jun'18	NAI
	May'18	NAI
	Mar'17	NAI
	Jun'15	VAI
	Jun'15	NAI
	Aug'13	VAI

Source: MOSL, USFDA

Growth led by niche launches, increased market share in US

GLAND delivered a 23% sales CAGR in the US over FY18–20, led by new launches and increased traction in existing products. Particularly, the approval for the generic version of Caspofungin in Sep'17, Daptomycin in Apr'18, and Enoxaparin Sodium in Sep'18 led to robust sales growth for GLAND in the US market.

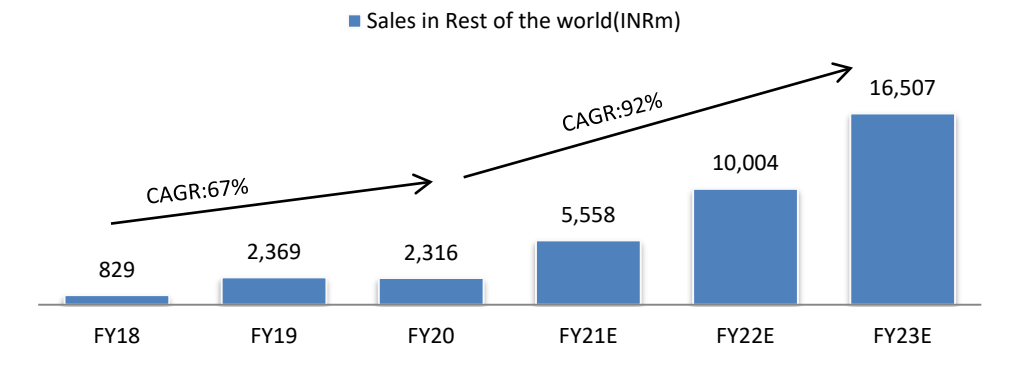
New launches and geographic expansions led to GLAND posting a 67% CAGR in ROW sales over FY18–20

Spike in ROW sales over FY18–20, partly aided by low base

Over FY18–20, Gland reported a sales CAGR of 67% in RoW markets. These markets accounted for 9% of total sales in FY20. Gland is increasing its focus on non-US markets, especially RoW markets. Several products such as Heparin have lower competition, less stringent sourcing requirements, and better margins in RoW; GLAND is aggressively pursuing these markets. As of CY20-end, it had 1,022 product registrations in RoW markets – Gland has seen strong growth in the markets of Singapore, Thailand, Chile, Peru, and Israel.

With new product launches in RoW markets, revenue contribution from these segments increased to 16% in 9MFY21 v/s 9% in FY20. We expect revenues in these markets to grow to 7x over FY20–23, driven by expansion into new markets and new product launches in current markets.

Exhibit 25: We expect RoW sales to grow at a sharp 92% CAGR over FY20–23



Source: MOFSL, Company

Injectables industry growing faster than other dosages

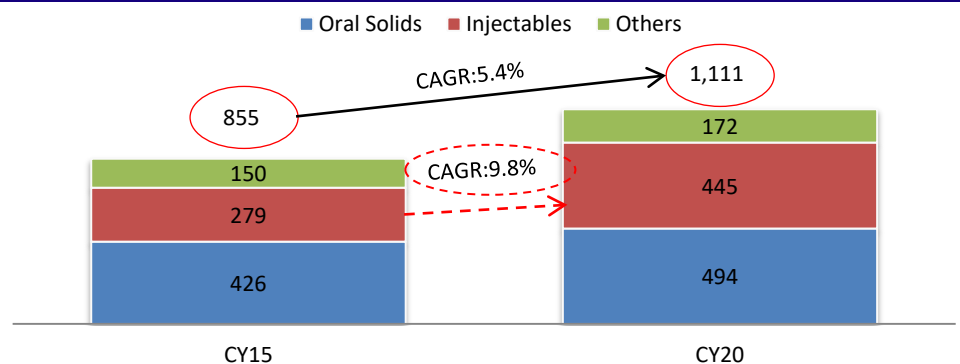
- The global Pharmaceutical market expanded at a 5.4% CAGR over CY15–20, whereas spending on injectables rose at a strong 9.8% CAGR over this period.
- The US remains the biggest market by value; emerging markets are gaining pace due to better penetration and affordability.

Injectable sales grew at a ~10% CAGR over CY15–20, higher than that for other dosage forms

Share of injectables rises to 40% in global Pharma

- Over CY15–20, while the global Pharmaceutical market expanded at a 5.4% CAGR, spending on injectables grew considerably from USD279b to USD445b. Spending on OSDs and other dosage forms grew at a slower rate of 3%. With more new drugs being introduced in the form of injectables and other differentiated/complex dosages, we expect spending on injectables to continue to outpace pharmaceutical spending in the coming years.
- Given the complex process of developing generic injectables and the high quality and compliance requirements, competition in injectables is about half of that in OSDs. Likewise, injectables are believed to have better margins and be a more stable business, subject to consistent compliance.

Exhibit 26: Spending on injectables globally grew at a CAGR of ~10% over CY15–20 (USD b)



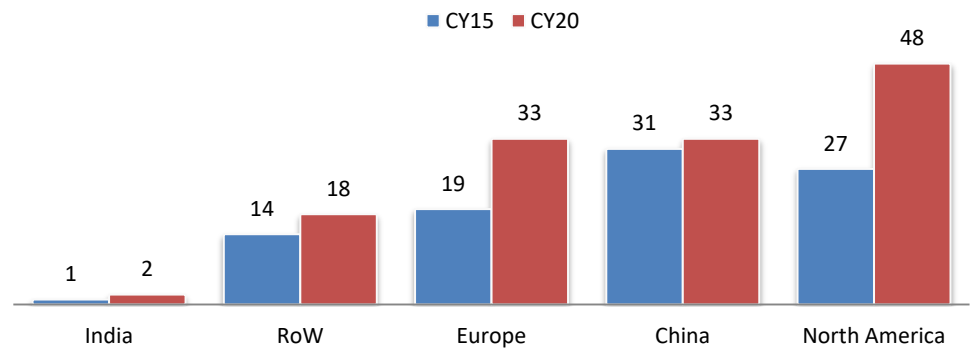
Source: MOFSL, Company

The US is the biggest and fastest growing Generic Injectables market in the world

US accounts for 36% of Generic Injectables market

- The US posted the highest growth in generic injectables over CY15–20. Over this period, the US Generic Injectables market expanded at a CAGR of 12.2% from USD27b to USD48b.
- China, the largest market for generic injectables in CY15, came in the slowest among the major geographies in terms of growth. The Generic Injectables market in China posted a CAGR of 1.3% to USD33b in CY20 from USD31b in CY15.
- The US represents the most attractive market for generic injectables in terms of pricing. On the other hand, China (the second largest market) remains significantly untapped; GLAND, with its proven track record in injectables, could look at entering the market with the help of its parent Fosun Pharma.

Exhibit 27: North America (NA) – the largest Generic Injectables market globally (USD b)

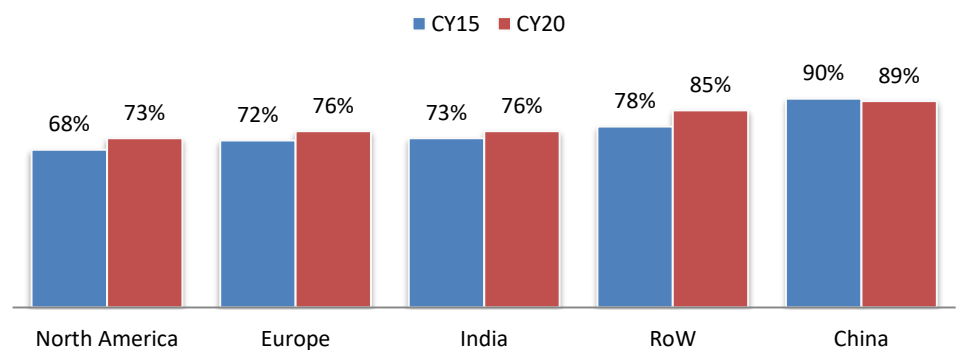


Source: MOFSL, Company

Lowest penetration further boosts opportunities in US market

- The US is the largest market for generic injectables by size and is among the lowest penetrated markets, indicating a higher price per unit in this market. China has the highest penetration of generic injectables at ~90%.

Exhibit 28: NA has one of the lowest penetrations of injectables globally



Source: MOFSL, Company

Other markets too growing fast, creating favorable opportunities

- The Generic Injectables markets of Europe, India, and ROW expanded at a CAGR of 10.9%, 8.8%, and 5.7%, respectively, over CY15–20.

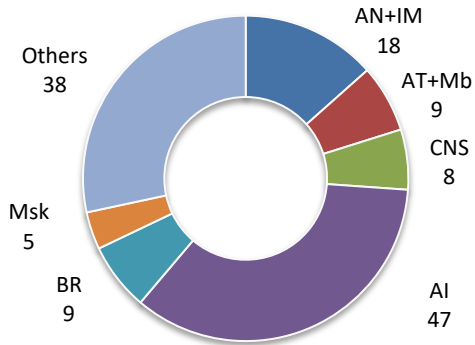
Share of generic injectables in key therapeutic areas, by value

- Anti-Infectives (AI) and Antineoplastics + Immunomodulators (AN+IM) were the biggest therapy classes for generic injectables in CY20, with high value and injectables penetration.
- The AI therapy market size stood at USD47b in CY20, and the AN+IM generic drugs’ global market size stood at USD18b.
- AN+IM also saw the highest volume CAGR of 16.8% over CY15–20, while Anti-Infectives saw the highest price growth over this period.
- Price erosion in global generic injectables was almost non-existent and was seen only in the Alimentary Tract + Metabolic (AT+M) therapy.

Anti-Infectives is the biggest therapy for Generic Injectables, with an estimated market size of USD47b

Exhibit 29: Global GI market size was USD133b in CY20

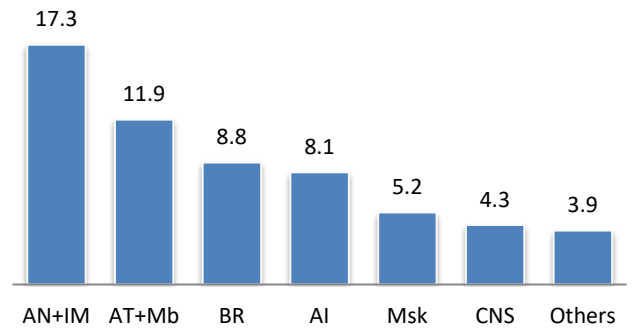
Global generic injectable (GI) market by therapy (USDb)



Source: MOFSL, Company

Exhibit 30: AN+IM therapy grew the fastest over FY15–20

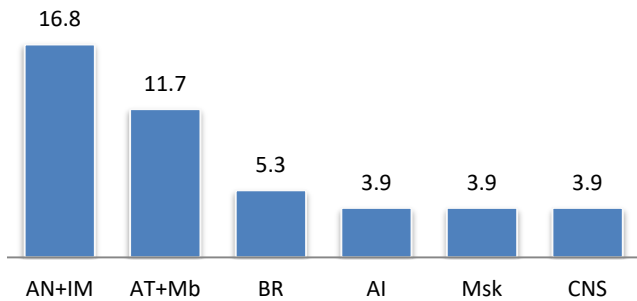
Global generic injectable CAGR CY15-20 by therapy (%)



Source: MOFSL, Company

Exhibit 31: AN+IM saw the highest volume growth

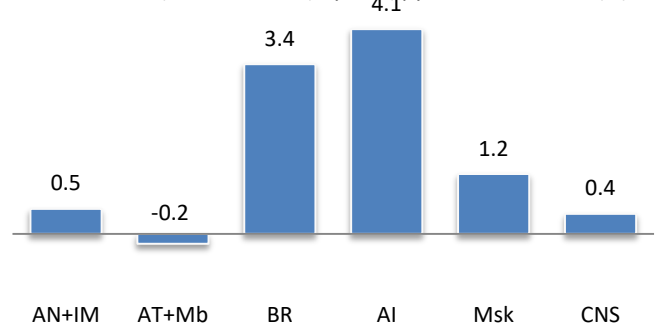
Volume growth (CAGR CY15-20) by therapy in Global GI sales (%)



Source: MOFSL, Company

Exhibit 32: Anti-Infectives saw the highest price growth

Price Growth (CAGR CY15-20) by therapy in Global GI sales (%)



Source: MOFSL, Company

*Atineoplastics+ Immunomodulators: AN+IM, Alimentary tract + Metabolic: AT+Mb, Anti-Infectives:AI, Blood Related:BR, Musculoskeletal: Msk

M&A activity in Injectables space

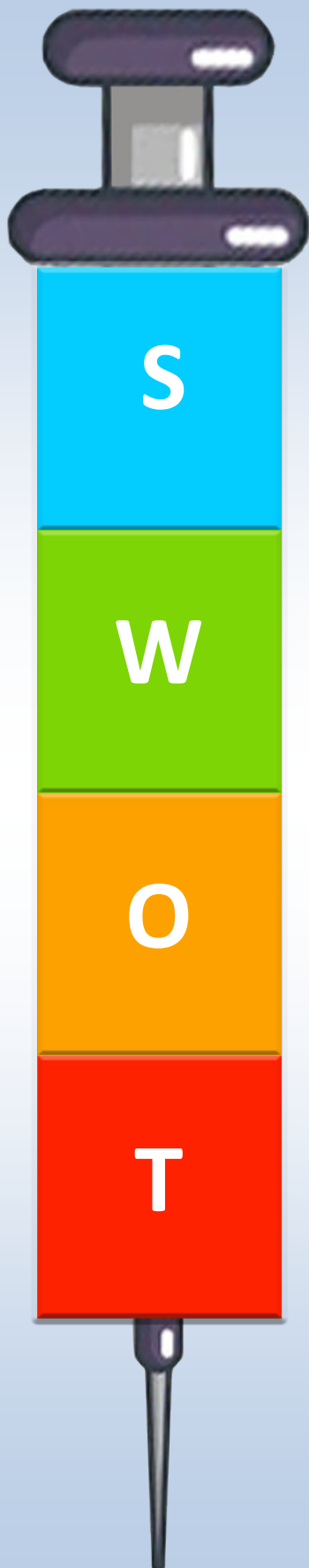
- Numerous M&A transactions have been carried out in the Injectables space over last few years – the largest deal was the Pfizer-Hospira deal in CY2015, which valued Hospira at USD17b.
- The most recent deal for an Indian company was Recipharm’s INR800m acquisition of 8% stake in the yet to be operational Nichepharm in CY2019. Recipharm also has the option to acquire 16% additional stake in CY2021.

Exhibit 33: Pfizer's acquisition of Hospira and Fosun's acquisition of GLAND are two of the largest deals of the recent times

Year	Acquirer	Target	Deal Value (USD m)	Stake Acquired	Company Valuation (USD m)	Sales (USD m)	P/S multiple	Investment Rationale
2019	Recipharm (Sweden)	Nichepharm (India)	11	8%	138	Pre-revenue	-	This would help Recipharm create production capacity in India for a range of sterile dosage forms. Nichepharm's manufacturing facility in Dehradun, India is expected to be fully operational by CY2022.
2019	Aurobindo (India)	Spectrum Pharma (USA) - 7 Oncology injectables portfolio	300	100%	300	116	2.6x	Aurobindo acquired seven oncology injectable products from Spectrum Pharma; with this, it has established a presence in the branded market.
2017	Baxter (USA)	Claris (India)	625	100%	625	89	7.0x	This has broadened Baxter's presence in the low-cost generic injectables space, with Claris' Injectables portfolio of 50 products and pipeline as well as three manufacturing plants.
2017	Fosun (China)	Gland (India)	1,091	74%	1,474	205	7.2x	This has helped Fosun gain access to GLAND's abilities in R&D and the policy advantages in injectables in the Indian market, and enhanced Fosun's market share in the Injectables segment.
2016	Recipharm (Sweden)	Nitin (India)	103	74%	139	48	2.9x	This has helped Recipharm gain access to the Indian market with a large number of multi-national customers, and improved Recipharm's position in the area of sterile injectables.
2015	Pfizer (USA)	Hospira (USA)	17,000	100%	17,000	4,500	3.8x	Pfizer's GEP business now has access to Hospira's portfolio of sterile injectables, including acute care and oncology injectables and biosimilars.
2014	Pfizer (USA)	InnoPharm (Ireland)	360	100%	360		-	This has helped Pfizer gain access to InnoPharm's R&D facilities and improved its injectables portfolio to 73 products, including InnoPharm's portfolio of 10 USFDA-approved generics, along with a pipeline of 19 products and over 30 injectable and ophthalmic products under development.
2014	Hikma (USA)	Bedford Labs (USA)	300	100%	300	19	15.8x	Hikma has added a portfolio of 84 injectables to its existing portfolio of 63 products, creating the broadest portfolio of generic injectable products in the US market.
2013	Mylan (USA)	Agila Specialties (India)	1,750	100%	1,750	255	6.9x	With this acquisition, Mylan has become one of the three biggest providers of injectables in the world, with a combined portfolio of 500-700 products, representing 70% of the regulated market.

Source: MOFSL, Industry

SWOT analysis



Strengths

- ❖ Strong chemistry skill sets and analytical capabilities to develop complex injectables
- ❖ Owned as well as partnered ANDAs
- ❖ Presence across B2B, CDMO, and B2C (India) markets
- ❖ Strong history of regulatory compliance

Weaknesses

- ❖ Concentration in mostly injectables dosage forms
- ❖ Requires continued investment for growth as it operates in a capex-heavy industry
- ❖ Yet to have forward integration on the distribution front

Opportunities

- ❖ Introduction/Filing of new products, particularly in complex areas such as peptides, long-acting injectables, suspensions, and hormonal products
- ❖ Well-placed to utilize knowledge base for biosimilars and vaccines
- ❖ Further increase in backward integration
- ❖ Geographical expansion
- ❖ Opportunities to grow in the large Chinese market with the help of parent Fosun Pharma

Threats

- ❖ Regulatory non-compliance remains one of the key threats
- ❖ Increased competitive scenario may pose risk to pricing and subsequent business from partners
- ❖ Easier alternate dosage pose threat to consumption of injectable version of same product

Multiple earnings drivers at play

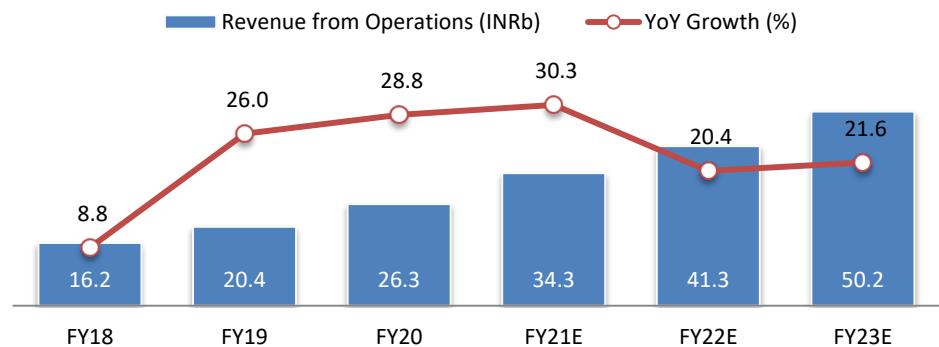
- GLAND delivered a healthy 27%/55% sales/PAT CAGR over FY18–20.
- We expect the earnings momentum to continue and drive a 24%/25% CAGR in sales/PAT over FY20–23, led by new launches, geographic expansion, and better operating leverage.

The US has been the biggest market for GLAND, while other segments have shown promising growth on smaller bases

US – key revenue driver over FY18–20

- Gland’s revenue increased at a CAGR of 27% over FY18–20. The US – the biggest revenue contributor – accounted for ~67% of sales in FY20. It rose at a CAGR of 23% to INR18b in FY20. Other geographies such as Europe/ Canada / RoW markets grew at a higher CAGR of 46%/64%/67% over relatively smaller bases, accounting for 4.4%/1.8%/8.8% of total revenues in FY20.

Exhibit 34: Expect revenue CAGR of 24% to INR50b over FY20–23E



Source: MOFSL, Company

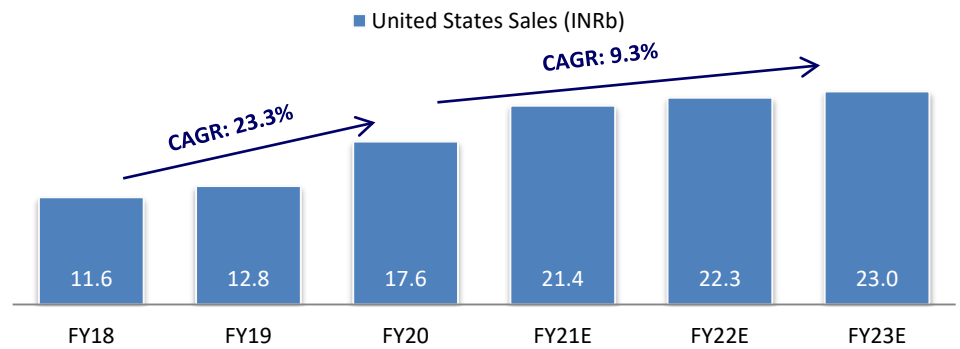
- India revenues rose at a CAGR of 25% over FY18–20 to reach INR4.7b in FY20. In India, revenue from the sale of goods increased at a CAGR of 33% to INR3b, accounting for 65% of domestic sales. Services revenue grew at a slower rate of 7.5% to INR1b over FY18–20, accounting for ~22% of revenues in FY20.

ROW has emerged as a key geography for future growth for GLAND, with the promise of better margins than in the US

ROW to drive revenue growth over FY20–23; US would grow at moderate rate on high base

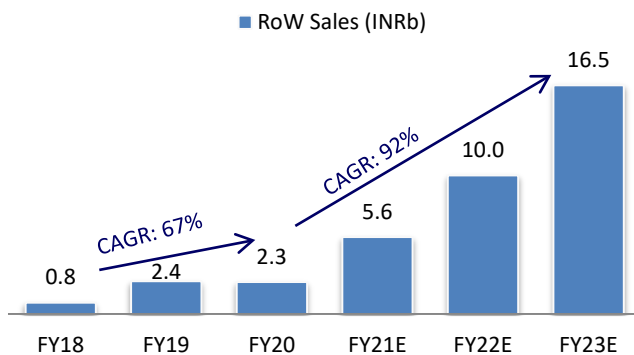
- Over the next three years (FY20–23), we expect Gland’s revenues to expand at a CAGR of 24% to INR50b, driven by a) new product launches, b) entry into newer markets, and c) increasing traction in existing markets. We expect price erosion in existing products to continue to partially impact the overall revenue growth trajectory.
- In terms of markets, we expect ROW/Canada market sales to post a strong 92%/56% CAGR over FY20–23, partly on a low base. We expect revenue in India to post a 24% CAGR over FY20–23, on the back of launches and healthy traction in existing products.
- While the launch momentum is expected to be healthy, we estimate US sales to have a subdued CAGR of 9% over FY20–23, partly on a high base.

Exhibit 35: We expect US revenues to grow at a CAGR of 9.3% over FY20–23E



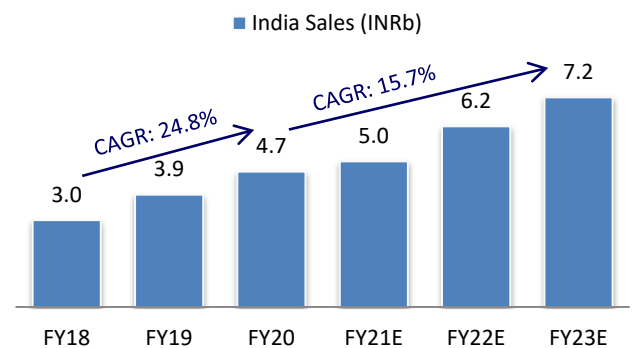
Source: MOFSL, Company

Exhibit 36: ROW sales would grow at a 92% CAGR over FY20–23E



Source: MOFSL, Company

Exhibit 37: India sales would grow at a 15.7% CAGR over FY20–23E



Source: MOFSL, Company

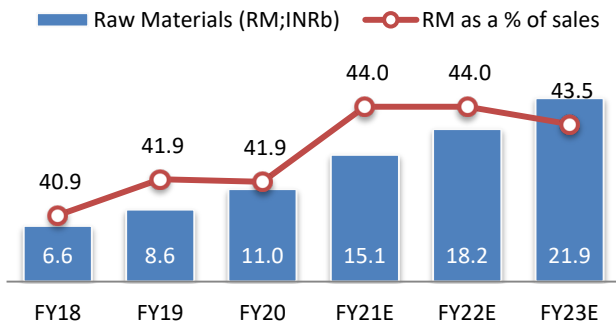
Controlled costs would aid in margin expansion as the geographic mix is set to change for GLAND

Controlled costs and operating leverage to drive EBITDA margins

- GLAND’s RM costs increased at a CAGR of 29% over FY18–20, leading to GM decline of 100bp over the previous two years.
- A focus on its own ANDA in the US and geographic expansion led to an 18% CAGR in R&D expense over FY18–20. However, R&D expense declined 4.5% YoY in FY20, accounting for 3.5% of sales in FY20, partly impacted by COVID in Mar’20.
- Other expenses grew at a slow CAGR of 7% over FY18–20, coming in at 7.8% of sales in FY20. Plant and machinery repair costs, quality control expenses, and miscellaneous expenses were three of the largest items in other expenses in FY20. These rose at a CAGR of 18%/20%/29% over FY18–20, faster than other items in other expenses.
- With a) growth seen in product filings and approvals, b) the commercialization of ANDAs in the US and launch of more products in other geographies, c) cost containment measures, d) a larger base to spread costs, and e) low price erosion in injectables, we expect operating costs to decline as a percentage of sales over the next three years.
- We expect 160bp GM contraction over FY20–23, from 58.1% to 56.5%, due to a change in the geographic mix. We expect a larger base and increased productivity to lead to the contraction of employee costs as a percentage of sales by 270bp over FY20–23. R&D expense would remain stable at 3–3.5%. However, with more complex products on the anvil, absolute R&D spend is

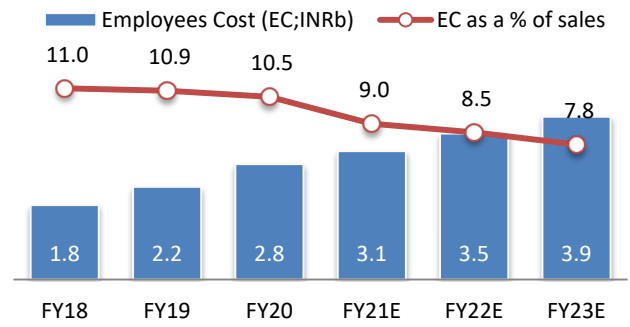
expected to rise at a CAGR of 20% over the next three years. Better operating leverage is expected to keep other operating expenses in check.

Exhibit 38: RM costs to be stable over next three years



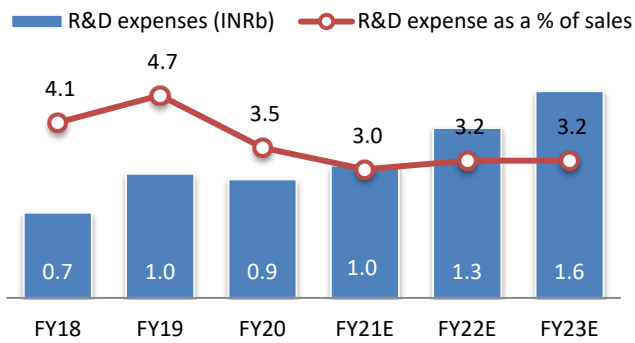
Source: MOFSL, Company

Exhibit 39: EC as % of sales to decline to 7.8% in FY23E



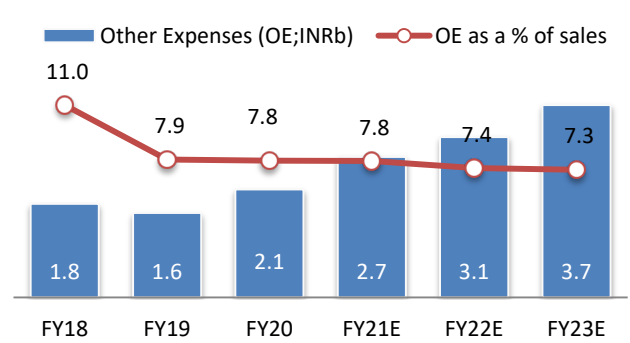
Source: MOFSL, Company

Exhibit 40: R&D expense ratio to stabilize at ~3.2%



Source: MOFSL, Company

Exhibit 41: OE as % of sales to contract 50bp over FY20–23E

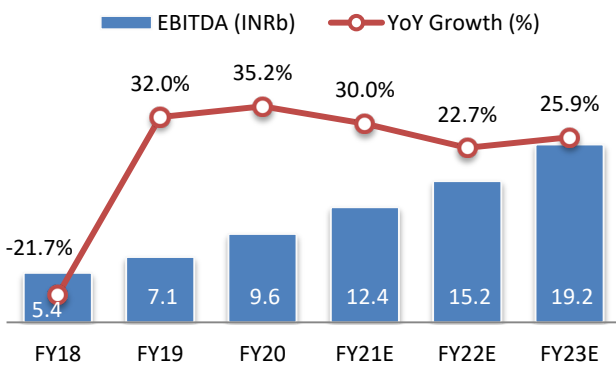


Source: MOFSL, Company

EBITDA margin to expand 200bp over FY20–23E

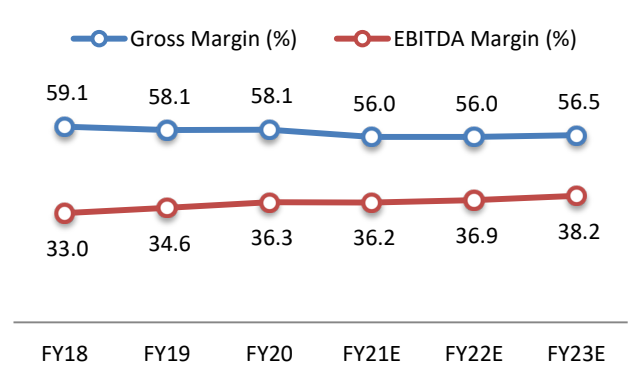
- Gland reported a 34% EBITDA CAGR and 21% revenue CAGR over FY18–20. Better operating leverage led to 330bp EBITDA margin expansion over this period.
- With a bigger base and slower growth in RM and other operating costs, we expect healthy 200bp EBITDA margin expansion to 38.2% over the next three years.

Exhibit 42: EBITDA to grow at a CAGR of 25% over FY20–23E



Source: MOFSL, Company

Exhibit 43: Margins to remain stable over FY21–23E

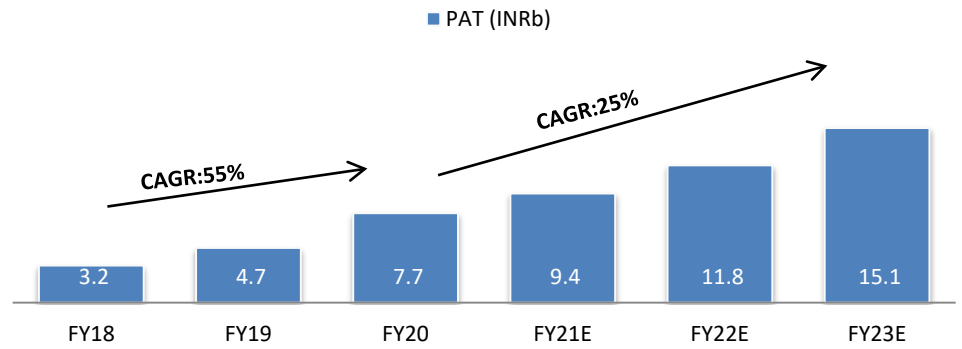


Source: MOFSL, Company

Expect 25% PAT CAGR over FY20–23E

- Gland’s PAT has increased at a CAGR of 55% over the last three years. With strong growth of 24% expected in revenues and the EBITDA margin expansion, driven by improving cost metrics, we expect PAT to grow at a CAGR of 25% over FY20–23E (from INR7.7b to INR15.1b), implying a PAT margin of 30% in FY23. We expect tax rates to remain stable at ~25% over FY22–23.

Exhibit 44: Expect PAT to grow at a CAGR of 25% over next three years



Source: MOFSL, Company

We expect a 25% CAGR in PAT over FY20–23, driven by a 24% sales CAGR and EBITDA margin expansion of 200bp

- Other income for 9MFY21 was up 39% YoY to INR351m, driven by interest income from IPO proceeds. The increase in other income is expected to continue based on the cash in the balance sheet.
- GLAND seeks to deploy capital for inorganic expansions for API manufacturing, capability additions in different delivery forms, and controlled substances in the US. Accretive acquisitions in these areas could further expand company earnings.

Enough war chest to aid inorganic growth opportunities

- Gland has generated positive FCFE over the past three years, driven by strong profitability, operating cash flow generation, and controlled capex.
- With healthy revenue growth, coupled with superior profitability, we expect free cash flow generation momentum to sustain given the limited use of funds for capex needs.
- This also provides enough in the war chest for any inorganic opportunities.

FCFE provides impetus for organic/inorganic growth

- Basis, a) sustained niche opportunities, b) planned capex and c) low financial leverage, we expect GLAND to generate healthy FCFE over FY20-23E

Exhibit 45: FCFE of INR7.5b/INR9.8b for FY22E/FY23E

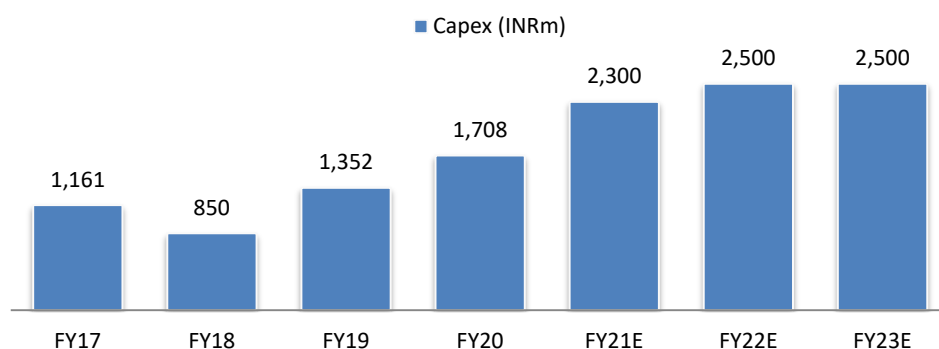
INR m	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	5,016	6,864	9,929	12,567	15,756	19,953
Depreciation	782	820	946	992	1,077	1,191
Direct Taxes Paid	-1,571	-2,235	-2,441	-3,142	-3,907	-4,889
(Inc)/Dec in WC	-1,934	-3,540	-799	-5,456	-2,954	-3,994
Capex	-850	-1,352	-1,708	-2,300	-2,500	-2,500
FCF	1,201	149	5,474	1,525	5,879	7,807
Net Borrowing	-5	-4	-7	0	0	0
FCFE	1,438	145	5,920	2,661	7,472	9,761

Source: MOSL, Bloomberg

We expect GLAND's capex to increase marginally over the next three years – to support its aspirations in complex products and new delivery systems

- In accordance with its strategy to launch new and complex injectable products, primarily in the US market, GLAND plans to continue to invest in manufacturing these products. New investments are being planned for new technologies and manufacturing capabilities in injectables – such as peptides, long-acting injectables, suspensions, and hormonal products – and new delivery systems.
- Gland plans to set up a new R&D building, in addition to ongoing maintenance capex every year. We expect annual capex to remain at ~INR2.5b over FY21–23.

Exhibit 46: Annual capex to remain at ~INR2.5b over FY21–23



Source: MOFSL, Company

- Gland's low capex requirement v/s FCFE generation presents it with a big war chest to pursue inorganic growth opportunities. We estimate INR9.8b in FCFE for FY23 and a net cash position of INR25b for Gland in FY21, including IPO proceeds of INR12.2b. There is scope to take on additional debt should an attractive inorganic growth opportunity arise.

Earnings sensitivity

- We estimate a 25% earnings CAGR over FY20–23E for our Base Case scenario, 29% for the Bull Case, and 18% for the Bear Case.
- We estimate an upside of 23% in Base Case and 46% in Bull Case, and a downside of 7% in Bear Case.

Exhibit 47: We expect upsides of 23% in Base Case and 46% in Bull Case

Base case		Basis of assumption
EPS	92.3	
Target PE multiple (x)	29	CAGR of 24% in topline growth over FY20–23E
12M forward Target Price	2,700	Adj. PAT CAGR of 25% over FY20–23E
CMP	2,200	
Potential upside/ (downside)	23	

Bull Case		Basis of assumption
EPS	107	CAGR of 25% in topline growth over FY20–23E
Target PE multiple (x)	30	Adj. PAT CAGR of 29% over FY20–23E
12M forward Target Price	3,210	300bp EBITDA margin expansion v/s Base Case
CMP	2,200	
Potential upside/ (downside)	46	

Bear Case		Basis of assumption
EPS	81.7	CAGR of 18% in topline growth over FY20–23E
Target PE multiple (x)	25	Adj. PAT CAGR of 18% over FY20–23E
12M forward Target Price	2,040	100bp EBITDA margin contraction v/s Base Case
CMP	2,200	
Potential upside/ (downside)	(7)	

Source: MOFSL

Base Case

In our Base Case scenario, we expect a 24% revenue CAGR over FY20–23E, with a 25% earnings CAGR over the same period. With a P/E multiple of 29x over FY23 EPS of INR92.3, we arrive at Target Price of INR2,700, implying an upside of 23% from current levels.

Bull Case

In our Bull Case scenario, we expect a 25% revenue CAGR over FY20–23E and 29% earnings CAGR over the same period. With a P/E multiple of 30x over FY23 EPS of INR107, we arrive at Target Price of INR3,210, implying an upside of 46% from current levels. In this scenario, we assume EBITDA margin expansion of 300bp over Base Case in FY23E.

Bear Case

In our Bear Case scenario, we expect an 18% revenue CAGR over FY20–23E and 18% earnings CAGR over the same period. With a P/E multiple of 25x over FY23 EPS of INR81.7, we arrive at Target Price of INR2,040, implying a downside of 7% from current levels. In this scenario, we assume EBITDA margin contraction of 100bp over Base Case in FY23E.

Valuation and view

Favorable industry prospects

- The global Injectables market posted a 9.8% CAGR to USD445b. Within the Injectables space, the Generics segment reported a 7.8% CAGR to USD133b over CY15–20. As expected, Generic Injectables segment growth is largely led by better volume growth across key therapies such as Oncology, Immunomodulators, Anti-Infectives, and Nervous Systems.
- Geography-wise, North America (NAM), Europe, India, and ROW exhibited a 12%, 11%, 6%, and 9% CAGR, respectively, over CY15–20.
- Increased loss of exclusivity in patented injectable products and the higher penetration of generics would drive Generics Injectables market growth over the next 4–5 years in the developed markets. Rising affordability would drive growth in the emerging markets.

Gland advantage in Injectables

- Over the past two decades, Gland has established itself as a reliable, efficient supplier of injectables. Its portfolio comprises complex products with challenging manufacturing processes, which gives it an edge over peers.
- In fact, its chemistry skill set, coupled with the ability to scale up to the commercial level, has enabled GLAND to have niche products in its portfolio.
- Gland's strong compliance track record instills further confidence among customers regarding the consistency of supply on the regulatory front.
- The company also has a good mix of products on the shortage list in the US market. This would further aid reasonable growth over the next 2–3 years.
- Furthermore, GLAND is developing limited-competition products in the areas of peptides, long-acting injectables, suspensions, and hormones; this offers visibility for growth over the next 3–4 years.
- In fact, it is also working on manufacturing vaccines, which would provide a near-term opportunity to grow earnings. Overall, it is well-placed to benefit from upcoming opportunities in the Injectables space.

Initiate with BUY

- With a focus on new filings, wider reach, and opportunities from the shortage of injectables in the US (and worldwide), we expect a 24% revenue CAGR for Gland over FY20–23. With operating leverage and sustained elevated levels of pricing in complex drugs, we expect EBITDA to grow at a 25% CAGR over FY20–23.
- GLAND has been successful in ticking all of the boxes in terms of key operating metrics – product portfolio, manufacturing value chain, successful compliance, and financial track record. GLAND has spent nearly two decades building up its Injectables portfolio, supported by strong manufacturing capabilities / capacities under rigorous quality guidelines. This is a remarkable stint in comparison with peers in the Pharma space. Furthermore, the company has not only delivered superior margins but also maintained minimum financial leverage. The FCF generated provides further impetus for inorganic growth. Accordingly, we ascribe a PE multiple of 29x on 12M forward earnings to arrive at Target Price of INR2,700, implying a 23% upside from current levels. Initiate with a **BUY** rating on the stock.

Management profile

Exhibit 48: Details of GLAND management

Executive	Position	Background
Yiu Kwan Stanley Lau	Chairman	<ul style="list-style-type: none"> ❖ Stanley has a Bachelor's degree in Pharmacy from University of London. ❖ He has previously served as CEO of Amsino Medical Group, COO of Eddingpharm Investment Co. Ltd, and President of China Biologic Products. He has also worked with Merck Sharp & Dohme (Asia) Ltd and Baxter (China) Investment Co. Ltd.
Srinivas Sadu	MD & CEO	<ul style="list-style-type: none"> ❖ Srinivas has a Bachelor's degree in Pharmacy from Gulbarga University, a Master's degree from Long Island University (New York), and a Master's degree in Business Administration from University of Baltimore. ❖ He has over 21 years of experience in business operations and management. Has previously served at Natco. Srinivas joined the company as General Manager-Exports in 2000 and rose through the ranks to be appointed CEO and MD in 2019.
Ravi Shekhar Mitra	CFO	<ul style="list-style-type: none"> ❖ Ravi has a Bachelor's degree in Commerce from University of Calcutta. He is a Qualified Chartered Accountant and Company Secretary with Associate Membership of the respective institutes. ❖ He has over 20 years of experience in finance. He has previously held positions at IOC, Vedanta, Ranbaxy, and Wockhardt. He joined Gland as CFO in September 2019.
K V G K Raju	CTO	<ul style="list-style-type: none"> ❖ Raju has a Bachelor's degree in Science from Andhra University. ❖ With 38+ years of experience in technology, quality control, and development, he joined the company as Manager-Quality Control and Development in 1992 and was appointed CTO in April 2011.
Prakash Baliga	VP, Strategic Sourcing, Procurement and Commercial	<ul style="list-style-type: none"> ❖ Prakash has a Bachelor's degree in Pharmacy from Karnataka University (Dharwad) and a Master's degree in Pharmacy from Bangalore University. ❖ He has 24+ years of experience in the Pharma sector. Prakash has previously worked with Hospira India, AstraZeneca India, Recon Limited, Bangalore Pharmaceutical & Research Laboratory Ltd., and Dominion Chemical Industries Ltd. He joined Gland as AVP – Strategic Sourcing, Procurement, and Commercial in 2016 and was appointed VP – Strategic Sourcing, Procurement, and Commercial in Jan 2020.
Ashish Adhikari	VP, Operations	<ul style="list-style-type: none"> ❖ Ashish has a Bachelor's degree in Engineering from Savitribai Phule Pune University and a Master's degree in Engineering from Lamar University, Texas. ❖ He has 21 years of experience in production planning, operations, and engineering. His past experience includes stints with Cummins India, Enterprise Systems Partners (USA), ABB Global Services Ltd, American Power Conversion (India), Gateway Terminals India, and GSK India. Ashish joined Gland as VP Operations in Aug 2020.
C S Venkatesan	SVP, R&D	<ul style="list-style-type: none"> ❖ Venkatesan has a Master of Science degree in Organic Chemistry from Annamalai University and PhD from the IISC. ❖ He has 26+ years of experience in pharma R&D. He has previously held a position at Sun Pharma. He joined Gland as R&D Chemist in 1998 and was appointed SVP, R&D in Jan 2020.
Surapanini Sridevi	SVP, R&D	<ul style="list-style-type: none"> ❖ Surapanini has a Bachelor's degree in Pharmacy from Kakatiya University, a Master of Pharmacy degree from Banaras Hindu University, and a PhD in Pharmaceutical Science from Osmania University. ❖ She has 25+ years of experience in pharma R&D. She has previously served on the Council of Scientific & Industrial Research as a Senior Research Fellow and Lecturer in C.L. Baid Metha College of Pharmacy. She joined Gland as Assistant Manager (Formulations) in 2002 and was appointed SVP, R&D in Jan 2020.

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	14,916	16,229	20,442	26,332	34,316	41,301	50,235
Change (%)	9.9	8.8	26.0	28.8	30.3	20.4	21.6
Total Expenditure	8,542	10,876	13,376	16,778	21,894	26,061	31,045
% of Sales	57.3	67.0	65.4	63.7	63.8	63.1	61.8
EBITDA	6,374	5,353	7,066	9,554	12,422	15,240	19,190
Margin (%)	42.7	33.0	34.6	36.3	36.2	36.9	38.2
Depreciation	742	782	820	946	992	1,077	1,191
EBIT	5,633	4,571	6,246	8,608	11,430	14,163	17,998
Int. and Finance Charges	64	41	36	72	64	60	55
Other Income	336	488	856	1,392	1,201	1,652	2,009
PBT bef. EO Exp.	5,905	5,017	7,067	9,928	12,567	15,756	19,953
EO Items	0	0	-200	0	0	0	0
PBT after EO Exp.	5,905	5,018	6,867	9,928	12,567	15,756	19,953
Total Tax	1,643	1,804	2,345	2,200	3,142	3,907	4,889
Tax Rate (%)	27.8	36.0	34.1	22.2	25.0	24.8	24.5
Minority Interest	0	0	0	0	0	0	0
Reported PAT	4,262	3,213	4,522	7,728	9,425	11,848	15,065
Adjusted PAT	4,262	3,213	4,654	7,721	9,425	11,848	15,065
Change (%)	28.1	-24.6	44.8	65.9	22.1	25.7	27.1
Margin (%)	28.6	19.8	22.8	29.3	27.5	28.7	30.0

Consolidated - Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	155	155	155	155	163	163	163
Preference Capital	63	63	63	63	0	0	0
Total Reserves	20,743	23,949	28,466	36,307	57,973	69,821	84,886
Net Worth	20,898	24,104	28,621	36,462	58,136	69,984	85,049
Total Loans	64	59	55	50	50	50	50
Deferred Tax Liabilities	854	958	1,076	741	741	741	741
Capital Employed	21,816	25,121	29,752	37,252	58,926	70,774	85,839
Gross Block	10,055	10,545	12,196	13,478	16,136	18,607	21,102
Less: Accum. Deprn.	1,339	2,118	2,908	3,797	4,789	5,866	7,057
Net Fixed Assets	8,716	8,426	9,288	9,681	11,347	12,741	14,044
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	1,612	1,989	1,232	1,885	1,527	1,555	1,561
Curr. Assets, Loans&Adv.	14,410	18,868	24,707	29,295	50,759	62,096	76,963
Inventory	3,787	5,128	9,119	7,563	11,397	13,209	15,310
Account Receivables	4,179	4,752	5,061	6,018	7,991	9,392	11,561
Cash and Bank Balance	5,331	6,511	7,534	13,252	28,162	35,633	45,395
Loans and Advances	1,113	2,476	2,994	2,462	3,209	3,862	4,697
Curr. Liability & Prov.	2,922	4,163	5,473	3,608	4,706	5,618	6,729
Account Payables	2,003	3,057	4,568	2,677	3,493	4,158	4,954
Other Current Liabilities	896	956	765	649	845	1,017	1,238
Provisions	22	150	139	282	367	442	538
Net Current Assets	11,488	14,706	19,234	25,687	46,052	56,478	70,234
Appl. of Funds	21,816	25,121	29,752	37,252	58,926	70,774	85,839

Financials and valuations

Ratios	(INR M)						
Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)							
EPS	27.5	19.7	28.5	47.3	57.7	72.6	92.3
Cash EPS	32.3	25.8	35.3	55.9	63.8	79.2	99.5
BV/Share	134.8	155.5	184.7	235.2	356.0	428.6	520.8
DPS	0.0	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	0.0
Valuation (x)							
P/E	80.0	111.7	77.1	46.5	38.1	30.3	23.8
Cash P/E	68.2	85.4	62.3	39.3	34.5	27.8	22.1
P/BV	16.3	14.1	11.9	9.4	6.2	5.1	4.2
EV/Sales	22.5	20.6	16.3	12.4	9.6	7.8	6.2
EV/EBITDA	52.7	62.5	47.2	34.3	26.7	21.2	16.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	23.3	7.5	3.2	34.2	9.3	36.0	47.8
Return Ratios (%)							
RoE	22.6	14.3	17.7	23.7	19.9	18.5	19.4
RoCE	22.1	14.4	17.7	23.9	20.0	18.6	19.5
RoIC	28.4	18.7	21.9	31.2	33.4	33.9	37.5
Working Capital Ratios							
Asset Turnover (x)	1.5	1.5	1.7	2.0	2.1	2.2	2.4
Inventory (Days)	93	115	163	116	121	117	111
Debtor (Days)	102	107	90	83	85	83	84
Creditor (Days)	49	69	82	37	37	37	36
Leverage Ratio (x)							
Net Debt/Equity	-0.3	-0.3	-0.3	-0.4	-0.48	-0.51	-0.5

Consolidated - Cash Flow Statement	(INR Million)						
Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	5,780	5,016	6,864	9,929	12,567	15,756	19,953
Depreciation	742	782	820	946	992	1,077	1,191
Interest & Finance Charges/ (Income)	-128	-240	-408	-452	-1,137	-1,593	-1,955
Direct Taxes Paid	-1,614	-1,571	-2,235	-2,441	-3,142	-3,907	-4,889
(Inc)/Dec in WC	-109	-1,934	-3,540	-799	-5,456	-2,954	-3,994
CF from Operations	4,671	2,052	1,501	7,181	3,825	8,379	10,307
Others	94	-32	350	-172	0	0	0
CF from Operating incl EO	4,765	2,019	1,851	7,009	3,825	8,379	10,307
(Inc)/Dec in FA	-1,161	-850	-1,352	-1,708	-2,300	-2,500	-2,500
Free Cash Flow	3,604	1,169	499	5,302	1,525	5,879	7,807
Others	159	-2,736	-1,834	-5,902	1,201	1,652	2,009
CF from Investments	-1,002	-3,587	-3,186	-7,610	-1,099	-848	-491
Issue of Shares	0	3,977	0	0	12,185	0	0
Inc/(Dec) in Debt	-1,107	-5	-4	-7	0	0	0
Interest Paid	-58	-31	-25	-62	-64	-60	-55
CF from Fin. Activity	-1,164	-36	-29	-69	12,184	-60	-55
Inc/Dec of Cash	2,599	-1,603	-1,364	-669	14,910	7,471	9,762
Opening Balance	2,732	5,331	3,728	2,363	1,694	16,604	24,076
Closing Balance	5,331	3,728	2,363	1,694	16,604	24,076	33,837
Term Deposit with Banks	0	2,784	5,170	11,558	11,558	11,558	11,558
Total Cash & Cash Eq	5,331	6,512	7,533	13,252	28,162	35,634	45,395

NOTES

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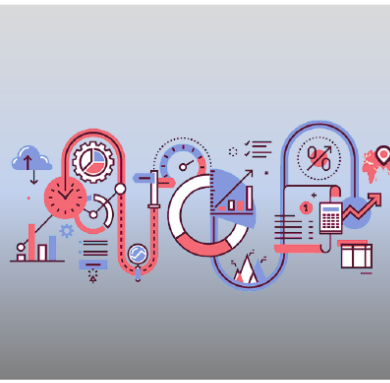


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Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.: 022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.