

Details of the Issue

Price Band	₹ 1490 - ₹ 1500
Issue Size	₹ 6,480 Cr
Opening Date	Nov 9, 2020
Closing Date	Nov 11, 2020
Face Value	₹10
Bid Lot	450
Listing on	BSE, NSE

Objects of the Issue

To finance the working capital requirement, meet capex funding requirements and general corporate purposes

Lead Managers

Citigroup Global Markets India Private Limited
Haitong Securities India Private Limited
Kotak Mahindra Capital Company Limited
Nomura Financial Advisory And Securities (India)

Registrar

Link Intime India Private Ltd

Investment Details

No. of shares at cut-off	130
Max. Amount to be paid (₹)	₹ 1,95,000

Offer

Fresh Issue	₹ 1,250 Cr
OFS *	₹ 5,230 Cr

*Fosun Singapore, Gland Celsus, Empower Trust and Nilay Trust are selling shareholders

Minimum Bid

Quantity	10
Amount	₹ 15,000

Source: RHP, GEPL Capital Research

Company Background

Gland Pharma is one of the fastest growing generic injectables-focused companies by revenue in the United States from 2014 to 2019 (Source: IQVIA Report). They sell products primarily under a business to business (“B2B”) model in over 60 countries as of June 30, 2020, including the United States, Europe, Canada, Australia, India and the Rest of the world.

They also have an extensive track record in complex injectables development, manufacturing and marketing and a close understanding of the related sophisticated scientific, technical and regulatory processes. Around 33% of the API requirement is imported from China as of FY20.

Gland has presence in sterile injectables, oncology and ophthalmics, and focus on complex injectables, NCE-1s, First to-File products.

They have 7 manufacturing facilities in India, comprising 4 finished formulation facilities and 3 API facilities. The company has 267 ANDA filings comprising 191 ANDA filings for sterile injectables, 50 for oncology and 26 for ophthalmics related products, of which 215 have been approved. Around 62% of revenues are derived from USA.

Promoters: Fosun Singapore and Shanghai Fosun Pharma

Strengths & Strategies**Extensive and vertically integrated injectables manufacturing capabilities with a consistent regulatory compliance track record**

Seven manufacturing facilities are situated in southern India including two sterile injectables facilities, one dedicated Penems facility, one oncology facility and three API facilities. The finished formulation manufacturing facilities with a total of 22 production lines possess the flexibility to accommodate different product requirements without the need to install new production lines.

Diversified B2B-led model across markets, complemented by a targeted B2C model in India

B2B business models enable Gland to (i) grow market share in key markets such as the United States, Europe, Canada and Australia, particularly the United States, while reducing the marketing investments we need to make, (ii) leverage the reputation of their marketing partners in their home markets to build their own presence in these markets, (iii) build their own reputation as a complex injectables manufacturer with a consistent compliance record attracting confidence from other potential marketing partners.

In the June Qtr, revenue generated from B2C model was around 3% in India.

Expand product portfolio and delivery systems to drive revenue growth

According to the IQVIA Report, injectable manufacturers face high entry barriers such as high capital investments, operational costs, manufacturing complexities, stricter compliance requirement (because of the sterile nature of products) and high-quality standards resulting in limited competition in the market.

Align with Shanghai Fosun Pharma to increase market share

Gland can benefit from Shanghai Fosun Pharma’s (i) market experience and know-how in navigating through the rapidly evolving Chinese healthcare landscape, (ii) ability to access key markets to provide coverage for a portfolio of products, (iii) scale and bargaining power to procure raw materials and equipment from China, and (iv) extensive sales, logistics and distribution network to enable market penetration across China.

Capex for manufacturing and technology

Gland has increased its manufacturing capacities from 670 million units per annum in Fiscal 2018 to 755 million units as of June 30, 2020. Accordingly, they are expanding manufacturing footprint in order to increase our product development and manufacturing capabilities.

Valuation & Recommendation

The offer is Priced at P/E of ~18.52x on annualized EPS of the quarter ended June 2020. Gland Pharma is one of the biggest pharma IPOs. The company has a focus on complex injectables which has high entry barriers and strategic partnerships to penetrate new markets like China which can prove to be a lucrative opportunity for the company.

With a strong product pipeline and more complex products under development, focus on B2B expansion and licensing and opportunities to enter more therapy areas, the offer looks attractive.

We recommend a SUBSCRIBE to the offer.

Financial Snapshot

Particulars	As at June 30, 2020	FY2020	FY2019	FY2018
Equity share capital	154.95	154.95	154.95	154.95
Net worth	39,634.67	36,462.35	28,619.99	24,103.59
Net asset value per share*	255.79	235.32	184.71	155.56
Total Borrowings	49.60	49.60	54.90	59.15
Total income	9,162.89	27,724.08	21,297.67	16,716.82
Restated profit for the year/period	3,135.90	7,728.58	4,518.56	3,210.51
EPS	20.24	49.88	29.16	20.72

Source: RHP, GEPL Capital Research

NOTES

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