

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	GLAND IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	323.7 / 3.7
52-Week Range (INR)	2221 / 1200
1, 6, 12 Rel. Per (%)	8/27/-10
12M Avg Val (INR M)	562

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	56.2	63.3	72.4
EBITDA	12.7	15.1	18.2
Adj. PAT	7.0	9.2	11.3
EBITDA Margin (%)	22.6	23.8	25.1
Cons. Adj. EPS (INR)	42.4	55.6	68.4
EPS Gr. (%)	(10.9)	31.2	23.0
BV/Sh. (INR)	555.4	611.0	679.5

Ratios

Net D:E	(0.2)	(0.2)	(0.3)
RoE (%)	7.8	9.5	10.6
RoCE (%)	7.8	9.5	10.4
Payout (%)	50.0	27.7	29.0
Valuations			
P/E (x)	46.3	35.3	28.7
EV/EBITDA (x)	23.7	20.1	16.1
Div. Yield (%)	1.2	0.0	0.0
FCF Yield (%)	1.6	(1.1)	2.3
EV/Sales (x)	5.4	4.8	4.1

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.8	51.8	51.8
DII	32.9	33.3	32.8
FII	7.4	6.9	6.9
Others	7.9	8.0	8.5

FII Includes depository receipts

CMP: INR1,965

TP: INR2,340 (+19%)

Buy

Strong margin gain boosts PAT by 50% YoY

Reviving core markets and driving Cenexi efficiency

- Gland Pharma (GLAND) posted revenue in line with our estimate in 1QFY26. However, EBITDA/PAT exceeded our estimates (13%/16% beat). Strong traction in Europe, Canada, Australia, NZ and the rest of the world, along with better operational efficiency at Cenexi, led to improved performance for the quarter.
- After four quarters of earnings decline, GLAND delivered strong 50% YoY growth in earnings for the quarter.
- Strong 20% YoY growth in Cenexi revenue led to improved operating leverage, driving EBITDA break-even in 1QFY26. The profitability is expected to further improve 2HFY26 onward.
- GLAND's core market sales remained moderate due to lower off-take of Enoxaparin for the quarter. Having said this, new launches across core markets will improve the outlook of more markets going forward.
- We raise our earnings estimates by 9%/3% for FY26/FY27, factoring in a) scale-up of GLP-1 products in other core markets, b) faster turnaround of Cenexi and c) potential launches in the US/EU. We value GLAND at 33x 12M forward earnings to arrive at a TP of INR2,340.
- After three years of earnings decline, we expect a CAGR of 14%/20%/27% in revenue/EBITDA/PAT over FY25-27. GLAND is fortifying its positioning in the complex injectable space through in-house product development as well as partnerships. It is in the process of adding capacity to cater to upcoming GLP-1 opportunities as well. Considering 1Q earnings growth and valuation, we maintain BUY on the stock.

Modest revenue growth; strong profitability uplift in 1QFY26

- 1QFY26 revenues grew 7.4% YoY to INR15b (our estimate: INR15.2b). The base business (ex-Cenexi) grew 3% YoY to INR10.4b.
- Core markets sales rose 2% YoY to INR8.5b (56.8% of sales). RoW sales increased by 4% YoY to INR2.4b (10.2% of sales). India sales grew 13% YoY to INR594m (4% of sales).
- Gross margin (GM) expanded 560bp YoY to 65.4% due to a cut in the cost of finished goods purchase and a favorable change in the product mix in the business.
- EBITDA margin expanded by 560bp YoY to 24.4% (our estimate: 21%), led by better gross margins. Higher employee costs (+170bp YoY as % of sales) were offset by lower other expenses (down 170bp YoY as % of sales).
- Excl. Cenexi, EBITDA margin was 34.5% (up 550bp YoY). The milestone income/profit share for the quarter was 9%/12% of the base business sales for 1QFY26.
- EBITDA grew 39% YoY to INR3.7b (our estimate: INR3.3b) owing to lower revenue.
- Adj. PAT surged 50% YoY to INR2.2b (our estimate: INR1.9b).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- Gland guided for mid-teens YoY growth in revenue for FY26 and EBITDA margin of 24-25% for FY26.
- While Cenexi achieved EBITDA breakeven in 1QFY26, it might see subdued performance in 2Q due to summer shutdown. In the subsequent quarters, the profitability is expected to improve on the back of a healthy order book and reduced downtime.
- US sales for the quarter were impacted by reduced sales of Enoxaparin (INR700m in 1QFY26 vs. INR1.4b QoQ/YoY).
- Gland indicated g-Dalbavancin to be a potential opportunity for the US market from Sep'25 onward. The CMS contract for US/EU markets would also support growth in those markets for FY26.

Consol. - Quarterly perf.

Y/E March	FY25								FY26		FY25	FY26E	(INR m)					
	1Q		2Q		3Q		4Q		1Q				2QE		3QE		4QE	
	Net Sales	14,017	14,058	13,841	14,249	15,056	15,159	16,065	17,055	56,165	63,335	15,196	-0.9					
YoY Change (%)		16.0	2.4	-10.4	-7.3	7.4	7.8	16.1	19.7	-0.9	12.8	8.4						
Total Expenditure	11,373	11,088	10,241	10,774	11,378	11,718	12,258	12,910	43,476	48,264	11,944							
EBITDA	2,644	2,970	3,600	3,475	3,678	3,441	3,807	4,144	12,689	15,071	3,252	13.1						
YoY Change (%)	-10.1	-8.3	-3.8	-3.1	39.1	15.9	5.8	19.3	-6.1	18.8	23.0							
Margins (%)	18.9	21.1	26.0	24.4	24.4	22.7	23.7	24.3	22.6	23.8	21.4							
Depreciation	920	938	963	958	1,011	948	1,005	1,067	3,779	4,030	922							
Interest	56	61	228	75	115	76	68	59	420	318	59							
Other Income	514	597	585	440	575	599	623	647	2,136	2,444	479							
PBT before EO expense	2,182	2,567	2,993	2,883	3,128	3,016	3,358	3,666	10,626	13,167	2,751	13.7						
One-off income/(expense)	0	0	0	0	0	0	0	0	0	0	0							
PBT	2,182	2,567	2,993	2,883	3,128	3,016	3,358	3,666	10,626	13,167	2,751	13.7						
Tax	745	932	946	1,018	973	947	1,007	1,074	3,641	4,001	889							
Rate (%)	34.1	36.3	31.6	35.3	31.1	31.4	30.0	29.3	34.3	30.4	32.3							
Reported PAT	1,438	1,635	2,047	1,865	2,155	2,069	2,351	2,592	6,985	9,166	1,862	15.7						
Adj PAT	1,438	1,635	2,047	1,865	2,155	2,069	2,351	2,592	6,985	9,166	1,862	15.7						
YoY Change (%)	-25.9	-15.8	0.4	-2.7	49.9	26.5	14.8	38.9	-10.9	31.2	29.6							
Margins (%)	10.3	11.6	14.8	13.1	14.3	13.6	14.6	15.2	12.4	14.5	12.3							
EPS	8.7	9.9	12.4	11.3	13.1	12.6	14.3	15.7	42.4	55.7	11							

Key performance Indicators (Consolidated)

Y/E March	FY25								FY26		FY25	FY26E	(INR m)							
	1Q		2Q		3Q		4Q		1Q				2QE		3QE		4QE			
	INRm																			
Core Markets	10,641	10,521	10,398	11,320	11,484	10,857	11,077	12,674	42,880	46,092	11,018	4%								
YoY Growth (%)	24.3	3.2	-13.4	-6.0	7.9	3.2	6.5	12.0	0	7	3.5									
India	527	874	562	525	594	612	635	656	2,488	2,497	553	7%								
YoY Growth (%)	-18.5	-0.2	-26.1	-0.2	12.7	-30.0	13.0	25.0	-11	0	5.0									
Rest of the world	2,734	2,663	2,881	2,404	2,978	3,690	4,353	3,725	10,682	14,746	3,625	-18%								
YoY Growth (%)	-4.9	0.1	1.4	-14.2	8.9	38.6	51.1	54.9	-5	38	32.6									
Cenexi	3884	3399	3718	3917	4647	4079	4648	4505	14918	17878	4,195	11%								
YoY Growth (%)	21	-5	-16	8	20	20	25	15	0	20	8.0									
Cost Break-up																				
RM Cost (% of Sales)	40.3	40.9	33.4	34.2	34.6	36.0	35.1	34.8	37.2	35.1	37.5									
Staff Cost (% of Sales)	25.4	23.5	24.8	26.2	27.1	26.5	26.1	25.2	25.0	26.2	25.8									
Other Cost (% of Sales)	15.5	14.5	15.8	15.2	13.9	14.8	15.1	15.7	15.2	14.9	15.3									
Gross Margins (%)	59.7	59.1	66.6	65.8	65.4	64.0	64.9	65.2	62.8	64.9	64.0									
EBITDA Margins (%)	18.9	21.1	26.0	24.4	24.4	22.7	23.7	24.3	22.6	23.8	22.5									
EBIT Margins (%)	12.3	14.5	19.0	17.7	17.7	16.4	17.4	18.0	21.8	23.3	16.4									



Management call highlights

- Gland launched liraglutide in UK/Australia markets. Since it is a global deal, it is expected to scale up business from this product in coming quarters.
- The company indicated an additional 100m GLP-1/pen/cartridge capacity to be operational by Mar'25. FY27 can have commercial benefits from 20m GLP-1/pen/cartridge to start with.
- Business from collaboration with Dr. Reddy's Lab to start from 2QFY26 onward.
- Excl. Cenexi, revenue grew ~3% YoY to INR10.4b and EBITDA rose 22% YoY to INR3.6b. Gross profit margin was 59%, up 630bp YoY.
- R&D expenses for the quarter were INR460m (4.4% of sales).
- In 1Q, one ANDA was filed and nine were approved, contributing to a total of 372 ANDA filings in the US (325 approved, 47 pending).
- Cenexi reported revenue of INR3.6b. It reported positive EBITDA of INR86m after a downtrend for the last few quarters.
- Fontenay site: Production at the facility is on track, with improved order shipments after the commissioning of a new high-speed ampoule line and received GMP Certificate from ANSM.
- Braine-l'Alleud site: Business from the two sites remains robust.
- Hérouville facility: The site is making steady progress on tech transfer projects in the vaccines and ophthalmic gel formats, resulting in increased revenue in 1Q.

Broad-based efforts to revive earnings growth

Core markets – Expanding injectables/biologics capabilities for growth revival

- After modest stable sales in core markets in FY25, GLAND delivered 2% YoY growth in sales to INR8b in 1QFY26.
- Gross/EBITDA margin for base business stood at 59%/34.5% in 1QFY26 vs. 58%/35% in FY25.
- It continues to work on differentiated products in injectables with newer delivery formats like pens/cartridges.
- It is also adding capacities to address business opportunities in peptide, long acting injectables, suspensions, and hormones segment.
- GLAND had 12 launches in markets related to base business in 1QFY26.
- It has about 47 ANDAs pending for approval at the end of 1QFY26.
- The company is also broadening its offering through the addition of biologics-CDMO via drug product manufacturing at Cenexi and drug substance manufacturing at Gland's facilities.
- It has additional 10 products under development under the category of ready-to-use (RTU) bags, and six are pending for approval.
- Considering the overall product pipeline and available manufacturing capacity, we expect 12% sales CAGR in this segment over FY25-27 to reach INR41b.

Cenexi: Turnaround in margins; capacity build-out to fuel expansion

- Cenexi delivered 8% YoY growth in sales to INR4.6b in 1QFY26. It achieved gross margin of 79.6%, up 170bp YoY. Notably, it reported EBITDA margin of 2% in 1QFY26 vs. a loss YoY as well as QoQ.

- Gland is improvising Cenexi's capabilities/capacities in pre-filled syringes, lyophilised vials as well as ophthalmic gel space to drive revenue growth as well as profitability.
- GLAND had the least manufacturing issues at Cenexi's site in 1QFY26. Production is on track, and the tech transfer is steadily progressing. Further it is adding new pre-filled syringe (PFS) at Heroville site, and two new lyophilizer lines are being installed at Braine-l'Alleud site of Cenexi.
- Interestingly, new launches scaled US/EU/other core markets sales from Cenexi to INR273m/INR2.6b/INR266m, up 163%/23%/5% YoY in 1QFY26.
- With improvement in overall operational efficiencies and new product additions, we expect 15% sales CAGR in Cenexi business over FY25-27 to INR19.6b.

Maintain BUY

- We cut our estimates by 7%/8% for FY26/FY27, factoring in a) manufacturing disruption at Cenexi's site, and b) gradual improvement in business of core markets. We value GLAND at 28x 12M forward earnings to arrive at a TP of INR1,740.
- GLAND has faced deterioration in earnings over past three years due to increased competition in its base products and operational losses at its Cenexi business. Having said this, a) largely steady price erosion in the base portfolio, b) new launches across key markets, and c) improving operating performance of Cenexi would drive a 20% earnings CAGR over FY25-27. Maintain BUY.

Exhibit 1: P/E chart

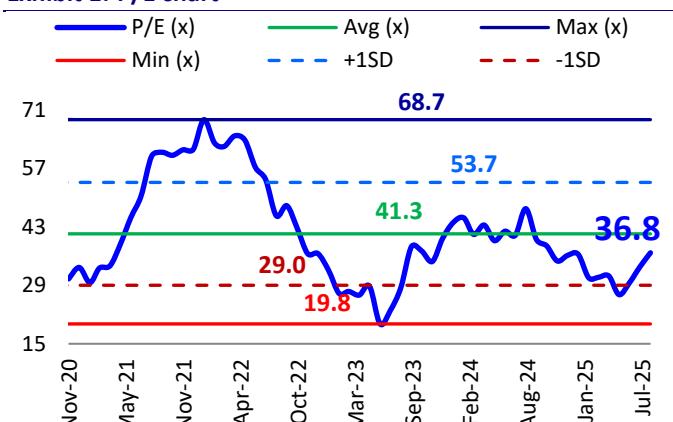
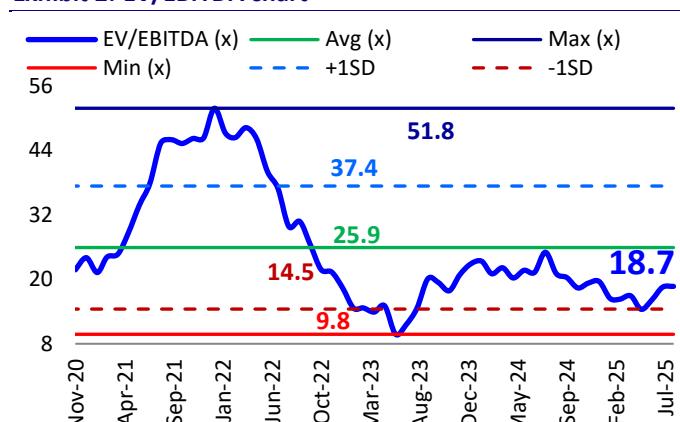


Exhibit 2: EV/EBITDA chart



Story in charts

Exhibit 3: Expect 14% revenue CAGR over FY25-27

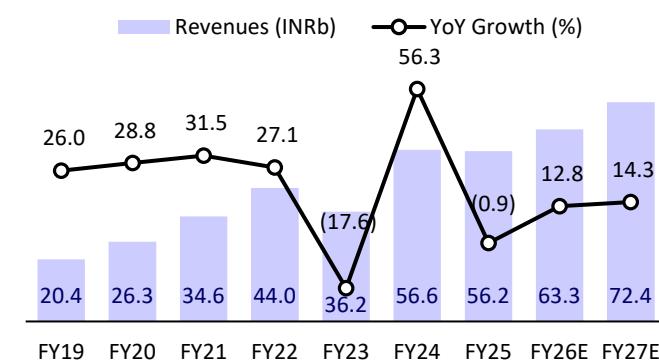


Exhibit 4: Expect 11.9% core market sales CAGR over FY25-27

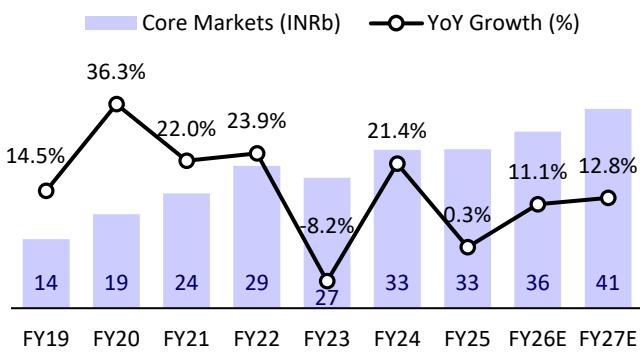


Exhibit 5: Expect ROW sales to post 13.7% CAGR over FY25-27

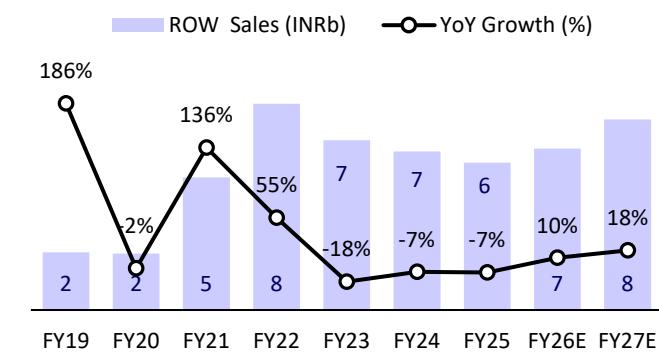


Exhibit 6: Expect India sales to post 4.6% CAGR over FY25-27

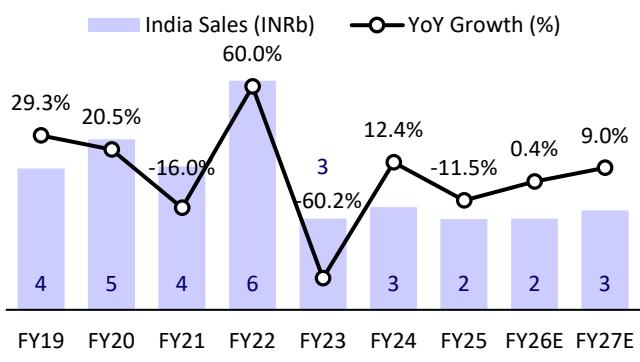
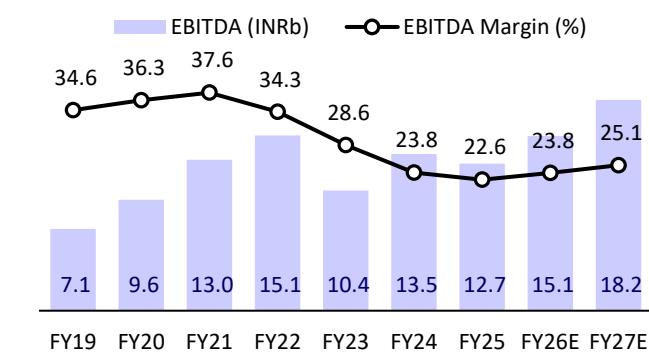
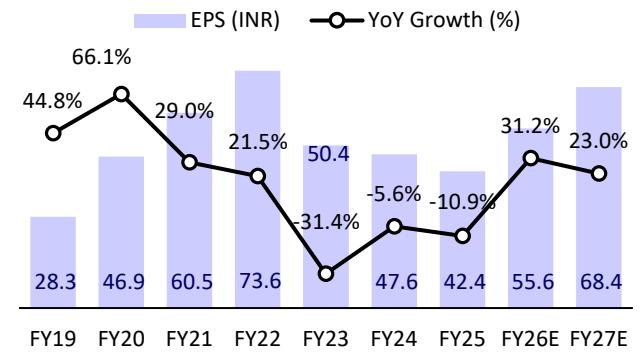


Exhibit 7: EBITDA margin to expand 250bp over FY25-27



Source: Company, MOFSL

Exhibit 8: Expect EPS CAGR of 27% over FY25-27



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement						
	(INRm)					
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	44,007	36,246	56,647	56,165	63,335	72,376
Change (%)	27.1	-17.6	56.3	-0.9	12.8	14.3
Total Expenditure	28,906	25,888	43,138	43,476	48,264	54,210
% of Sales	65.7	71.4	76.2	77.4	76.2	74.9
EBITDA	15,102	10,358	13,509	12,689	15,071	18,166
Margin (%)	34.3	28.6	23.8	22.6	23.8	25.1
Depreciation	1,103	1,467	3,446	3,779	4,030	4,042
EBIT	13,999	8,890	10,063	8,910	11,040	14,124
Int. and Finance Charges	52	74	262	420	318	188
Other Income	2,239	2,405	1,702	2,136	2,444	2,170
PBT bef. EO Exp.	16,186	11,220	11,503	10,626	13,167	16,106
EO Items	0	-685	178	0	0	0
PBT after EO Exp.	16,186	10,536	11,325	10,626	13,167	16,106
Total Tax	4,069	2,735	3,601	3,641	4,001	4,832
Tax Rate (%)	25.1	26.0	31.8	34.3	30.4	30.0
Minority Interest	0	0	0	0	0	0
Reported PAT	12,117	7,800	7,724	6,985	9,166	11,274
Adjusted PAT	12,117	8,307	7,839	6,985	9,166	11,274
Change (%)	21.5	-31.4	-5.6	-10.9	31.2	23.0
Margin (%)	26.2	21.5	13.4	12.0	13.9	15.1

Consolidated - Balance Sheet						
	(INRm)					
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	164	165	165	165	165	165
Total Reserves	71,412	79,423	87,074	91,343	1,00,509	1,11,783
Net Worth	71,576	79,587	87,238	91,507	1,00,673	1,11,947
Minority Interest	0	0	0	0	0	0
Total Loans	46	45	3,722	3,137	3,137	3,137
Deferred Tax Liabilities	878	842	1,697	1,627	1,627	1,627
Capital Employed	72,499	80,473	92,656	96,272	1,05,438	1,16,712
Gross Block	20,910	23,061	47,846	53,570	59,607	64,766
Less: Accum. Deprn.	5,888	7,355	10,801	14,580	18,610	22,652
Net Fixed Assets	15,022	15,705	37,045	38,990	40,997	42,115
Goodwill on Consolidation	0	0	2,423	2,482	2,482	2,482
Capital WIP	1,907	1,772	2,379	1,506	5,134	2,079
Total Investments	1,549	0	6,559	0	0	0
Curr. Assets, Loans&Adv.	59,858	70,298	57,703	68,751	74,065	86,622
Inventory	11,857	19,453	16,552	16,852	19,835	21,535
Account Receivables	11,988	8,714	15,587	15,165	17,526	20,820
Cash and Bank Balance	30,934	37,707	18,394	25,562	24,108	33,410
Loans and Advances	5,079	4,424	7,169	11,171	12,597	10,856
Curr. Liability & Prov.	5,836	7,302	13,451	15,456	17,240	16,586
Account Payables	4,629	5,874	8,627	9,314	10,314	11,882
Other Current Liabilities	960	1,115	2,863	4,173	4,706	2,895
Provisions	248	313	1,961	1,969	2,220	1,809
Net Current Assets	54,022	62,997	44,252	53,294	56,825	70,036
Appl. of Funds	72,499	80,473	92,656	96,271	1,05,438	1,16,712

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)						
Adj. EPS	73.6	50.4	47.6	42.4	55.6	68.4
Cash EPS	80.5	59.3	68.5	65.3	80.1	93.0
BV/Share	435.6	483.2	529.7	555.4	611.0	679.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	26.7	38.9	41.3	46.3	35.3	28.7
Cash P/E	24.4	33.1	28.7	30.1	24.5	21.1
P/BV	4.5	4.1	3.7	3.5	3.2	2.9
EV/Sales	6.6	7.9	5.5	5.4	4.8	4.1
EV/EBITDA	19.3	27.6	22.9	23.7	20.1	16.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	16.4	8.6	36.4	31.6	-21.7	44.4
Return Ratios (%)						
RoE	18.6	11.0	9.4	7.8	9.5	10.6
RoCE	18.6	11.1	9.4	7.8	9.5	10.4
RoIC	32.5	16.6	12.9	8.7	10.6	12.6
Working Capital Ratios						
Asset Turnover (x)	2.1	1.6	1.2	1.0	1.1	1.1
Inventory (Days)	98	196	107	110	114	109
Debtor (Days)	99	88	100	99	101	105
Creditor (Days)	38	59	56	61	59	60
Leverage Ratio (x)						
Net Debt/Equity	-0.45	-0.47	-0.2	-0.2	-0.2	-0.3

Consolidated - Cash Flow Statement

(**INRm**)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	16,186	10,546	11,325	10,627	13,167	16,106
Depreciation	1,103	1,467	3,446	3,779	4,030	4,042
Interest & Finance Charges/ (Income)	-1,352	-1,731	-1,288	-2,043	-2,127	-1,981
Direct Taxes Paid	-4,065	-3,109	-3,062	3,538	-4,001	-4,832
(Inc)/Dec in WC	-3,930	-4,179	-532	-61	-4,985	-3,909
CF from Operations	7,941	2,994	9,889	15,840	6,084	9,426
Others	-33	646	79	-6,693	0	0
CF from Operating incl EO	7,908	3,640	9,968	9,147	6,084	9,426
(Inc)/Dec in FA	-5,217	-2,230	-3,975	-3,938	-9,665	-2,105
Free Cash Flow	2,691	1,410	5,993	5,209	-3,581	7,321
(Pur)/Sale of Investments	-1,504	1,577	4	12	0	0
Others	-3,272	12,764	-13,521	20,973	2,444	2,170
CF from Investments	-9,993	12,112	-17,492	17,047	-7,221	65
Issue of Shares	386	215	5	25	0	0
Inc/(Dec) in Debt	-3	-3	-7,743	-759	0	0
Interest Paid	-34	-63	-256	-306	-318	-188
Dividend Paid	0	0	0	-3,295	0	0
CF from Fin. Activity	349	149	-7,994	-4,335	-318	-188
Inc/Dec of Cash	-1,736	15,901	-15,518	21,860	-1,454	9,302
Opening Balance	4,925	3,188	19,089	3,571	25,430	23,976
Closing Balance	3,188	19,089	3,571	25,430	23,976	33,278
Term Deposit with Banks/Forex	27,746	18,618	14,823	132	132	132
Total Cash & Cash Eq	30,934	37,707	18,394	25,562	24,108	33,410

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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