Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,716	-0.5	4.6
Nifty-50	25,057	-0.4	6.0
Nifty-M 100	57,924	-1.0	1.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,638	-0.3	12.9
Nasdaq	22,498	-0.3	16.5
FTSE 100	9,250	0.3	13.2
DAX	23,667	0.2	18.9
Hang Seng	9,443	1.6	29.5
Nikkei 225	45,630	0.3	14.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	70	1.7	-6.0
Gold ($/OZ)	3,736	-0.7	42.4
Cu (US$/MT)	10,305	4.1	19.1
Almn (US$/MT)	2,646	0.3	4.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	88.7	-0.1	3.6
USD/EUR	1.2	-0.7	13.4
USD/JPY	148.9	0.9	-5.3
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.5	0.02	-0.3
10 Yrs AAA Corp	7.3	0.02	0.0
Flows (USD b)	**24-Sep**	**MTD**	**CYTD**
FIIs	-0.27	-0.57	-15.3
DIIs	0.14	5.21	59.4
Volumes (INRb)	**24-Sep**	**MTD***	**YTD***
Cash	1,021	1040	1065
F&O	1,26,432	2,53,602	2,20,084

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research theme

Financials | Thematic: PSU Banks: Resetting to a new normal in profitability

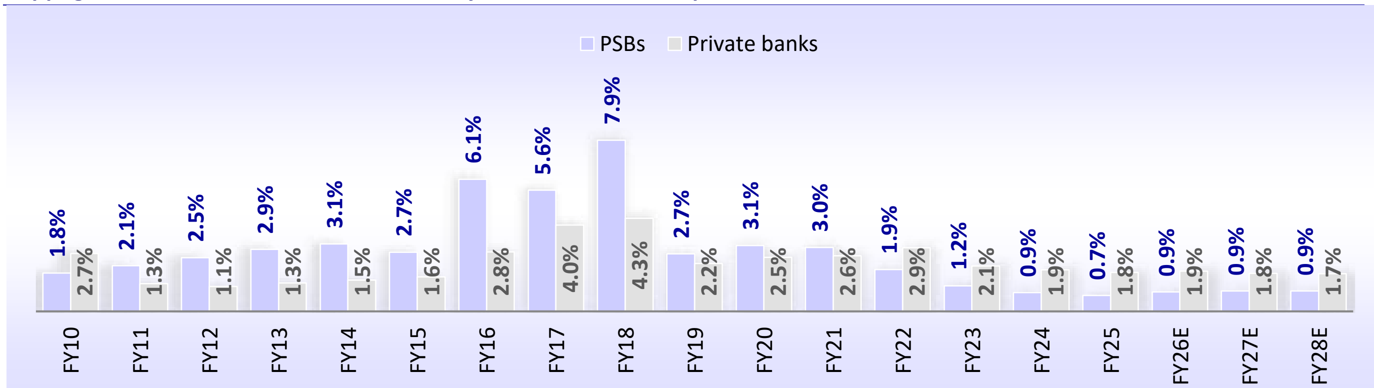
- During Jan'23-Feb'24, we published three sector notes on PSU banks (PSBs), arguing that the recovery in RoA to 1% is not a one-off event but more like a homecoming for PSBs. Now, in recent years, PSBs have sustained healthy RoA, and we believe that with margins recovering in 2HFY26 and asset quality remaining stable, they are well poised to deliver steady returns in the coming years. In this note, we further explore if PSBs have transformed fundamentally and deserve to be viewed differently given their sustained profitability and growth trajectory.
- PSB sector profitability has reached a record high at INR1.5t and RoA has surpassed 1%. We estimate a 14% CAGR in aggregate earnings of our PSB coverage over FY26-28E. While NIM pressure may weigh on the near-term outlook, rising fee income, a gradual moderation in cost ratios, and healthy coverage levels (PCR ~79%) will help to keep RoA stable at 1.0-1.1%.
- Stronger deposit franchises, conservative CD ratios, and steady traction in Retail, Agri and MSME (RAM) segments have enabled PSBs to regain credit momentum, with PSBs outpacing private banks in FY25 loan growth for the first time in the past 15 years (12% vs. 10%). PSBs' market cap has jumped nearly 5x since FY20, yet they continue to trade at reasonable valuations even as sector RoE remains stable at 18-19% and RoA at ~1%.
- With their strong balance sheets, healthy asset quality, and improving efficiency, we see scope for a gradual but meaningful re-rating for PSBs. Our preferred ideas are SBIN and PNB. Among mid-size names, we prefer INBK given its superior return ratios.

Research covered

Cos/Sector	Key Highlights
Financials | Thematic	PSU Banks: Resetting to a new normal in profitability
Larsen & Toubro	Execution momentum to continue
Gland Pharma	Growth reignited – New launches, Cenexi, and GLP-1 upside

Chart of the Day: Financials | Thematic (PSU Banks: Resetting to a new normal in profitability)

Slippage ratio for PSBs remains consistently better than that of private banks



*based on MOFSL coverage universe

Source: MOFSL, company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Crisil to acquire McKinsey PriceMetrix to expand wealth management insights

PriceMetrix, based in Toronto, serves leading wealth management firms in the US and Canada

2

Lupin gets tentative nod from USFDA for generic HIV treatment drug

Citing IQVIA MAT July 2025 data, Lupin said the Bictegravir, Emtricitabine, and Tenofovir Alafenamide tablets (Biktarvy) had estimated annual sales of $16,237 million in the US

3

Labour Ministry signs MoU with Zepto to accelerate job opportunities

The Memorandum of Understanding (MoU) was signed in the presence of Union Minister for Labour & Employment Mansukh Mandaviya

4

Glenmark Pharma signs $18 mn deal with Hengrui for cancer therapy drug

The agreement gives Glenmark exclusive rights to develop and commercialise cancer drug Trastuzumab Rezetecan outside China, the US, Europe, and other select markets

5

Forevermark opens 1st flagship store in Delhi, plans 100 outlets by 2030

Forevermark targets metros and tier II cities with affordable luxury focus

6

GPT Infraprojects board elevates Atul Tantia to Joint MD & CFO; Om Tantia appointed as new chairman

GPT Infraprojects Limited's board has announced major leadership changes and a revamp of its core governance documents following the passing of its Non-Executive Chairman, Dwarika Prasad Tantia.

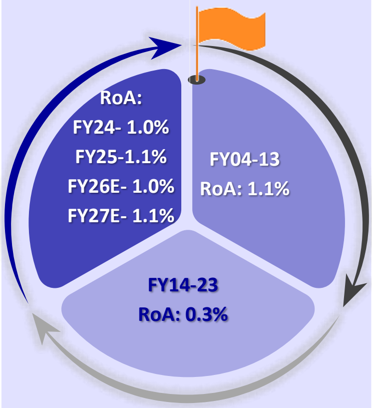
7

Waaree Energies invests ₹300 crore in arm Waaree Energy Storage for lithium-ion cell plant

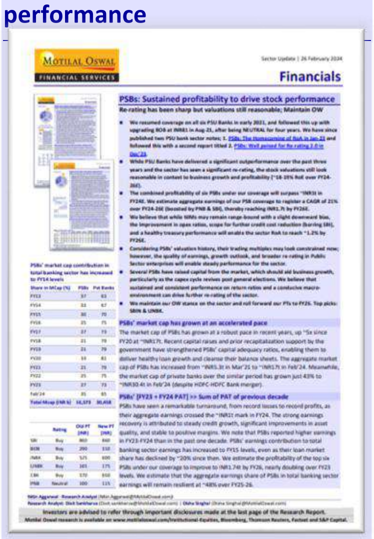
Domestic solar module manufacturer Waaree Energies Limited on Wednesday (September 24) said it has invested ₹300 crore in its wholly-owned subsidiary, Waaree Energy Storage Solutions Private Limited (WESSPL), through a rights issue.

Financials

RoA journey (%)



Financials: PSBs — Sustained profitability to drive stock performance


Financials

PSBs: Sustained profitability to drive stock performance

PSU Banks: Resetting to a new normal in profitability

PSBs to sustain 1% RoA; valuations remain inexpensive

- **During Jan'23-Feb'24, we published three sector notes on PSU banks (PSBs), arguing that the recovery in RoA to 1% is not a one-off event but more like a homecoming for PSBs. Now, in recent years, PSBs have sustained healthy RoA, and we believe that with margins recovering in 2HFY26 and asset quality remaining stable, they are well poised to deliver steady returns in the coming years.**
- **In this note, we further explore if PSBs have transformed fundamentally and deserve to be viewed differently given their sustained profitability and growth trajectory.**
- **PSB sector profitability has reached a record high at INR1.5t and RoA has surpassed 1%. We estimate a 14% CAGR in aggregate earnings of our PSB coverage over FY26-28E.**
- **While NIM pressure may weigh on the near-term outlook, rising fee income, a gradual moderation in cost ratios, and healthy coverage levels (PCR ~79%) will help to keep RoA stable at 1.0-1.1%.**
- **Stronger deposit franchises, conservative CD ratios, and steady traction in Retail, Agri and MSME (RAM) segments have enabled PSBs to regain credit momentum, with PSBs outpacing private banks in FY25 loan growth for the first time in the past 15 years (12% vs. 10%).**
- **PSBs' market cap has jumped nearly 5x since FY20, yet they continue to trade at reasonable valuations even as sector RoE remains stable at 18-19% and RoA at ~1%.**
- **With their strong balance sheets, healthy asset quality, and improving efficiency, we see scope for a gradual but meaningful re-rating for PSBs. Our preferred ideas are SBIN and PNB. Among mid-size names, we prefer INBK given its superior return ratios.**

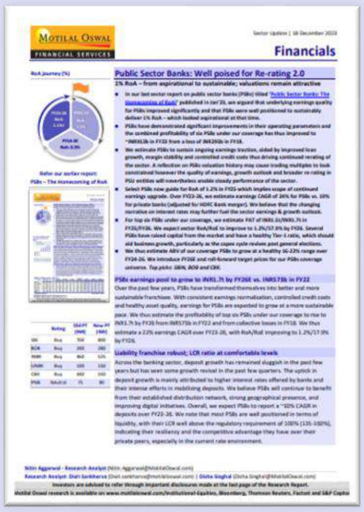
PSBs well poised to sustain RoA at ~1%

Once considered aspirational, PSBs have achieved a structural turnaround, with sector RoA reaching ~1.1% in FY25, supported by improved underwriting, cost control, and robust recoveries. Aggregate PSB profits have surged to INR1.5t in FY25, with their share in banking profits rebounding to 48%. While private banks continue to lead in RoA (1.7-1.8%), top PSBs now deliver comparable or superior RoE (~18), aided by higher leverage. Despite near-term headwinds from margin pressure, modest growth, and ECL implementation down the road, we expect PSBs to sustain RoA at ~1% and deliver ~14% earnings CAGR over FY26-28E.

Healthy liquidity, funding profile to support stable credit growth

PSBs have historically maintained a robust deposit franchise and a comfortable liquidity position, as reflected in their healthy LCR and controlled CD ratio. Despite a gradual erosion in market share, PSBs still command over 62% of system deposits, anchored by their extensive branch presence and strong depositor trust. This has enabled most PSBs to maintain controlled CD ratios, while healthy LCR (130-145% range) further reinforces balance sheet position. This allows PSBs to fund loan growth without aggressively chasing high-cost deposits, giving them a funding advantage across liquidity and rate cycles and ensuring stable 11-12% YoY credit growth.

PSBs: Well poised for rerating 2.0; 1% RoA – from aspirational to sustainable; valuations remain attractive


Financials

Public Sector Banks: Well poised for Re-rating 2.0

PSBs' credit market share to decline at milder pace vs. 200bp annual fall

PSBs have reversed a decade-long trend of market share erosion, regaining ~40bp in FY25 to ~58%. This was supported by healthy credit growth, backed by robust asset quality, strong capital buffers, and ample liquidity that allowed them to sustain steady credit flow, while private peers faced CD ratio constraints. In FY25, PSBs outpaced private banks in loan growth for the first time in 15 years (12% vs. 10%), driven by momentum in retail and MSME segments and relative insulation from stress in unsecured loans. With low-cost deposits, digital investments, and a recovery in consumption demand, we believe PSBs are well placed to deliver 10-12% loan CAGR in FY26E, and unlike the sharp 200bp annual decline over FY11-21, their market share is now expected to decline only marginally over FY26-28E.

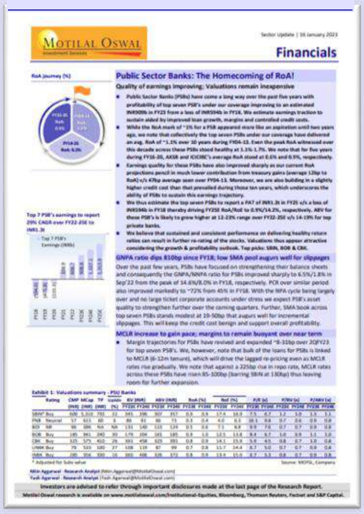
Navigating NIM pressures with strategic rebalancing; pace of fall to ease

We expect PSBs to face further margin pressure in 2QFY26 due to the repricing of repo-linked loans. However, proactive liability management through the repricing of bulk deposits and certificate of deposits (CDs) at lower rates and replacing high-cost CDs with granular retail deposits will mitigate margin impact. We believe NIMs are likely to broadly stabilize by 3QFY26 and recover thereafter, supporting healthy NII growth over FY27-28E. Alongside, PSBs are cautiously rebalancing their asset mix toward higher-yielding RAM loans. With a low Credit deposit ratio, rising fee income, and prudent use of loan syndication and sell-downs, PSBs are well-positioned to absorb short-term NIM compression while sustaining healthy credit growth and profitability.

Bond gains provide crucial earnings support; mix in other income rises to 22-40%

Amid the sharp decline in NII, treasury gains have become a key offsetting lever for PSBs, driven by the rally in G-sec bonds following a sharp drop in yields. In 1QFY26, treasury gains accounted for 22-40% of total other income for PSBs, the highest in the past four years, with SBIN, Bank of Baroda (BOB), and CBK reporting the largest contributions of 31-40%. However, treasury gains are expected to moderate in the coming quarters as bond yields remain range-bound, while healthy systemic liquidity and the upcoming CRR cut reduce the need for repeated OMOs.

FINANCIALS: Public Sector Banks: The Homecoming of RoA!


Financials

Public Sector Banks: The Homecoming of RoA!

Cost ratios to improve gradually, thereby supporting RoA

PSBs have traditionally operated with high cost-to-income ratios of 48-55% due to elevated employee expenses (55-66% of total costs), making them less efficient than private peers (~35-45%). However, operating leverage is now improving as revenue growth strengthens, fee income scales up, and headcount remains largely stable. Digital adoption, branch rationalization, workforce optimization, and the government's PLI scheme are supporting efficiency gains, helping revenue outpace the cost increase. As a result, C/I ratios are expected to gradually decline, narrowing the efficiency gap and supporting stable RoA.

Robust asset quality with best-in-class PCR ratios

PSBs have undergone a remarkable balance sheet transformation, moving from double-digit NPAs to best-in-class asset quality. PCR has risen sharply from 45% in FY18 to ~79% in FY25, while GNPA ratio has declined from 14.6% to 2.8%, bringing net NPA ratio down to 0.5%, comparable with private banks. Slippages have dropped from ~7.9% in FY18 to ~0.7% in FY25 and are expected to stay below 1% through FY27-28E, highlighting the resilience of PSBs' asset quality vs. private peers (~1.8-1.9% slippages). Credit costs have improved significantly but are expected to rise gradually due to slower recoveries and ECL transition, though the healthy PCR provides a cushion. Contained SMA books, disciplined underwriting and strong governance provide visibility on stable asset quality, while stronger capital positons and cleaner balance sheets make PSBs far more resilient, mitigating the depth of cyclicality in earnings and asset quality compared with past downturns.

Capital adequacy has improved sharply; internal accruals to fund growth

Over the past five years, PSBs have strengthened their CET-1 ratios from 9.4%-11.8% in FY20 to 11.0%-15.3% by 1QFY26, supported by strong internal accruals and capital raises from the market. This capital cushion, combined with robust profitability, improved asset quality, and disciplined underwriting, has enabled steady credit growth while containing risks. Several PSBs like SBIN, Punjab National Bank (PNB), CBK, and Union Bank (UNBK) have successfully tapped equity markets, driving CRAR to a healthy range of 15-18% across our coverage banks. Most PSBs now have a public float of over 25%, though select banks will still need to reduce government holdings to meet minimum promoter shareholding norms.

Valuation and view: RoA outlook steady; should PSBs be looked at from a different lens?

PSBs have seen a strong re-rating over the past five years, shedding their legacy image of lenders with poorer underwriting capabilities to competitive players delivering consistent value to stakeholders. Their aggregate market capitalization has surged by nearly 5x since FY20. Despite healthy RoE of ~18% and sustainable RoA of 1%+, most coverage PSBs trade at reasonable valuations of 0.8-1x forward P/B and 5-7x FY27E EPS. While near-term earnings may face margin pressures, structural improvements in asset quality, capital strength, digital adoption, and operating efficiency offer visibility on sustaining this RoA. PSBs are well positioned to benefit from any capex recovery, though near-term growth will continue to be funded by RAM assets. Stronger capital positions, cleaner balance sheets, and prudent provisioning make PSBs more resilient and limit cyclicality in earnings and asset quality relative to past cycles. **Top picks: SBIN and PNB. INBK stands out among mid-sized banks. We remain Neutral on BOB and UNBK.**

Larsen & Toubro

BSE SENSEX	S&P CNX
81,716	25,057

Bloomberg	LT IN
Equity Shares (m)	1376
M.Cap.(INRb)/(USDb)	5053.4 / 57
52-Week Range (INR)	3964 / 2965
1, 6, 12 Rel. Per (%)	1/0/0
12M Avg Val (INR M)	7328

Financials &Valuations (INR b)

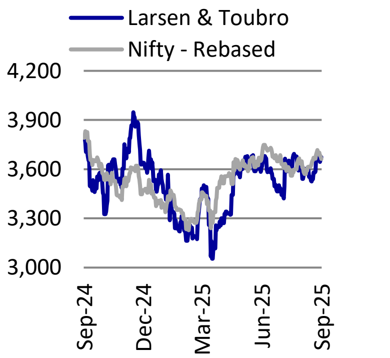
Y/E MARCH	FY26E	FY27E	FY28E
Net Sales	2,967.9	3,410.0	3,910.3
EBITDA	310.8	360.1	415.0
PAT	179.4	213.2	254.3
EPS (INR)	130.5	155.1	185.0
GR. (%)	22.2	18.9	19.3
BV/Sh (INR)	800.3	907.2	1,034.7
Ratios			
ROE (%)	17.3	18.2	19.1
RoCE (%)	9.7	10.4	11.2
Payout (%)	31.1	31.1	31.1
Valuations			
P/E (X)	28.2	23.7	19.9
P/BV (X)	4.6	4.0	3.6
EV/EBITDA (X)	16.3	14.0	12.2
Div Yield (%)	1.1	1.3	1.6

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	0.0	0.0	0.0
DII	43.2	42.5	38.7
FII	20.2	20.7	23.9
Others	36.5	36.8	37.4

FII Includes depository receipts

Stock performance (one-year)



CMP:INR3,674 TP: INR4,300 (+17%) Buy

Execution momentum to continue

Our recent meeting with LT reinforces our thesis that execution growth will remain strong for the company over the next few years, driven by a strong order book. The company is selectively eyeing projects from domestic markets and expects international ordering to keep supporting growth. Though lower oil prices can impact decision-making in international projects in the near term, LT's focus on gas, renewable and maintenance capex of existing oil fields will keep driving the inflows. LT is also focusing on next phase of Lakshya for FY26-31 and while remaining focused on EPC, company is focusing on growing these four new businesses which were seeded during Lakshya 2026 – real estate, semiconductor, green energy and data centre and will grow these in future. We maintain our estimates for LT and reiterate our BUY rating with an SoTP-based TP of INR4,300, valuing core E&C at 28x Sep'27E EPS.

Strong order book to sustain execution growth

LT has an order book of INR6.1t as of 1QFY26. Core E&C revenue growth over the last three years and in 1QFY26 was largely driven by international projects, and we expect a similar trend to continue in the future too, as execution is ramping up across mega projects in the Middle East. We expect that strong execution growth in international projects will more than compensate for weaker growth in domestic revenue. We bake in core E&C revenue growth of 17%/15%/15% for FY26/27/28E.

Opportunities from domestic and international

LT's international order inflows have more than compensated for the flat trend in domestic inflows. With an overall prospect pipeline of INR15t for the remaining fiscal, the company is eyeing projects across thermal, nuclear, hydroelectric, renewable, urban infra, buildings and factories, state irrigation projects and defense in the domestic segment and gas, renewable and maintenance capex of existing oil fields in the international segment. The recent order inflows of INR230b in thermal from Adani, a significant order in nuclear from NPCIL, and other large orders in power T&D, heavy civil, high speed rail, renewable, and metals and minerals indicate momentum in these segments in domestic markets. International inflows so far in 1HFY26 have come from hydrocarbon, gas and power T&D.

Defense segment to grow at a faster pace

LT's defense vertical is housed in the hi-tech manufacturing segment and has a prospect pipeline of INR215b. The company focuses on Naval systems, weapon systems, engineering and ground systems and sensors and communications. LT is eyeing projects across platforms and is collaborating with technology start-ups to strengthen its portfolio. LT has also entered into a strategic partnership with BEL to respond to the EoI issued for the AMCA project. L&T will bring its expertise in aerospace structures and systems integration, while BEL will contribute for avionics and defence electronics. During FY23-25, LT's defense order inflows stood at INR121b/INR103b/INR133b and the revenue CAGR stood at 36%. This segment, though still small, is expected to grow much faster than the core E&C division.

Prospect pipeline and win rate remain strong

The company has a prospect pipeline of INR15t spread across international (INR9t) and domestic (INR6t), and this pipeline has seen some adjustments after 4QFY25 due to the deferment of some prospects in international markets and some water-related projects in domestic markets. However, with a win rate of 18-20% in the prospect pipeline, the company can target inflows of INR3-3.2t, translating into 10% YoY growth in total inflows in FY26. LT's win rate in thermal power projects is much higher than its overall business as it is largely a two-player market. Its win rate is also higher in defense as the company works with clients for specific requirements in defense tendering.

Future focus areas of growth beyond core E&C

- **Real Estate:** In the Realty business, the company is primarily focusing on Tier-1 cities and has been actively scaling up its presence through a mix of land acquisitions and joint development projects. The company has around 75mn sq ft under development (launched + to be launched) and it intends to maintain a ratio of 25% for commercial and 75% for residential going forward. LT is scaling up its operations in this segment and plans to consider its IPO by FY27 end or early FY28.
- **Green Hydrogen:** L&T Energy GreenTech (LTEG) recently secured a major order from IOCL to set up India's largest green hydrogen plant at Panipat, with a capacity of 10,000 TPA, supported by in-house electrolyser manufacturing at Hazira. With potential export opportunities, LT intends to expand its electrolyser manufacturing facility at Hazira to 1 GW from the current capacity of 400 MW. The company has also partnered with Japan's ITOCHU to develop a 300 KTPA green ammonia project at Kandla and announced plans for an even larger 1.8 MTPA facility at Paradip.
- **Semiconductor:** In semiconductors, LT is primarily into the designing of analog semiconductors, which is mainly for industrial applications. The company acquired a 100% stake in SiliConch Systems to strengthen its presence in fabless semiconductors. Further, the company has allocated USD100m for this segment.
- **Data centers:** The company has acquired a stake in E2E Networks to strengthen its entry into the data center business, with a focus on accelerating cloud and AI-led innovations for Indian enterprises. Till date, it has commissioned 32 MW of data center capacity and aims to scale this up to 100 MW over the years. Importantly, the company intends to operate and manage these assets in-house, with no plans for divestment.

Financial outlook

We expect a CAGR of 11% in core EPC order inflows over FY25-28. With a strong track record of execution, we expect a 16% CAGR in core EPC revenue over the same period, with core EPC margin assumption of 8.5-8.8% for FY26-FY28. We thus expect a CAGR of 18%/21% in core EBITDA/PAT over FY25-28.

Valuation and view

At the current price, LT is trading at 29x/24x/20x P/E on FY26/27/28E earnings of core E&C. We maintain our estimates for core E&C and continue to value the company at 28x P/E two-year forward earnings for core business and a 25% holding company discount for subsidiaries. We maintain BUY with a revised TP of INR4,300, rolling forward to Sep'27E EPS (INR4,200 earlier).

Key risks and concerns

A slowdown in order inflows, geopolitical issues, delays in the completion of mega and ultra-mega projects, a sharp rise in commodity prices, an increase in working capital, and increased competition are a few downside risks to our estimates.

Gland Pharma

BSE SENSEX	S&P CNX
81,716	25,057

GLAND PHARMA LIMITED

Stock Info

Bloomberg	GLAND IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	325.9 / 3.7
52-Week Range (INR)	2131 / 1200
1, 6, 12 Rel. Per (%)	0/17/10
12M Avg Val (INR M)	519
Free float (%)	48.2

Financials Snapshot (INR b)

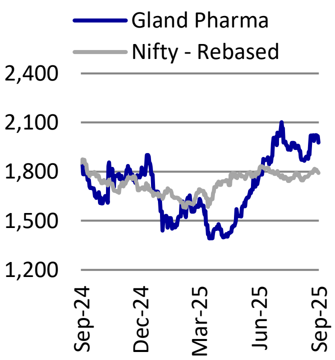
Y/E MARCH	FY25	FY26E	FY27E
Sales	56.2	63.3	72.4
EBITDA	12.7	15.1	18.2
Adj. PAT	7.0	9.2	11.3
EBITDA Margin (%)	22.6	23.8	25.1
Cons. Adj. EPS (INR)	42.4	55.6	68.4
EPS Gr. (%)	(10.9)	31.2	23.0
BV/Sh. (INR)	555.4	611.0	679.5
Ratios			
Net D:E	(0.2)	(0.2)	(0.3)
RoE (%)	7.8	9.5	10.6
RoCE (%)	7.8	9.5	10.4
Payout (%)	50	27.7	29
Valuations			
P/E (x)	45.7	34.8	28.3
EV/EBITDA (x)	23.4	19.8	15.9
Div. Yield (%)	-	-	-
FCF Yield (%)	1.6	(1.1)	2.3
EV/Sales (x)	5.3	4.7	4.0

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

Stock performance (one-year)



CMP: INR1,978 TP: INR2,340 (+18%) Buy

Growth reignited – New launches, Cenexi, and GLP-1 upside

- **Gland Pharma (GLAND) witnessed a significant deterioration in its financial performance, with PAT posting a 17% compounded decline over FY22-25, to INR7b.**
- **This was largely led by: a) increased competition in certain products, and b) higher inventory at the industry level in base products. Profitability was further impacted by the addition of low-margin Cenexi business.**
- **GLAND has been working to revive its performance across the segment by focusing on all growth factors. This is reflected in two key areas: securing niche approvals for the US market and delivering higher-value offerings from its Cenexi sites.**
- **Notably, the company has enhanced its capabilities and upgraded equipment at its Cenexi sites to boost both revenue and profitability.**
- **Accordingly, we expect a 27% CAGR in earnings over FY25-27. We value GLAND at 33x 12M (20% discount to its 10-year average) forward earnings to arrive at a TP of INR2,340. Reiterate BUY.**

Core markets: New launches and CMS contract to drive growth

- In FY25, GLAND's core market revenue remained stable, despite achieving its highest-ever ANDA approvals of 32, bringing the cumulative total to 122 over FY21-25.
- The moderation seen in recent quarters was largely driven by the lower off-take of Enoxaparin supplies.
- Looking ahead, new launches and the approval pipeline for Norepinephrine/Vasopressin/Cangrelor across core markets are expected to enhance the outlook for multiple markets.
- A further upside could come from g-Dalbavancin in the US market and the CMS contract in the US/EU markets, both of which are expected to contribute meaningfully from FY26 onwards.
- We expect a 12% sales CAGR in core markets over FY25-27, reaching INR41b.

Expanding capacity to capitalize on the GLP-1 opportunity

- The global semaglutide market is projected to expand at a strong 40% YoY.
- In FY26, patent expiries for oral/injectable semaglutide will open up key markets in India/Canada/China/South Africa/Brazil/Turkey/UAE, representing one-third of the global obese population.
- Novo Nordisk's semaglutide portfolio recorded robust sales in CY24, with Ozempic contributing USD17b and Wegovy adding USD8.4b.
- Building on this momentum, GLAND is already active in Liraglutide and is strengthening its GLP-1 portfolio through CDMO contracts.
- To capture growth opportunities in Semaglutide, GLAND plans to expand its capacity from 40m to 140m units. The meaningful revenue contribution from this project is expected to start from 1QFY27 onwards.
- GLAND aims to invest INR2b to achieve a total capacity of 140m units per annum.

Cenexi: Margin recovery and capacity expansion to drive growth

- In FY25, Cenexi achieved stable revenue with a marginal growth of 0.3% YoY due to disruptions in manufacturing sites/breakdown in equipment. However, in recent quarters, performance has improved due to a strategic shift from the low-value/high-volume segment towards higher-value offerings such as prefilled syringes, lyophilized vials, and ophthalmic gel.
- GLAND is enhancing Cenexi's capabilities in pre-filled syringes, lyophilized vials, and ophthalmic gels to boost both revenue growth and profitability.
- In FY25, the performance of the Fontenay facility in Paris, a key revenue contributor, was weighed down by equipment breakdowns/regulatory inspections. Post efficiency upgrades and a new high-capacity ampoule line, operations have stabilized with full commercial production.
- The Herouville facility is set for growth, with new technology transfers, increased ophthalmic gel/vaccine production, and an upcoming pre-filled syringe line boosting capacity.
- In FY25, the Braine-l Alleud site in Belgium was temporarily affected by a lypholizer breakdown, with the remaining equipment operating at full capacity. In addition, two new lypholizers under installation are expected to be qualified by CY25, strengthening future capacity and reliability.

Incremental growth drivers: RTU bags/co-development pipeline

- GLAND's co-development pipeline is led by radiocontrast agents, which account for over 50% of its 15-product portfolio, highlighting its focus on high-growth segments.
- The company's RTU bags portfolio is gaining traction, with 20 products already filed and 10 more under development, reflecting its strategic push in this niche segment.

Valuation and view

- GLAND is well-positioned for growth, driven by capacity expansion from 40m to 140m units to capitalize on rising GLP-1 demand following the upcoming patent expiry in FY26. Cenexi's operational turnaround, supported by higher-value offerings and upgraded facilities, is contributing to margin recovery and revenue stability.
- Incrementally, growth is reinforced by a focused co-development pipeline in radiocontrast agents and an expanding RTU bags portfolio. Together, these initiatives strengthen revenue visibility and support long-term growth prospects, underpinning a positive outlook.
- After three years of decline, we expect a CAGR of 14%/20%/27% in revenue/EBITDA/PAT over FY25-27.
- We value GLAND at 33x 12M (20% discount to its 10-year average) forward earnings to arrive at a TP of INR2,340. We reiterate BUY on the stock.

N O T E S

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
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