

Base Business Faces Volume Decline; New Launches Offer Optimism
Est. Vs. Actual for Q3FY25: Revenue – **INLINE** ; EBITDA Margin – **BEAT**; PAT –**BEAT**
Changes in Estimates Post Q3FY25
FY25E/FY26E: Revenue: -2.5%/1.0%; EBITDA Abs: 0.5%/-0.2%; PAT: 0.6%/-0.2%

Recommendation Rationale

- GLAND's base business (Ex-Cenexi) registered an 8% YoY revenue degrowth due to lower volumes; however, EBITDA margins expanded to ~38.7%, improving by 500 bps YoY and 444 bps QoQ, exceeding expectations.
- Cenexi reported revenue of Rs 372 Cr (-16% YoY), an EBITDA loss of Rs 32 Cr, and EBITDA margins of -8.5%, impacted by unannounced inspections by ANSM. However, management expects a positive EBITDA by Q3FY26E despite near-term headwinds and has guided for revenue of 200 Mn Euro in FY26.
- The company is targeting an annual revenue growth rate of approximately 14-15%, supported by recent expansions. New launches (13 molecules in Q3FY25) are expected to drive incremental sales in the U.S., while GLP-1 contracts (2 customers, 3 products) are anticipated to contribute from FY26.

Sector Outlook: Positive
Company Outlook & Guidance: The company remains optimistic about volume recovery and future growth, driven by new product launches and a strategic focus on biologics and complex products. Continued investment in biosimilars and RTU technologies is expected to support long-term growth.

Current Valuation: PE 20x for FY27E earnings (**Earlier Valuation:** PE 26x for FY26E)

Current TP: Rs 1,580/share (**Earlier TP:** Rs 1,760/share)

Recommendation: HOLD
Financial Performance

GLAND's base business (Ex-Cenexi) registered an 8% YoY revenue degrowth due to lower volumes; however, EBITDA margins expanded to ~38.7%, improving by 500 bps YoY and 444 bps QoQ, exceeding expectations. Cenexi reported revenue of Rs 372 Cr (-16% YoY), an EBITDA loss of Rs 32 Cr, and EBITDA margins of -8.5%, impacted by unannounced inspections by ANSM. However, management expects a positive EBITDA by Q3FY26E despite near-term headwinds and has guided for revenue of 200 Mn Euro in FY26.

The consolidated revenue stood at Rs 1,384 Cr, reflecting a decline of 10.5% YoY and 1.5% QoQ. In comparison, consolidated EBITDA margins improved to 26%, up 289 bps YoY and 483 bps QoQ, driven by a better product mix. GLAND reported a PAT of Rs 204 Cr, surpassing expectations on a YoY basis.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,384	-1.5	-10.4	1,428	-3.1
EBITDA	360	20.9	0.8	311	15.6
EBITDA Margin	26.0%	483	289	21.8%	-
Net Profit	204	24.7	6.3	176	16.1
EPS (Rs)	12.4	24.7	6.3	10.7	16.1

Source: Company, Axis Securities Research

 (CMP as of 3rd February 2025)

CMP (Rs)	1514
Upside /Downside (%)	4%
High/Low (Rs)	2,221/1417
Market cap (Cr)	24,840
Avg. daily vol. (6m) Shrs.	2,72,564
No. of shares (Cr)	16.5

Shareholding (%)

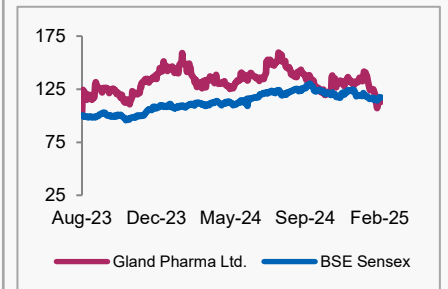
	Jun-24	Sep-24	Dec-24
Promoter	51.8	51.8	51.8
FII's	6.9	4.5	5.0
MFs / UTI	30.5	32.8	32.4
Banks / FI's	0.0	0.0	0.0
Others	10.8	10.9	10.8

Financial & Valuations

Y/E Mar (Rs)	FY24	FY25E	FY26E
Net Sales	5,665	5,876	6,727
EBITDA	1,334	1,346	1,709
Net Profit	772	850	1,097
EPS (Rs)	46.9	51.6	66.6
PER (x)	32.3	29.3	22.7
P/BV (x)	17.6	16.9	12.9
EV/EBITDA (x)	2.9	2.6	2.3
ROE (%)	8.8	8.9	10.3

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-2.5%	1.0%
EBITDA	0.5%	-0.2%
PAT	0.6%	-0.2%

Relative Performance


Source: Ace Equity

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Financial Performance (Cont'd)

In Q3FY25, Gland Pharma implemented strategic measures to stabilise and recover lost market share in the US. The company launched 13 new molecules, including Chlorpromazine, Dexamethasone, Phenylephrine, Pyridone, and Diphenhydramine, reinforcing its product portfolio and positioning in the US market. Despite volume degrowth in some key products, these new launches helped mitigate the impact and strengthen future growth prospects. Additionally, the company focused on improving margins through a better product mix and cost-optimization initiatives to sustain competitiveness in the highly dynamic US pharmaceutical landscape.

The company spent Rs 44 Cr on R&D and incurred Rs 138 Cr in capex, reflecting a balanced approach emphasising growth while ensuring stability and sustainability.

Outlook

The company remains optimistic about volume recovery and future growth, driven by new product launches and a strategic focus on biologics and complex products. Continued investment in biosimilars and RTU technologies is expected to drive long-term growth.

Valuation & Recommendation

In light of positive growth and effective cost management, but with the negative impact of the Cenexi acquisition on consolidated margins and profitability, we maintain our HOLD rating with a target price of Rs 1,580, implying an upside potential of 4%, valuing the company at a PE of 20x for FY27.

Key Concall Highlights

Financial Performance:

1. Total Revenue: Rs 1,384 Cr for Q3 FY25.
2. EBITDA: Rs 360 Cr, translating to a 26% margin (up 100 bps YoY).
3. Base Business (excluding Cenexi): Rs 10,123 Mn = Rs 1,012.3 Cr, with an 8% YoY decline due to volume degrowth in key products. New launches are expected to recover volumes in the coming quarters.
4. EBITDA Margin for Base Business: 39% (up from 34% YoY), driven by a favourable product mix and cost reductions.

Cenexi:

1. Revenue: EUR 41 Mn (approximately Rs 36.8 Cr for Q3 FY25), below expectations due to reduced manufacturing activity following a regulatory audit.
2. Gross Margin: Improved to 77% (from 75% in Q3 FY24).
3. In Q3FY26, Onwards is expected to break on the EBITDA front

Key Developments:

1. US Sales: Launched 13 new molecules, strengthening the product portfolio for future growth.
2. Rest of the World Revenue: Grew to 21% of total revenue.
3. Indian Market Revenue: Rs 56.2 Cr, contributing 4% to total revenue

Complex Products & RTU Portfolio:

1. Complex Products: Nine NGS were completed, six were launched, and three more are expected to be approved. These target a \$7.1 Bn market opportunity.
2. RTU Infusion Bags: Launched three in FY25, with 10 more in the pipeline. 14 registered products with a US market value of \$530 Mn.

R&D & Regulatory:

1. R&D Spend: Rs 43.7 Cr (4.3% of base business revenue).
2. ANDA Filings: Four filed, eight approved, bringing cumulative filings to 366 with 312 approvals.
3. Regulatory Success: Received EIRs from the US FDA for two Hyderabad facilities.

Biologics:

1. Collaboration with Dr. Reddy's Laboratories: Focus on biologics manufacturing, expected to generate incremental revenue starting FY26.
2. Shanghai Henlius Biotech: Signed a non-binding term sheet for biosimilar CDMO collaboration to expand manufacturing for Henlius's key products.

Outlook:

- The company remains optimistic about volume recovery and future growth due to new product launches and the strategic focus on biologics and complex products.
- Continued investment in biosimilars and RTU technologies to drive growth.

Key Risks to Our Estimates and TP`

- The potential USFDA inspections resulting in the issuance of Warning Letters (WL), Official Action Indicated (OAI) status, or 483 observations could potentially impact the company's revenue growth.
- The entry of new competitors into the market might lead to heightened pricing pressures within the injectable portfolio.
- Any delays in launching Biosimilars in the market could also challenge the company's operations and growth strategy.

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	5,876	6,727	6,030	6,662	-2.5%	1.0%
EBITDA	1,346	1,709	1,339	1,712	0.5%	-0.2%
PAT	850	1,097	845	1,100	0.6%	-0.2%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Net Sales	1,545	1,537	1,402	1,406	1,384	-10.4	-1.5
Growth (%)	64.7%	95.8%	16.0%	2.4%	-10.4%		
Total Expenditure	1,188	1,179	1,137	1,109	1,025	-13.8	-7.6
Raw Material Consumed	464	575	462	486	438		
Purchase of stock in trade	6	7	7	3	2		
Stock Adjustment	129	18	96	87	23		
% of sales	38.8%	39.0%	40.2%	40.9%	33.5%		
Gross margins %	61.2%	61.0%	59.8%	59.1%	66.5%	531	746
Employee Expenses	345	352	356	330	343	-0.7	4.0
% of sales	22.3%	22.9%	25.4%	23.5%	24.8%		
Other Expenses	180	170	171	158	164	-9.0	3.7
% of sales	11.7%	11.1%	12.2%	11.2%	11.8%		
Power & Fuel	64	58	47	45	55		
% of sales	4.1%	3.8%	3.3%	3.2%	3.9%		
EBITDA	357	359	265	297	360	0.8	20.9
EBITDAM (%)	23.1%	23.3%	18.9%	21.1%	26.0%	289	483
Interest	5	10	6	6	23		
Depreciation	105	93	92	94	96		
Other Income	37	42	51	60	58		
PBT	284	299	219	257	299	5.4	16.3
Tax	91	106	74	93	95		
Tax (%)	32.2%	35.4%	34.1%	36.3%	31.7%		
Reported PAT	192	193	144	164	204	6.3	24.7

Source: Company, Axis Securities Research

Geographical Breakup

Particulars (Rs Crore)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
USA	807	873	752	739	714	-11.5	-3.5
India	76	53	53	87	56	-26.1	-35.7
RoW	157	159	148	166	167	6.1	0.7

Source: Company, Axis Securities Research

Financials (consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Sales	5,665	5,876	6,727	7,614
Growth (%)	56.3%	3.7%	14.5%	13.2%
Total Expenditure	4,331	4,531	5,019	5,612
Raw Material Consumed	2,173	2,233	2,476	2,756
Gross margins %	61.6%	62.0%	63.2%	63.8%
Employee Expenses	1,257	1,352	1,507	1,706
% of sales	22.2%	23.0%	22.4%	22.4%
Other Expenses	902	946	1,036	1,150
% of sales	15.9%	16.1%	15.4%	15.1%
EBIDTA	1,334	1,346	1,709	2,003
EBITDAM (%)	23.5%	22.9%	25.4%	26.3%
Interest	26	26	26	26
EBIT	1,307	1,320	1,683	1,976
EBITM (%)	23.1%	22.5%	25.0%	26.0%
Depreciation	345	376	406	436
Other Income	170	185	182	184
Share of profit/ (loss) of joint venture and associate, net	0	0	0	0
Exceptional items, net	0	0	0	0
PBT	1,133	1,129	1,459	1,725
Tax Rate (%)	31.8%	25.0%	25.0%	25.0%
Tax	360	282	365	431
Reported PAT	772	850	1,097	1,297

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Share Capital	16.5	16.5	16.5	16.5
Reserves & Surplus	8,707	9,557	10,654	11,951
Shareholders Fund	8,724	9,574	10,671	11,968
Total Debt	372	372	372	372
Deferred Tax Liab. (Net)	0	0	0	0
Provisions	398	398	398	398
Trade Payables	863	902	1,032	1,168
Other Liabilities	305	350	400	400
Total Liabilities	10,661	11,595	12,873	14,306
Gross Block	4,608	5,008	5,408	5,808
Depreciation	1,067	1,442	1,848	2,284
Fixed Assets (incl. CWIP)	4,184	4,208	4,203	4,167
Inventories	1,655	1,771	2,027	2,295
Trade Receivables	1,559	1,610	1,843	2,086
Cash & Cash Equivalents	1,839	2,592	3,313	4,073
Other Current Assets	1,423	1,410	1,480	1,675
Total Current Assets	5,645	6,561	7,991	9,368
TOTAL ASSETS	10,661	11,595	12,873	14,303

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
PBT	1,133	1,129	1,459	1,725
Add: Depreciation	345	376	406	436
Add: Interest	26	26	26	26
Cash flow from operations	1,504	1,531	1,891	2,187
Change in working capital	543	70	379	569
Taxes	360	282	365	431
Miscellaneous expenses	0	0	0	0
Net cash from operations	601	1,179	1,147	1,186
Capital expenditure	-2,781	-400	-400	-400
Change in Investments	0	0	0	0
Net cash from investing	-2,781	-400	-400	-400
Increase/Decrease in debt	368	0	0	0
Dividends	0	0	0	0
Proceedings from equity	0	0	0	0
Interest	-26	-26	-26	-26
Others	-91	-0	0	0
Net cash from financing	250	-26	-26	-26
Net Inc./(Dec.) in Cash	-1,930	753	721	760
Opening cash balance	3,771	1,839	2,592	3,313
Closing cash balance	1,840	2,592	3,313	4,073

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	56.3	3.7	14.5	13.2
OPM	23.5	22.9	25.4	26.3
Oper. profit growth	30.1	0.9	27.0	17.2
COGS / Net sales	38.4	38.0	36.8	36.2
Overheads/Net sales				
Depreciation / G. block	7.5	7.5	7.5	7.5
Effective interest rate	31.8	25.0	25.0	25.0
Net kg.cap / Net sales				
Net sales / Gr block (x)	1.2	1.2	1.2	1.3
RoCE	14.8	14.7	17.6	19.3
Debt/equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	31.8	25.0	25.0	25.0
RoE	8.8	8.9	10.3	10.8
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	46.9	51.6	66.6	78.7
EPS Growth	(1.2)	10.1	29.1	18.2
CEPS (Rs.)	22.3	20.3	16.6	14.4
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

Gland Pharma Price Chart and Recommendation History



Date	Reco	TP	Research
24-Jan-23	HOLD	1,500	Result Update
02-May-23	BUY	1,500	Result Update
18-May-23	BUY	1,400	Result Update
09-Aug-23	HOLD	1,620	Result Update
07-Nov-23	BUY	1,700	Result Update
14-Feb-24	HOLD	1,825	Result Update
22-May-24	HOLD	1,950	Result Update
07-Aug-24	HOLD	2,000	Result Update
05-Nov-24	HOLD	1,760	Result Update
04-Feb-25	HOLD	1,580	Result Update

Source: Axis Securities Research

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