



India

**REDUCE** (previously HOLD)

Consensus ratings\*: Buy 8 Hold 2 Sell 6

Current price: Rs1,530  
 Target price: ▼ Rs1,313  
 Previous target: Rs1,768  
 Up/downside: -14.2%  
 InCred Research / Consensus: -32.6%

Reuters:  
 Bloomberg: GLAND IN  
 Market cap: US\$3,472m  
 Rs252,144m  
 Average daily turnover: US\$8.0m  
 Rs578.5m  
 Current shares o/s: 164.7m  
 Free float: 42.1%

\*Source: Bloomberg

**Key changes in this note**

- Cut our FY25F/26F PAT by 14%/24%.
- Cut our target price to Rs1,313.
- Downgrade the stock's rating to REDUCE.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(16.9)	(7.0)	(23.4)
Relative (%)	(15.1)	(4.4)	(28.8)

Major shareholders	% held
Promoters	57.9
Mirae MF	5.6
Nippon	5.3

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**Gland Pharma Ltd****Cenexi's breakeven pushed to 3QFY26F**

- 3QFY25 revenue missed expectations but EBITDA was 8% above our estimate, led by a sharp 500bp QoQ growth in the base business margin.
- Cenexi's breakeven pushed to 3QFY26F, vs. 4QFY25F earlier, due to observations received for Fontenay plant & breakdown at the Belgium plant.
- Downgrade the stock's rating to REDUCE (from HOLD earlier) with a lower target price of Rs1,313 (Rs1,768 earlier).

**Strong base business; Cenexi disappoints**

Gland Pharma's (GPL) 3QFY25 revenue was 8% below our/Bloomberg (BB) consensus estimates. The revenue was impacted due to the low base business (ex-Cenexi; decline of 10% YoY/2% QoQ) arising due to volume dip in the US as well as some shipment delay in Saudi Arabia. The EBITDA margin (at 26%) witnessed an improvement of 290bp YoY/490bp QoQ (above our estimate of 22%) due to better product mix (higher gross margin products in the US). Cenexi's revenue was in line with our expectation, with revenue at Rs3.71bn and EBITDA loss at Rs312m. Excluding Cenexi, GPL witnessed a YoY revenue decline in India and US (26%/12%). The Europe business reported strong growth of 30% YoY/ 27% QoQ.

**Healthy base business margin but Cenexi breakeven pushed further**

The ex-Cenexi EBITDA margin stood at 39% (vs. 34% in 2QFY25) while Cenexi reported an EBITDA loss of Rs312m (Rs685m loss in 2QFY25) partly impacted due to plant inspection by the French health authorities at the Fontenay site. Cenexi's gross margin improved to 77% from 69% in 2QFY25 (and 75% in 3QFY24). On a negative note, management now expects the Cenexi turnaround to happen in 3QFY26F (vs. 4QFY25F earlier), given the Lyophilizer breakdown at the Belgium plant and the observations received for the Fontenay plant from the French health authorities at the recent inspection. The base business gross margin improved to ~63% from ~56% in 2QFY25 led by a higher profit share/milestone income of 11.7%/10.2% vs. 8%/7%, respectively, in 2QFY25.

**Downgrade our rating on the stock from HOLD to REDUCE**

We are disappointed with the repeated delay in Cenexi's turnaround and will reassess the situation constructively once the facility is back on track. It has been nearly seven quarters since Cenexi's acquisition, and it will take another three-to-four quarters for the business to normalize. While GPL's core business continues to outperform, Cenexi's ongoing challenges will remain a drag in the near term. As a result, we have reduced our FY25F/26F EPS estimates by 14%/24%, respectively, lowering our target price to Rs1,313 from Rs1,768 earlier. We have downgraded our rating on the stock from HOLD to REDUCE. A faster-than-expected ramp-up at Cenexi remains a key upside risk.

**Financial Summary**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	44,007	36,246	56,648	57,232	63,453
Operating EBITDA (Rsm)	15,102	10,248	13,331	12,915	15,367
Net Profit (Rsm)	12,117	7,811	7,725	7,490	9,904
Core EPS (Rs)	73.6	50.0	46.9	45.5	60.1
Core EPS Growth	21.5%	(32.1%)	(6.1%)	(3.0%)	32.2%
FD Core P/E (x)	20.80	30.63	32.63	33.65	25.45
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	14.54	20.92	17.77	17.91	14.61
P/FCFE (x)	23.78	49.70	43.26	21.44	19.58
Net Gearing	(45.3%)	(47.3%)	(17.4%)	(21.9%)	(26.3%)
P/BV (x)	3.52	3.17	2.89	2.66	2.41
ROE	18.6%	10.9%	9.3%	8.2%	9.9%
% Change In Core EPS Estimates				(13.91%)	(24.06%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial results summary

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	9,383	7,850	12,087	13,734	15,452	15,375	14,017	14,058	13,841	-10%	-2%
Consumption of raw materials	4,271	3,648	4,529	5,216	5,992	5,994	5,643	5,755	4,627	-23%	-20%
as % of sales	45.5%	46.5%	37.5%	38.0%	38.8%	39.0%	40.3%	40.9%	33.4%		
Employee costs	1,011	1,028	2,550	3,050	3,453	3,516	3,555	3,298	3,429	-1%	4%
as % of sales	10.8%	13.1%	21.1%	22.2%	22.3%	22.9%	25.4%	23.5%	24.8%		
R&D costs	512	678	457	351	530	436	489	493	437	-18%	-11%
as % of sales	5.5%	8.6%	3.8%	2.6%	3.4%	2.8%	3.5%	3.5%	3.2%		
Other expenditure	693	811	1611	1877	1912	1842	1686	1542	1748	-9%	13%
as % of sales	7.4%	10.3%	13.3%	13.7%	12.4%	12.0%	12.0%	11.0%	12.6%		
EBITDA	2,896	1,684	2,940	3,241	3,564	3,587	2,644	2,971	3,600	1%	21%
Margins (%)	30.9%	21.5%	24.3%	23.6%	23.1%	23.3%	18.9%	21.1%	26.0%		
Depreciation	376	376	653	813	1,053	926	920	938	963		
Other income	615	389	375	532	374	421	514	597	585		
Interest	26	22	49	60	53	100	56	61	228		
PBT	3,109	1,676	2,613	2,899	2,832	2,982	2,182	2,568	2,993	6%	17%
Total tax	789	325	672	958	913	1,058	745	932	946		
Tax rate (%)	25.4%	19.4%	25.7%	33.0%	32.2%	35.5%	34.1%	36.3%	31.6%		
PAT before MI	2,319	1,351	1,941	1,941	1,919	1,924	1,438	1,635	2,047	7%	25%
Minority interest (MI)	0	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	2,319	1,351	1,941	1,941	1,919	1,924	1,438	1,635	2,047	7%	25%
Extraordinary expenses	0	-565	0	0	0	0	0	0	0		
Reported PAT	2,319	786	1,941	1,941	1,919	1,924	1,438	1,635	2,047	7%	25%
No. of shares	165	165	165	165	165	165	165	165	166		
EPS	14.1	8.2	11.8	11.8	11.6	11.7	8.7	9.9	12.4		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

Margins (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	54%	54%	63%	62%	61%	61%	60%	59%	67%	535	750
EBITDA	31%	21%	24%	24%	23%	23%	19%	21%	26%	294	488
Adj. PAT	25%	17%	16%	14%	12%	13%	10%	12%	15%	237	316
Effective tax rate	25%	19%	26%	33%	32%	35%	34%	36%	32%	-63	-470

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue mix

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
US EU CA AU - INR	6,626	5,498	6,602	7,531	8,680	9,621	8,125	8,127	7,892	-9%	-3%
% total revenue	70.6%	70.0%	54.6%	54.8%	56.2%	62.6%	58.0%	57.8%	57.0%		
RoW	1,943	1,705	1,623	1,738	1,573	1,590	1,481	1,658	1,669	6%	1%
% total revenue	20.7%	21.7%	13.4%	12.7%	10.2%	10.3%	10.6%	11.8%	12.1%		
India formulations	814	647	647	876	761	526	527	874	562	-26%	-36%
% total revenue	8.7%	8.2%	5.4%	6.4%	4.9%	3.4%	3.8%	6.2%	4.1%		
Others / Cenexi	0	0	3,214	3,588	4,438	3,637	3,883	3,399	3,718	-16%	9%
% total revenue	0.0%	0.0%	26.6%	26.1%	28.7%	23.7%	27.7%	24.2%	26.9%		
Total revenue	9,383	7,850	12,087	13,734	15,452	15,374	14,016	14,058	13,841	-10%	-2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Estimate	Variance (%)	Bloomberg Estimate	Variance (%)
Revenue (Rs n)	13,841	15,104	-8%	15,566	-11%
EBITDA (Rs m)	3,600	3,332	8%	3,378	7%
Margin (%)	26.0	22.1		21.7	
PAT (Rs m)	2,047	1,963		1,929	6%

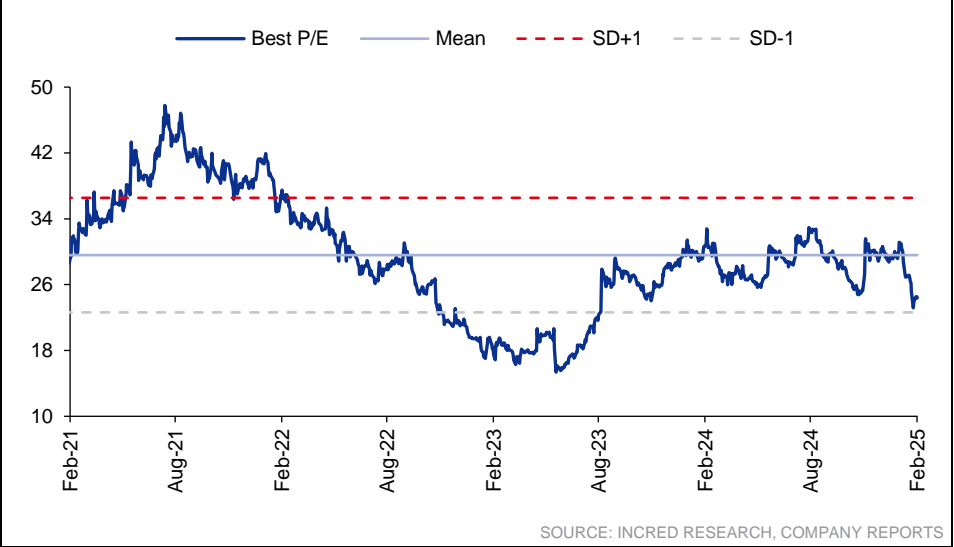
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

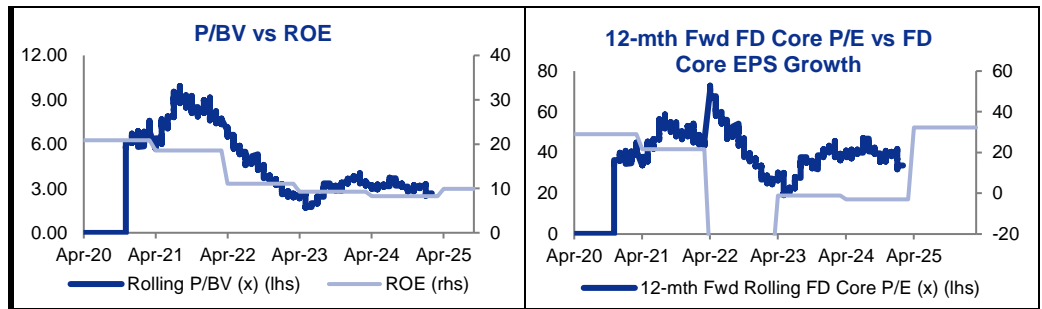
	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rs m)	62,299	57,232	-8%	72,507	63,453	-12%
EBITDA (Rs m)	14,395	12,915	-10%	19,265	15,367	-20%
Margin (%)	23.1	22.6		26.6	24.2	
PAT (Rs m)	8,700	7,490	-14%	13,078	9,904	-24%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: GPL's valuation now stands at close to the SD-1 level



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	44,007	36,246	56,648	57,232	63,453
<b>Gross Profit</b>	22,915	19,392	34,917	35,484	40,293
<b>Operating EBITDA</b>	15,102	10,248	13,331	12,915	15,367
Depreciation And Amortisation	(1,103)	(1,467)	(3,446)	(3,800)	(4,200)
<b>Operating EBIT</b>	13,999	8,780	9,886	9,115	11,167
Financial Income/(Expense)	(52)	(74)	(262)	(400)	(200)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,239	2,405	1,702	2,300	2,600
<b>Profit Before Tax (pre-EI)</b>	16,186	11,111	11,326	11,015	13,567
Exceptional Items		(565)			
<b>Pre-tax Profit</b>	16,186	10,546	11,326	11,015	13,567
Taxation	(4,069)	(2,735)	(3,601)	(3,525)	(3,663)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	12,117	7,811	7,725	7,490	9,904
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	12,117	7,811	7,725	7,490	9,904
Recurring Net Profit	12,117	8,229	7,725	7,490	9,904
<b>Fully Diluted Recurring Net Profit</b>	12,117	8,229	7,725	7,490	9,904

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	15,102	10,248	13,331	12,915	15,367
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,931)	(4,179)	(532)	(1,261)	(3,266)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(3,263)	(2,429)	(2,832)	(3,525)	(3,663)
Net Interest (Paid)/Received	(52)	(74)	(262)	(400)	(200)
Tax Paid	(5,450)	(4,194)	(4,272)	(5,425)	(6,063)
<b>Cashflow From Operations</b>	7,908	3,640	9,968	8,129	8,438
Capex	(5,217)	(2,208)	(3,892)	(4,500)	(4,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments			(10,218)		
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	2,690	1,432	(4,141)	3,629	4,438
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	386	214	5		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(646)	3,573	(15,176)	1,900	2,400
<b>Cash Flow From Financing</b>	(260)	3,787	(15,171)	1,900	2,400
Total Cash Generated	2,430	5,219	(19,312)	5,529	6,838
<b>Free Cashflow To Equity</b>	10,598	5,071	5,827	11,758	12,876
<b>Free Cashflow To Firm</b>	10,651	5,146	6,089	12,158	13,076

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	32,488	37,707	18,394	23,923	30,761
Total Debtors	11,988	8,714	15,587	11,446	12,691
Inventories	11,857	19,453	16,552	20,603	22,843
Total Other Current Assets	2,188	3,133	5,918	4,579	5,076
<b>Total Current Assets</b>	<b>58,521</b>	<b>69,007</b>	<b>56,452</b>	<b>60,551</b>	<b>71,371</b>
Fixed Assets	16,804	17,362	38,302	39,002	38,802
Total Investments					
Intangible Assets	125	117	3,545	3,545	3,545
Total Other Non-Current Assets	2,886	1,290	8,315	8,315	8,315
<b>Total Non-current Assets</b>	<b>19,815</b>	<b>18,769</b>	<b>50,161</b>	<b>50,861</b>	<b>50,661</b>
Short-term Debt	3	6	2,132	2,132	2,132
Current Portion of Long-Term Debt					
Total Creditors	4,629	5,873	8,627	7,157	7,717
Other Current Liabilities	1,189	1,412	3,224	2,004	2,161
<b>Total Current Liabilities</b>	<b>5,820</b>	<b>7,291</b>	<b>13,984</b>	<b>11,294</b>	<b>12,010</b>
Total Long-term Debt	45	33	1,065	1,065	1,065
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	895	864	4,325	4,325	4,325
<b>Total Non-current Liabilities</b>	<b>940</b>	<b>897</b>	<b>5,390</b>	<b>5,390</b>	<b>5,390</b>
Total Provisions					
<b>Total Liabilities</b>	<b>6,760</b>	<b>8,188</b>	<b>19,374</b>	<b>16,684</b>	<b>17,400</b>
Shareholders Equity	71,576	79,587	87,238	94,728	104,632
Minority Interests					
<b>Total Equity</b>	<b>71,576</b>	<b>79,587</b>	<b>87,238</b>	<b>94,728</b>	<b>104,632</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	27.1%	(17.6%)	56.3%	1.0%	10.9%
Operating EBITDA Growth	16.0%	(32.1%)	30.1%	(3.1%)	19.0%
Operating EBITDA Margin	34.3%	28.3%	23.5%	22.6%	24.2%
Net Cash Per Share (Rs)	196.97	228.71	92.27	125.84	167.35
BVPS (Rs)	434.58	483.22	529.68	575.15	635.28
Gross Interest Cover	267.05	118.02	37.73	22.79	55.83
Effective Tax Rate	25.1%	25.9%	31.8%	32.0%	27.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	77.54	104.23	78.29	86.20	69.42
Inventory Days	212.92	339.02	302.38	311.80	342.35
Accounts Payables Days	74.72	113.72	121.78	132.45	117.20
ROIC (%)	26.2%	15.4%	9.7%	8.7%	10.3%
ROCE (%)	21.4%	11.6%	11.6%	9.7%	10.9%
Return On Average Assets	17.0%	10.2%	8.1%	7.1%	8.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.