

Gland Pharma Ltd : Good Issue

IPO Note : Fundamentally Strong Growth : Good Margins : Fully Priced Ranking***



Issue details

Price band (Rs)	Rs.1490-1500
IPO Opening Date	09/11/20
IPO Closing Date	11/11/20
Issue Size	Rs.6479.55 Cr.

Recommendation

On a consolidated basis, GPL has posted total income/net profits of Rs. 1671.68 cr. / Rs. 321.05 cr. (FY18), Rs. 2129.77 cr. / Rs. 451.86 cr. (FY19) and Rs. 2772.41 cr. / Rs. 772.86 cr. (FY20). For Q1 of FY21, it has posted a net profit of Rs. 313.90 cr. on a total income of Rs. 916.29 cr. If we attribute the latest earnings on a fully diluted equity post issue, then asking price is at a **P/E of around 19.5**. Based on FY20 performance, the asking price is at a **P/E of 31.7**. As per offer documents, GPL has no listed peers to compare with. Currently, the pharma sector is attracting investors following COVID-19 pandemic and the search of remedies for it globally. **This company has posted good performance for the last three fiscals and spectacular numbers for Q1 of FY21, but will it sustain going forward is a major concern in the present context of negative sentiment for China connections globally. Based on P/BV and P/E parameters, the issue appears fully priced. Considering all these, Risk taking investors may consider investment in this IPO.**

Highlights

- Gland Pharma Ltd. (GPL) is one of the fastest-growing generic injectables-focused companies by revenue in the United States from 2014 to 2019 (Source: IQVIA Report).
- It sells 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.
- As of June 30, 2020, it had a sales force of over 200 employees and an extensive countrywide distribution network to ensure coverage in approximately 2,000 corporate hospitals, nursing homes and Government facilities. On the same date, GPL had a workforce of 3766 excluding contract labourers.

Company Introduction

Gland Pharma Ltd, the Hyderabad-based company is one of the fastest-growing generic injectable companies. It manufactures a diversified range of high-quality complex injectables. The company offers products like sterile injectables, oncology, and ophthalmics, complex injectables (peptides, suspensions, hormonal products, long-acting injectables), NCE-1s, First-to-File products, etc.

The company follows a B2B model to sell its products in more than 60 countries including the US, Canada, Australia, India, Europe, etc. Leading pharma companies i.e. Sagent Pharmaceuticals, Apotex Inc. Athnex Pharmaceutical Division, LLC, Fresenius Kabi USA, LLC, etc. are some of the key customers.

It has 7 robust manufacturing units in India comprising 4 finished formulations facilities, 22 production lines, and 3 APIs. **Currently, around 67% revenue comes from exports to the US, and as known about US-China trade war imbroglio, added tension following Corona pandemic, it is difficult to assume the sustainability of this export business.**



GLAND PHARMA

www.glandpharma.com

Financial Summary (Rs. In Crore)

Particulars	Three months ended June 30,2020	FY2020	FY2019	FY2018
Total Income	916.28	2772.41	2129.76	1671.68
Net Profit	313.59	772.85	451.85	321.05
EPS (Rs)	19.2*	47.32	27.66	19.66

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company Promoters:

Fosun Pharma Industrial Pte. Ltd and Shanghai Fosun Pharmaceutical (Group) Co. Ltd is the company promoters.

Objects of the Issue:

The net proceeds from the IPO will be used for the following purposes:

To finance the incremental working capital requirements of our Company

To meet funding requirements for capital expenditure requirements

To meet the general corporate purposes

IPO Issue Proceed

To finance its needs of working capital (Rs. 769.50 cr.), capital Expenditure (Rs. 168.00 cr.), general corpus fund. GPL is coming out with a maiden IPO of combo offer of fresh equity issue (Rs. 1250.00 cr.) and offer for sale (Rs.5229.55 cr.). It consists fresh equity issue of approx 8333335 shares of Re. 1 each (at the upper price band) and offer for sale of 34863635 shares. Thus the overall issue will be for approx. 43196970 equity shares. The issue opens for subscription on November 09, 2020, and will close on November 11, 2020. The company has fixed the price band of Rs. 1490 - Rs. 1500 per share. Minimum application is to be made for 10 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. GPL mulls mobilizing Rs. 6436.35 cr. - Rs. 6479.55 cr. (Based on lower and upper price bands) through this IPO. The issue constitutes 26.46% of the post issue paid-up capital of the company. Post issue, GPL's current paid-up equity capital of Rs. 15.50 cr. will stand enhanced to Rs. 16.33 cr. With this issue, the company is looking for a market cap of Rs. 24492.42 cr.

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