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Weak print but promising future pipeline...

About the stock: Gland Pharma is one of the largest generic injectable-focused B2B company, with a global footprint across 60 countries, including the US, Europe, Canada, Australia, India and other markets.

- Along with its partners, Gland owns 1,748 products registrations globally of which ~490 in US, Europe, Canada, Australia, and New Zealand, ~73 in India, and ~1,121 in the rest of the world.
- In 2025, Gland acquired a French CDMO company Cenexi which now represents ~26% of the overall revenues.

Investment Rationale:

- Q4FY25 – mixed quarter; subdued sales but strong margins
Revenues de-grew ~7% YoY to ₹ 1425 crore, mainly due to decline in the base business by 12% YoY to ₹ 1033 crore. On the other hand, Cenexi grew 8% YoY ₹392 crore. EBITDA de-grew ~3% YoY to ₹ 347 crore and margins stood at 24.4% (106 bps growth) driven by a strong 333 bps improvement in GPM. EBITDA sustenance was attributable to higher EBITDA margins of base business (39%) and improvement in Cenexi margins. PAT de-grew ~4% to ~₹ 187 crore. In, the base business US de-grew 12% YoY to ~₹ 771 crore due to passing of drop in raw material prices to the final customers. However, the company was able to maintain margins. The Cenexi business grew despite machinery breakdown in a Fontenay plant as the Belgium plant has returned to normal levels of production. Losses at EBITDA reduced to ₹48 crore.
- Niche launches, in-licensing deals to steer growth - FY25 revenues growth was expected to be tepid on account of realignment of the entire business model- moving from commoditized to more complex products. Reduction in RM prices also impacted the revenues. Gland's in-house complex injectable pipeline includes 19 products with a US market opportunity of \$6.5 billion. The company has filed nine ANDAs and launched six products from this portfolio. A co-development pipeline of 15 products is also underway, with commercialization expected from FY27. Future holds good for Gland with the expected approvals for complex products, GLP 1 contract signing and an agreement with a Chinese biotech player for biosimilars besides incremental Cenexi revenues from the new high-speed line from Fontenay plant. Management's upbeat guidance of mid-teen revenues growth (including US growth of 18%) for FY26 stems from niche launches, better pricing scenario especially in the US and expected traction from RoW markets. In-licensing deals for GLP 1 contracts could provide significant traction in FY26/FY27.

Rating and Target price

- We value Gland at ₹1920 per share on SoTP basis with base business at 14x FY27E EV/EBITDA of ₹1838 crore and Cenexi at 1x FY27 sales of ₹2150 crore.

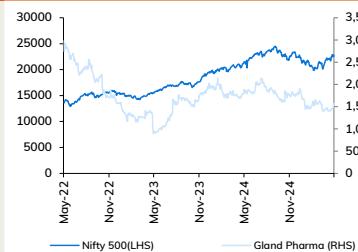
Particulars

Particular	Amount
Market Capitalisation	₹ 25684 crore
Debt (FY25)	₹ 107 crore
Cash (FY25)	₹ 357 crore
EV	₹ 25434 crore
52 week H/L	2221/1200
Equity capital	₹ 16 crore
Face value	₹ 1

Shareholding pattern

Particular	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	51.8	51.8	51.8	51.8
FII	6.9	4.5	5.0	6.9
DII	32.8	35.4	34.8	33.3
Others	8.5	8.3	8.3	8.0

Price Chart



Key risks

Unforeseen quality related issues given higher exposure to the US. Chinese ownership although not strategic may impose some hurdles especially in the US.

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Key Financial Summary

₹ Crore	FY22	FY23	FY24	CAGR FY22-24 (%)	FY25	FY26E	FY27E	CAGR FY25E-27E (%)
Revenues	4400.7	3624.6	5664.7	13.5	5616.5	6439.6	7255.0	13.7
EBITDA	1510.2	1024.8	1333.1	-6.0	1268.9	1611.2	2042.7	26.9
EBITDA Margins (%)	34.3	28.3	23.5		22.6	25.0	28.2	
Net Profit	1211.7	781.0	772.5	-20.2	698.5	1031.2	1321.3	37.5
EPS (Adjusted)	73.7	50.9	46.9		42.4	62.6	80.2	
PE (x)	21.3	33.1	33.5		37.0	25.1	19.6	
EV to EBITDA (x)	16.9	23.4	19.2		18.4	14.2	10.8	
RoCE (%)	22.4	13.9	12.6		11.5	13.6	16.0	
RoE (%)	16.9	10.5	8.9		7.6	10.4	12.0	



Exhibit 1: Quarterly Summary

(₹ crore)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Sales	1063.3	1103.0	856.9	1044.4	938.3	785.0	1208.7	1373.4	1545.2	1537.5	1401.7	1405.8	1384.1	1424.9	-7.3	3.0
Total Operating Income	1063.3	1103.0	856.9	1044.4	938.3	785.0	1208.7	1373.4	1545.2	1537.5	1401.7	1405.8	1384.1	1424.9	-7.3	3.0
Variable Cost of Sales	503.4	545.3	374.1	519.5	427.1	364.8	452.9	521.6	599.2	599.4	564.3	575.5	462.7	488.0	-18.6	5.5
% of Revenue	47.3	49.4	43.7	49.7	45.5	46.5	37.5	38.0	38.8	39.0	40.3	40.9	33.4	34.2	-474 bps	81 bps
Gross Profit	559.9	557.7	482.8	524.9	511.2	420.2	755.8	851.9	945.9	938.1	837.5	830.3	921.3	937.0	-0.1	1.7
Gross Profit Margin (%)	52.7	50.6	56.3	50.3	54.5	53.5	62.5	62.0	61.2	61.0	59.7	59.1	66.6	65.8	474 bps	-81 bps
Employee Expenses	81.4	94.2	98.0	101.3	101.1	102.8	255.0	305.0	345.3	351.6	355.5	329.8	342.9	373.4	6.2	8.9
% of Revenue	7.7	8.5	11.4	9.7	10.8	13.1	21.1	22.2	22.3	22.9	23.5	24.8	26.2	333 bps	143 bps	
Power and Fuel Expen:	24.1	25.1	34.1	32.1	29.2	29.5	49.8	58.3	64.0	57.9	46.5	45.4	54.7	52.6	-9.1	-3.8
% of Revenue	2.3	2.3	4.0	3.1	3.1	3.8	4.1	4.2	4.1	3.8	3.3	3.2	3.9	3.7	-7 bps	-26 bps
Other Expenditure	105.4	90.0	80.9	94.7	91.3	119.4	157.0	164.5	180.2	169.9	171.0	158.1	163.9	163.5	-3.8	-0.2
% of Revenue	9.9	8.2	9.4	9.1	9.7	15.2	13.0	12.0	11.7	11.1	12.2	11.2	11.8	11.5	42 bps	-37 bps
Total Expenditure	714.4	754.7	587.0	747.6	648.7	616.6	914.7	1049.3	1188.8	1178.8	1137.3	1108.8	1024.1	1077.4	-8.6	5.2
% of Revenue	67.2	68.4	68.5	71.6	69.1	78.5	75.7	76.4	76.9	76.7	81.1	78.9	74.0	75.6	-106 bps	162 bps
EBITDA	348.9	348.4	269.9	296.9	289.6	168.4	294.0	324.1	356.4	358.7	264.4	297.0	360.0	347.5	-3.1	-3.5
EBITDA Margin (%)	32.8	31.6	31.5	28.4	30.9	21.5	24.3	23.6	23.1	23.3	18.9	21.1	26.0	24.4	106 bps	-162 bps
Depreciation	27.8	31.1	34.9	36.7	37.6	37.5	65.3	81.3	105.3	92.6	92.0	93.8	96.3	95.8	3.4	-0.6
Interest	1.2	2.0	0.9	1.7	2.6	2.2	4.9	6.0	5.3	10.0	5.6	6.1	22.8	7.5	-25.2	-67.4
Other Income	45.7	65.2	74.4	65.6	61.5	38.9	37.5	53.2	37.4	42.1	51.4	59.7	58.5	44.0	4.5	-24.7
PBT	329.9	312.2	229.5	266.2	263.1	164.8	316.8	346.2	419.1	399.2	218.2	256.7	299.3	288.3	-27.8	-3.7
Total Tax	92.5	94.6	79.3	82.8	78.9	32.5	67.2	95.8	91.3	105.8	74.5	93.2	94.6	101.8	-3.8	7.6
Tax rate (%)	28.0	30.3	34.6	31.1	30.0	19.7	21.2	27.7	21.8	26.5	34.1	36.3	31.6	35.3	879 bps	369 bps
PAT	273.0	285.9	229.2	241.2	231.9	78.7	194.1	194.1	191.9	192.4	143.8	163.5	204.7	186.5	-3.1	-8.9
PAT Margin (%)	25.7	25.9	26.7	23.1	24.7	10.0	16.1	14.1	12.4	12.5	10.3	11.6	14.8	13.1	58 bps	-170 bps

Source: Company, ICICI Direct Research

Q4FY25 Results / Conference call highlights

- Base Business
 - Gland has launched a total of 31 new products in FY25.
 - The US business revenue de-grew owing to price erosion (volume growth 9% and price de-growth 5%) but the margins remained intact.
 - For FY26, the management expecting the US business to grow at 18% (12% from new products and 8% from a CMO project)
 - The two partners of Gland for GLP-1 products are Indian players looking to cater to global markets.
 - For the increasing demand in GLP-1 products, Gland will invest ₹120 crore to increase its cartridge capacity from 40 million cartridges to 140 million cartridges.
 - The co-development pipeline comprises 6 505(b)(2) and 9 ANDA submissions
 - Enoxaparin-Heparin sales for Q4FY25 stood at 16% while for FY25 stood at 14% of total sales.
 - For Q4FY25 Profit share stood at 14% while Milestone income stood 6% as a % of EBITDA.
 - Regarding the binding term sheet signed with Shanghai based Henlius Biotech, 15000 litre capacity will be setup to fill-finish their key biosimilar products and revenue generation from this arrangement is expected in FY26.
 - Gland has a total of 71 ANDAs in pipeline having a combined market of around US\$ 5.71 billion.
- Cenexi
 - Gland is planning a total capex of around € 60 million in Cenexi. This capex is being done to replace the old inefficient lines and increase the capacity.
 - As of now, the order book for Cenexi stood at € 100 million.
 - The management is confident in making Cenexi EBITDA neutral by Q3FY26 and single digit EBITDA margin by the end of FY26 double EBITDA margins in FY27.
- Other Aspects
 - The management is expecting the consolidated business to grow in mid-teens for FY26 and low 20s in FY27.
 - The growth levers for the consol. business are expected to be growth in Cenexi; and from biosimilar CDMO collaboration with Henlius Biotech.

Financial Tables

Exhibit 3: Profit and loss statement				
(Year-end March)/ (₹ crore)	FY24	FY25	FY26E	₹ crore FY27E
Total Operating Income	5,664.7	5,616.5	6,439.6	7,255.0
Growth (%)	56.3	-0.9	14.7	12.7
Raw Material Expenses	2,173.1	2,090.4	2,520.1	2,743.3
Gross Profit	3,491.6	3,526.1	3,919.5	4,511.7
Gross Profit Margins (%)	61.6	62.8	60.9	62.2
Employee Expenses	1,256.9	1,401.6	1,442.2	1,485.0
Other Expenditure	671.7	656.5	664.4	764.6
Total Operating Expenditure	4,101.7	4,148.4	4,626.7	4,992.8
EBITDA	1,333.1	1,268.9	1,611.2	2,042.7
Growth (%)	30.1	-4.8	27.0	26.8
Interest	26.2	42.0	3.1	1.9
Depreciation	344.6	377.9	433.1	466.7
Other Income	170.2	213.6	232.2	250.9
PBT before Exceptional Items	1,132.5	1,062.6	1,407.2	1,825.0
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	1,132.5	1,062.6	1,407.2	1,825.0
Total Tax	360.1	364.1	376.0	503.7
PAT before MI	772.5	698.5	1,031.2	1,321.3
PAT	772.5	698.5	1,031.2	1,321.3
Growth (%)	-1.1	-9.6	47.6	28.1
EPS (Adjusted)	46.9	42.4	62.6	80.2
Other income as % of (Cash+investment)	48%	8%	8%	7%

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
(Year-end March)/ (₹ crore)	FY24	FY25	FY26E	₹ crore FY27E
Profit/(Loss) after taxation	826.4	708.9	1,031.2	1,321.3
Add: Depreciation & Amortization	344.6	377.9	433.1	466.7
Net Increase in Current Assets	360.5	-143.1	-338.8	-466.6
Net Increase in Current Liabilities	-394.3	135.9	159.4	158.2
Others	-140.3	-164.7	3.1	1.9
CF from Operating activities	996.8	914.7	1,288.0	1,481.5
Investments	0.3	1.2	0.0	0.0
(Purchase)/Sale of Fixed Assets	-1,410.9	-384.2	-520.0	-500.0
Others	-346.3	2,087.7	5.4	5.5
CF from Investing activities	-1,756.9	1,704.7	-514.6	-494.5
(inc)/Dec in Loan	-799.9	-106.5	-30.0	-30.0
Dividend & Dividend tax	0.0	-329.5	-247.1	-247.1
Other	0.5	2.5	-3.1	-1.9
CF from Financing activities	-799.4	-433.5	-280.1	-278.9
Net Cash Flow	1,551.8	1,786.7	493.2	708.0
Cash and Cash Equivalent	1,908.9	357.1	2,556.2	3,049.4
Cash	357.1	2,143.8	3,049.4	3,757.5
Free Cash Flow	-414.1	530.5	768.0	981.5

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
(Year-end March)	FY24	FY25	FY26E	₹ crore FY27E
Equity Capital	16.5	16.5	16.5	16.5
Reserve and Surplus	8,707.4	9,134.3	9,917.6	10,991.0
Total Shareholders funds	8,723.8	9,150.7	9,934.1	11,007.4
Total Debt	141.2	107.2	77.2	47.2
Deferred Tax Liability	220.1	214.8	219.1	223.5
Long-Term Provisions	137.2	146.0	148.9	151.9
Other Non Current Liabilities	40.5	41.4	42.2	43.1
Source of Funds	9,263	9,660	10,421	11,473
Gross Block - Fixed Assets	4,499.5	5,071.9	5,491.9	5,891.9
Accumulated Depreciation	795.0	1,172.8	1,606.0	2,072.7
Net Block	3,704.5	3,899.0	3,885.9	3,819.2
Capital WIP	237.9	150.6	250.6	350.6
Fixed Assets	3,942.4	4,049.6	4,136.5	4,169.7
Investments	0.0	0.0	0.0	0.0
Goodwill on Consolidation	242.3	248.2	248.2	248.2
Other non-Current Assets	831.5	144.2	146.0	147.9
Inventory	1,655.2	1,685.2	1,932.2	2,176.9
Debtors	1,558.7	1,516.5	1,587.9	1,788.9
Other Current Assets	2,074.1	1,025.0	1,045.5	1,066.4
Cash	357.1	2,556.2	3,049.4	3,757.5
Total Current Assets	5,645.2	6,782.9	7,615.0	8,789.6
Creditors	1,075.9	1,012.0	1,160.3	1,307.2
Provisions	58.9	50.9	51.9	52.9
Other Current Liabilities	263.5	502.0	512.1	522.3
Total Current Liabilities	1,398.4	1,564.8	1,724.2	1,882.4
Net Current Assets	4,246.8	5,218.1	5,890.8	6,907.2
Application of Funds	9,263	9,660	10,421	11,473

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	46.9	42.4	62.6	80.2
Cash EPS	46.9	24.4	47.6	65.2
BV per share	529.7	555.6	603.2	668.3
Cash per Share	21.7	155.2	185.2	228.1
Dividend per share	0.0	18.0	15.0	15.0
Operating Ratios (%)				
Gross Profit Margins	61.6	62.8	60.9	62.2
EBITDA margins	23.5	22.6	25.0	28.2
PAT Margins	13.6	12.4	16.0	18.2
Cash Conversion Cycle	197.7	216.1	201.8	205.7
Asset Turnover	1.3	1.1	1.2	1.2
EBITDA conversion Rate	74.8	72.1	79.9	72.5
Return Ratios (%)				
RoE	8.9	7.6	10.4	12.0
RoCE	12.6	11.5	13.6	16.0
RoIC	11.8	13.4	17.3	22.3
Valuation Ratios (x)				
P/E	33.5	37.0	25.1	19.6
EV / EBITDA	19.2	18.4	14.2	10.8
EV / Net Sales	4.5	4.2	3.6	3.1
Market Cap / Sales	4.6	4.6	4.0	3.6
Price to Book Value	3.0	2.8	2.6	2.3
Solvency Ratios				
Debt / EBITDA	0.1	0.1	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.8	2.7	2.6	2.7
Quick Ratio	2.6	1.6	1.5	1.5
Inventory days	278.0	294.3	279.9	289.6
Debtor days	100.4	98.6	90.0	90.0
Creditor days	180.7	176.7	168.0	173.9

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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