Initial Public Offer

NOVEMBER 5, 2020

IPO Note

GLAND PHARMA LTD (GPL)

NOT RATED

(Note: All the information in this note is taken from RHP)

Offer Details

The price band is in the range of Rs. 1490 -1500/share. The total issue size is Rs. ~6480 crores (at Rs. 1500/share) through an Offer for Sale (OFS) of up to 3,48,63,635 equity shares, comprising of up to 19,368,686 Equity Shares by Promoter Selling Shareholder (Fosun Singapore) and up to 15,494,949 Equity Shares by the Other Selling Shareholders and Fresh issue of up to ~8,33,333 Equity Shares (at Rs. 1500/share).

Details of the offer

Particulars	Details
Price band (Rs/share)	1490 -1500
Opening date of the Issue	09th November, 2020
Closing date of the issue	11th November, 2020
No. of shares pre-issue (nos. Cr)	**15**
Fresh Issue (nos. Cr)*	0.83
Offer for sale (nos. Cr)*	3.49
No. of shares post-issue (nos. Cr)*	**16**
Issue size (Rs Cr)*	**6480**
Face Value (Rs/ share)	1
Bid Lot	10 equity shares and in multiple thereof
Book Building	
QIBs (Including Anchor)	50%
Non-Institutional	15%
Retail	35%
Lead managers	Kotak Mahindra Capital Company Ltd; Citigroup Global Markets India Private Limited; Haitong Securities India Private Ltd; Nomura Financial Advisory and Securities (India) Private Ltd
Registrar to the issue	Link Intime India Private Limited

*Source: Company's RHP, * Based on upper price band*

Shareholding Pattern

Shareholders	No. of Shares	Pre-Issue Shareholding (%)
Promoter		
Fosun Singapore	11,46,62,620	74.00
Public		
Gland Celsus	2,00,94,870	12.97
Empower Trust	78,65,000	5.08
Nilay Trust	37,49,000	2.42
Others	85,78,000	5.53
Total	**15,49,49,490**	**100.00**

Source: Company's RHP

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Selling Shareholder

Shareholders	No. of Shares	% of OFS	% of Pre-Issue Shareholding
Promoter			
Fosun Singapore	1,93,68,686	55.55	12.49
Public			
Gland Celsus	1,00,47,435	28.82	6.48
Empower Trust	35,72,014	10.25	2.31
Nilay Trust	18,74,500	5.38	1.21
Total	**3,48,62,635**	**100.00**	**22.49**

Source: Company's RHP

Objects of the offer

The Offer comprises of the Fresh Issue and Offer for Sale. Hence, the proceeds of the Offer for Sale shall be received by the Selling Shareholders. Company will not receive any proceeds from the Offer for Sale. Net proceeds from fresh issue shall be used towards funding of the following objects:

- Funding incremental working capital requirements of Company ~ Rs 769.5 crore;
- Funding capital expenditure requirements of Company ~ Rs 168 crore; and
- General corporate purposes.

Background

Company was incorporated as 'Gland Pharma Private Limited', a private limited company on March 20, 1978 at Hyderabad. Subsequently, the name was changed to 'Gland Pharma Limited' on December 5, 1994 and a fresh certificate of incorporation dated April 25, 1995 was issued by the Registrar of Companies, Andhra Pradesh at Hyderabad consequent upon change of name and conversion into a public limited company under the Companies Act, 1956. Gland Pharma Limited (GPL) is one of the fastest growing injectables-focused companies selling products primarily under a business to business ("B2B") model in over 60 countries as of March 31, 2020, including the United States, Europe, Canada, Australia, India and the Rest of the world.

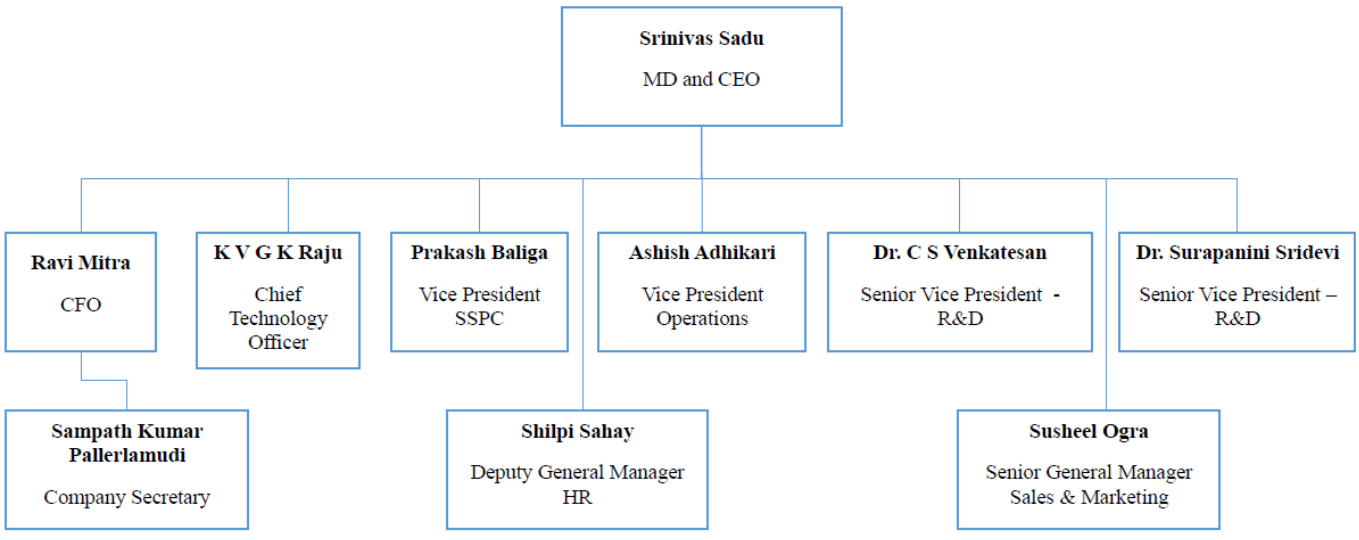
Management Background

Name	Age	Designation	Background
Yiu Kwan Stanley Lau	65	Chairman & Independent Director	He holds a bachelor's degree in pharmacy from the School of Pharmacy, University of London. He is a director on the board of directors Solasia Pharma K. K. and TaiLai Bioscience Ltd. He was previously the chief executive officer of Amsino Medical Group, the chief operating officer of Eddingpharm Investment Co. Ltd, and the president of China Biologic Products, Inc. He has also worked with Merck Sharp & Dohme (Asia) Ltd and Baxter (China) Investment Co., Ltd.
Srinivas Sadu	51	MD & CEO	He holds a bachelor's degree in pharmacy from Gulbarga University, a master's degree in science from Long Island University, New York and a master's degree in business administration from University of Baltimore. He also holds a post graduate certificate in finance and management from the London School of Business and Finance. He has previously worked at Natco Pharma Limited at Hyderabad, India, and is presently a director on the board of Sadu Advisory Services Private Limited. He has over 21 years of experience in business operations and management. He joined our Company as the general manager – exports in 2000, and was elevated to position of senior general manager in 2002, vice president in 2003, director in 2005, and chief operating officer in 2011. He was appointed as the MD and CEO with effect from April 25, 2019.

Name	Age	Designation	Background
Qiyu Chen	48	Non-Executive Nominee Director	He holds a bachelor's degree in genetics from Fudan University and a master's degree in business administration from China Europe International Business School. He is the global partner of the Fosun group. He is also the executive director and chairman on the board of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., chairman of Shanghai Fosun High Technology (Group) Co., Ltd, and an executive director and co-chief executive officer on the board of Fosun International Limited, a company listed on the Stock Exchange of Hong Kong Limited, and chairman of Fosun Healthcare Holdings, and Fosun Health Insurance and Health Management Group. He is also on the boards of Sinopharm Group Co., Ltd., a company listed on the Stock Exchange of Hong Kong Limited; and Beijing Sanyuan Foods Co., Ltd., a company listed on the Shanghai Stock Exchange. He joined the Fosun group in April 1994 and was appointed as an executive director of the Fosun group in May 2005.
Dongming Li	50	Non-Executive Nominee Director	He holds a bachelor's degree in science from Fudan University. He has served as a senior vice president of Shanghai Fosun Pharmaceutical Industry Co., Ltd since April 2017. He is also the vice president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. He previously worked at Shanghai Pharmaceuticals (Group) Co., Limited, and at Shanghai Roche Pharmaceutical Co., Ltd. from May 2008 to November 2013.
Xiaohui Guan	49	Non-Executive Nominee Director	She holds a master's degree in professional accountancy from the Chinese University of Hong Kong. She is also a member of the Association of Chartered Certified Accountants and a non-practising member of the Shanghai Institute of Certified Public Accountants. She joined the Fosun group in May 2000. She is the senior vice president and chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. and nonexecutive director of Sinopharm Group Co., Ltd, a company listed on the Stock Exchange of Hong Kong Limited. Previously, she was the supervisor at the China National Accord Medicines Corporation Ltd.
Yiran Peng	43	Non-Executive Nominee Director	He holds a bachelor's degree in economics from Jiangxi University of Finance and Economics and a master's degree in business administration from China Europe International Business School. He is the vice president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. He previously worked at GlaxoSmithKline China Investment Co., Ltd.
Udo Johannes Vetter	65	Non-Executive Nominee Director	He holds a bachelor's degree in science (pharmacy) from the University of Washington. He has been associated with the Vetter/ Vetter Pharma group of companies since 1987, and is currently the chairman on the board of directors of Vetter Pharma (Corporation).
Moheb Ali Mohammed	76	Independent Director	He holds a master's degree in history and international relations from Madras University. He has previously worked with the Customs Excise and Service Tax Appellate Tribunal as a member (technical).
Satyanarayana Murthy Chavali	53	Independent Director	He holds a bachelor's degree in technology from Indian Institute of Technology, Madras and a post graduate diploma in management from Indian Institute of Management, Bangalore. He was a chief executive officer of Aurigene Discovery Technologies Limited, and has previously worked at Dr. Reddy's Laboratories Limited.

Source: Company RHP

Management Organisation Chart



Source: Company RHP

Business Overview

GPL is one of the fastest growing generic injectables-focused companies by revenue in the United States from 2014 to 2019 (Source: IQVIA Report). They sell products primarily under a business to business ("B2B") model in over 60 countries as of March 31, 2020, including the United States, Europe, Canada, Australia, India and the Rest of the world. They have a consistent compliance track record with a range of regulatory regimes across these markets. Company also has an extensive track record in complex injectables development, manufacturing and marketing and a close understanding of the related sophisticated scientific, technical and regulatory processes. GPL was established in Hyderabad, India in 1978 and has expanded from liquid parenterals to cover other elements of the injectables value chain, including contract development, own development, dossier preparation and filing, technology transfer and manufacturing across a range of delivery systems. Company has a professional management team and one of its Promoters, Shanghai Fosun Pharma, is a global pharmaceutical major.

Over the years, GPL have made substantial investments in its manufacturing infrastructure to support its product portfolio needs and reach. They have seven manufacturing facilities in India, comprising four finished formulations facilities with a total of 22 production lines and three API facilities. As of March 31, 2020, they had manufacturing capacity for finished formulations of ~ 75.5 crore units per annum. GPL's API facilities provides them with in-house manufacturing capabilities for critical APIs, enabling them to control costs and quality and mitigate supply chain related risks around their key products. Their capabilities as a vertically integrated company include internal research and development ("R&D") expertise, robust manufacturing capabilities, a strict quality assurance system, extensive regulatory experience and established marketing and distribution relationships.

GPL has a successful track record of operating a B2B model with leading pharmaceutical companies such as Sagent Pharmaceuticals, Inc. and Apotex Inc. as well as Fresenius Kabi USA, LLC and Athenex Pharmaceutical Division, LLC in the United States and the Rest of the world using long-term development, licensing and manufacturing and supply agreements. GPL's primary B2B model covers IP-led, technology transfer and contract manufacturing models, complemented by a B2C model in its home market of India leveraging its brand strength and sales network.

GPL has track record of revenue delivery and profitability across the United States, Europe, Canada, Australia, India and the Rest of the world.

Key Operating Segments

Countries	FY18 (%)	FY19 (%)	FY20 (%)	Q1FY20 (%)	Q1FY21 (%)
US	71.25	62.50	66.74	65.49	62.61
India	18.49	18.97	17.74	17.13	14.52
Europe	3.39	5.38	4.44	4.85	3.40
Canada	1.08	1.12	1.78	0.78	2.34
Australia	0.69	0.44	0.50	0.16	0.43
Rest of the world	5.10	11.59	8.80	11.59	16.70

Source: Company RHP

Manufacturing facilities details

No.	Location	Facility	Presentation	Capacity (Lines)	Exiting Capacity (Units p.a)	Capacity Utilisation (%) in Fiscal			Key products	Key regulatory approvals
						2018	2019	2020		
1	Dundigal, Hyderabad	Sterile injectables	Vials	6	240 mn	87	90	91	Enoxaparin Sodium, Caspofungin, Levetiracetam	USFDA, MHRA, EMA (EU), TGA (Australia), BGV Hamburg (Germany)
			Lyophilizers	7	48 mn	81	74	75		
			Ampoules	1	60 mn	69	35	26		
			PFS	2	60 mn	30	75	50		
			Bags	2	5 mn	22	75	51		
			Ophthalmics	1	45 mn	-	17	17		
2	Pashamylaram, Hyderabad	Sterile injectables	Vials	3	132 mn	47	59	73	Heparin Sodium, Vancomycin	USFDA (US)
			Lyophilizers	3	18 mn	34	73	76		
			Ampoules	2	120 mn	22	21	29		
3	Pashamylaram, Hyderabad	Penems	Lyophilizers	2	8 mn	-	-	-	-	USFDA (US)
			Vials	1		-	-	-		
			Dry Powder	1	45 mn	-	-	-		
4	Vizag	Oncology	Vials	3	11 mn	36	28	48	Paclitaxel, Bortezomib	USFDA, MHRA, TGA (Australia)
			Lyophilizers	4+1	5 mn	16	28	24		
5	Dundigal	API	-	-	-	-	-	-	-	USFDA, MHRA,
6	Vizag	API	-	-	3,000 kg/year	-	-	-	-	USFDA (US)
7	Vizag	API	-	-	8,000 kg/year	-	-	-	-	USFDA (US)

Note: 1. The API plant at Dundigal is an R&D pilot plant for development and lab scale manufacturing of APIs

Source: Company RHP

Strengths

Extensive and vertically integrated injectables manufacturing capabilities

GPL's seven manufacturing facilities are situated in southern India including two sterile injectables facilities, one dedicated Penems facility, one oncology facility and three API facilities. Its manufacturing process is designed to facilitate production flexibility and deliver high and consistent product quality. Company's four finished formulation manufacturing facilities with a total of 22 production lines possess the flexibility to accommodate different product requirements without the need to install new production lines. This allows them to adapt quickly to changes in product specifications, market demand and production requirements. In addition, they consider that diversification of product approvals across multiple manufacturing units for their key products mitigates their exposure to regulatory risk with respect to any particular unit and provides increased certainty of supply.

Company's manufacturing facilities have established a consistent record of regulatory compliance with the USFDA highlighting their focus on quality assurance and quality control. GPL is certified as GMP compliant at all of its manufacturing facilities by the USFDA and certain facilities by the MHRA (UK), ANVISA (Brazil), AGES (Austria), TGA (Australia) and BGV Hamburg (Germany). GPL has had no warning letters from the USFDA since the inception of each facility. GPL has total of three API facilities that provides it with in-house manufacturing capabilities for critical APIs. 24 of its ANDAs covering their key products are supported by in-house APIs. GPL considers its ability to integrate backwards to manufacture its own critical APIs allows them to develop products that other companies may not focus on due to their uncertainty of API supply. GPL's vertical integration allows them to achieve greater control over their manufacturing processes to meet required standards, increase operating efficiencies, accelerate product development, strengthen product quality control and improve supply chain efficiencies.

Diversified B2B-led model across markets, complemented by a targeted B2C model in India

GPL's primary business model is B2B, covering IP-led, technology transfer and contract manufacturing models, complemented by a B2C model in its home market of India. They consider that their various B2B business models enables them to

(i) grow market share in key markets such as the United States, Europe, Canada and Australia, particularly the United States, while reducing the marketing investments they need to make,

(ii) leverage the reputation of its marketing partners in their home markets to build its own presence in these markets,

(iii) build its own reputation as a complex injectables manufacturer with a consistent compliance record attracting confidence from other potential marketing partners, and

(iv) balance profitability and capacity utilisation while continuing to deliver high manufacturing and quality standards to a broad range of customers.

GPL adopted the B2B IP-led model primarily for marketing its portfolio of products. Under this model, they enter into long-term development, licensing and manufacturing and supply agreements with leading pharmaceutical companies with strong and independent sales and distribution networks under which GPL receives licensing fees together with milestone payments tied to completion of specific product development stages. Upon commercialisation of the product, GPL receives the selling price per unit dose of the product and may additionally receive a profit share or royalties based on the net profit or net sales of the product, depending on the relevant terms of the agreement.

Under the B2B technology transfer model, the product is partially developed by GPL's customer and the technology required for the manufacture, testing and packaging of such product is subsequently transferred to GPL. Under this model, GPL receives a selling price per unit dose of the product. Under agreements with certain partners, GPL is entitled to a technology transfer fee and may also receive royalties representing a percentage of the net sales revenue or profit after commercialisation of the product.

Under the B2B CMO model which is primarily for the India market, GPL provides fill and finish services for aseptically or terminally sterilised injectables to other pharmaceutical companies for already approved products. GPL enters into loan and license agreements with these pharmaceutical companies and receive manufacturing and packaging payments per unit manufactured.

Under the B2C model, GPL engages in direct marketing solely in India which leverages its brands in this market to drive its focus on injectables. As a majority of GPL's product pipeline is fully owned by them, it provides them the ability to expand its own direct sales platform in the Indian market. As of March 31, 2020, GPL 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.

Extensive portfolio of complex products supported by internal R&D and regulatory capabilities.

GPL is a vertically integrated company with demonstrated ability to advance a product from the R&D stage through commercialisation. GPL's capabilities include internal research and development expertise, robust manufacturing capabilities (including the ability to synthesise and manufacture critical APIs in-house), a strict quality assurance system, extensive regulatory experience and established marketing and distribution relationships. GPL is present in sterile injectables, oncology and ophthalmics, and focuses on complex injectables, NCE-1s, First-to-File products and 505(b)(2) filings. They have established a portfolio of injectable products across various therapeutic areas and delivery systems. Their delivery systems cover liquid vials, lyophilized vials, pre-filled syringes, ampoules, bags and drops. GPL is expanding its development and manufacturing capabilities in complex injectables such as peptides, long-acting injectables, suspensions and hormonal products as well as new delivery systems such as pens and cartridges.

GPL's product development is underpinned by its internal R&D expertise. Its centralised R&D laboratory is located at its manufacturing facility at Dundigal, Hyderabad with supporting personnel based at each of its manufacturing facilities. In addition, company's R&D laboratories are engaged in the development of key processes such as formulation development, analytical method development, API process development and stability studies. GPL's R&D expertise directly supports its required regulatory filings worldwide. GPL's product capabilities are further reinforced by its drug regulatory capabilities to facilitate registration of complex injectables across the lifecycles and markets for these products. Company's regulatory team has extensive experience in the regulatory requirements of its key markets to facilitate new product registrations. GPL's regulatory team is constantly engaged with regulators including the USFDA, and plays an active role in achieving operational efficiencies by undertaking CBE-30 filings for site and line changes as well as filing for change of APIs when cheaper sources are available.

Track record of growth and profitability from a diversified revenue base with healthy cash flows.

GPL has a track record of revenue delivery and profitability across various markets with healthy cash flows. The following table sets forth its total revenue from operations, EBITDA & restated profit for the year, as specified below:

In Rs crore	FY18	FY19	FY20
Revenue from operations	1622.89	2044.20	2633.24
EBIDTA*	584.08	792.07	1094.64
Restated profit for the year	321.05	451.86	772.86

*Source: Company's RHP; * EBITDA stands for earnings before interest, taxes, depreciation and amortisation which has been arrived at by adding finance expense, depreciation expense, exceptional items and total tax expense to the restated profit for the year.*

GPL's total revenue from operations has grown at a CAGR of 27.38% from FY18-20. Its EBITDA has grown at a CAGR of 36.90% from FY18-20 and its restated profit for the year has grown at a CAGR of 55.15% from FY18-20. GPL's products are developed and manufactured in India and the company believes this confers R&D and manufacturing cost advantages on them compared to its competitors in higher cost markets. GPL strives to be a capital efficient business. GPL does not have any significant borrowings.

Promoted by Shanghai Fosun Pharma with an experienced management team.

GPL has a professional and experienced management team with significant expertise in the pharmaceutical industry. This facilitates effective operational coordination and continuity of business strategies. GPL's MD and CEO, Srinivas Sadu, has been with the company in various capacities since 2000 and CFO, Ravi Shekhar Mitra, has joined GPL with nearly two decades of relevant experience. One of the GPL's promoters, Shanghai Fosun Pharma, is a global pharmaceutical major with extensive pharmaceutical manufacturing, distribution and R&D expertise internationally, and in China. GPL's relationship with Shanghai Fosun Pharma provides it with widened market access opportunities arising from its own continuing internationalisation. In particular, GPL has benefitted from Shanghai Fosun Pharma's established presence in China and Africa, both of which GPL considers to be key growth markets for injectables.

Strategies

Expand product portfolio and delivery systems to drive revenue growth

GPL has maintained a focus on achieving a diverse product mix offering products at various stages of their lifecycle as well as a robust product pipeline. As of June 30, 2020, company along with its partners has 267 ANDA filings in the United States, of which 215 were approved and 52 pending approval. GPL is present in sterile injectables, oncology and ophthalmics, and focus on complex injectables, NCE-1s, First-to-File products and 505(b)(2) filings. The company has established a portfolio of injectable products across various therapeutic areas and delivery systems. The delivery systems cover liquid vials, lyophilized vials, pre-filled syringes, ampoules, bags and drops.

GPL is expanding its development and manufacturing capabilities in complex injectables such as peptides, long-acting injectables, suspensions and hormonal products as well as new delivery systems such as pens and cartridges. GPL will continue to focus on developing products primarily for the U.S. market and leverage this product portfolio to extend across other markets. The company also intends to increase its product offerings by continuing to invest in new technologies to maintain its competitive strengths in both product development and product manufacturing capabilities for complex injectables.

Continue to invest in manufacturing and related technological capabilities to meet future demand

The company aims to continue investing in manufacturing technologies to build new capabilities to support the production of its future portfolio of complex injectables, primarily for the U.S. market. In order to support its manufacturing needs for its product pipeline, in addition to its flagship sterile injectables facility in Dundigal, Hyderabad, GPL has built another sterile injectables facility in Pashamylaram, Hyderabad, which has substantially increased their manufacturing capacity. Since obtaining the first USFDA approval at Pashamylaram, Hyderabad, GPL has expanded the manufacturing capacity of its manufacturing facilities at that location. They are in the process of commissioning additional capacity to support their future portfolio of complex injectables including suspensions, cartridges and hormonal products. Expansion is also in progress at oncology facility. The company further plans to set up a new R&D building at Pashamylaram, Hyderabad, which will enable them to support their future product portfolio and commence product evaluation in parallel. The company will continue to invest in innovative technologies to

enhance its complex injectables manufacturing capabilities. Key focus areas include peptides, long acting injectables, suspensions and hormones. This will allow GPL to enrich its product pipeline and improve the competitiveness of its product portfolio.

Increase current market presence and enter new markets

The company intends to maintain its strategic emphasis on the United States, Europe, Canada and Australia, while continuing to pursue growth opportunities in China, India, Brazil and the Rest of the world. They plan to grow their business in the United States, Europe, Canada and Australia by maintaining an appropriate product mix in their portfolio with products which they consider will improve their profitability as well as utilise their capacities more efficiently. GPL will also focus its efforts on establishing effective relationships with existing and new marketing partners to commercialise its portfolio of products.

Align with Shanghai Fosun Pharma to increase market share

GPL intends to continue its strategic alignment with Shanghai Fosun Pharma to increase its market share in the global generic injectables industry. They intend to leverage Shanghai Fosun Pharma's existing infrastructure and global presence to access new markets, including the Chinese and African markets. Company's relationship with Shanghai Fosun Pharma has enabled it to initiate product filings in China, with its first filing completed for the Chinese market in 2019. GPL expects to benefit from Shanghai Fosun Pharma's (i) market experience and know-how in navigating through the rapidly evolving Chinese healthcare landscape, (ii) ability to access key markets to provide coverage for a portfolio of products, (iii) scale and bargaining power to procure raw materials and equipment from China, and (iv) extensive sales, logistics and distribution network to enable market penetration across China.

Pursue strategic acquisitions and partnerships

To complement company's organic growth and internal expertise, GPL may also pursue strategic acquisitions of companies, products and technologies to add to its capabilities and technical expertise or enter into partnerships to strengthen their product and technology infrastructure in areas including steroidal hormonal products, suspensions, anti-neoplastics and nasal and inhalation products. The company seeks to identify API suppliers that complement its business with niche capabilities including fermentation technology, corticosteroid APIs and hormonal APIs as well as partners with USFDA approved facilities to reduce market entry time. In certain markets where there is a preference for local manufacturers, company may partner with or acquire suitable local manufacturers with manufacturing, R&D and marketing capabilities to complement its product development capabilities.

Continued focus on cost management

GPL aims to continue to maintain its cost management focus, including in-house integrated manufacturing capabilities, across our business to deliver growth as well as to achieve economies of scale. In addition, it aims to continue to achieve supply chain efficiencies through lifecycle management of products, including in the R&D and manufacture processes. The high level of operational efficiency in its systems supports its ability to make regulatory filings promptly and consistently. They consider that their products for the U.S. market benefit from their ability to integrate backwards to manufacture their own critical APIs, providing them with security and cost advantages in their supply chain. The backward integration for company's critical APIs also allows them to gain greater market competitiveness. GPL will continue to seek to manage its supply

chain costs through optimal inventory levels, economic orders and other measures. They will also continue to ensure timely filings of applications for alternative cost-effective APIs and components sourced externally, change in batch sizes and additional equipment qualifications for better yields.

Industry Overview

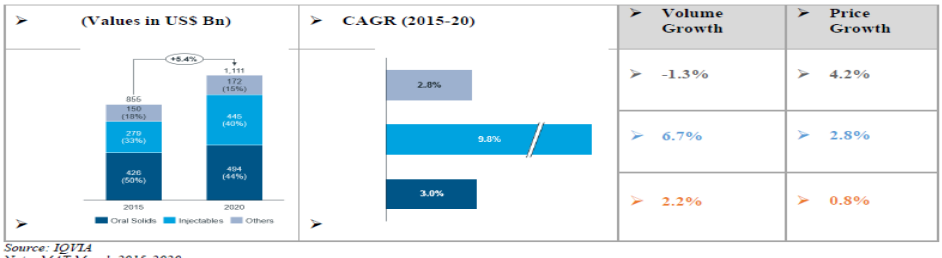
Global Injectables market

According to the IQVIA Report, injectables are the second largest form of drug delivery systems, accounting for ~40% of the global pharmaceutical market by value in 2020. Injectables have numerous advantages over other traditional dosage forms:

- Injectables have close-to-immediate onset of action.
- Injectables allow patients who are unable to take other dosage forms due to difficulties in consuming oral medication to adhere to their medication regimen. Injectables are particularly useful for unconscious or comatose patients who are otherwise not capable of consuming medication.
- Injectables offer a unique capability of giving the administrator control over drug delivery to a specific location in a measured manner.
- The development of self-injection devices like pen injectors and auto injectors has made administering drugs more convenient and easy for patients. Patients can now use these novel devices and self-administer their medication in the comfort of their homes without medical supervision.
- There is an increase in the number of new drug formulations which are less water soluble and/or have very low permeability to allow for adequate absorption from the gastrointestinal tract following oral administration. The only way to make such drugs available in the body is through an intravenous administration.

According to the IQVIA Report, the global injectables market was estimated to be US$445 billion in 2020, growing at a CAGR of approximately 9.8% from 2015 to 2020. The market shares by value of injectables grew from ~33% in 2015 to ~40% in 2020.

Global sales of injectables compared to other dosage forms, 2015-2020



Source: IQVIA
Note: MAT March 2015-2020.
Note: Others means drugs used for lung administration, ophthalmic, topical, other systemic, nasal, rectal, oral liquids and oral topical.

Source: Company RHP (Page: 100)

Growth Drivers for Injectables

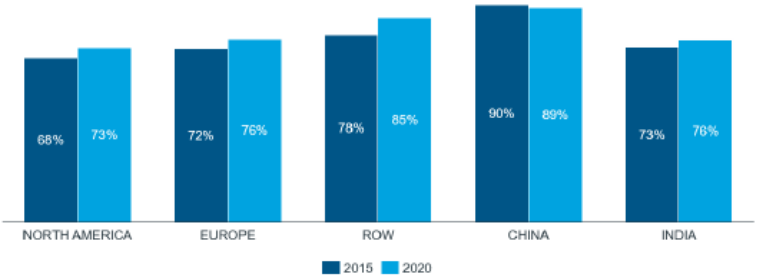
The growth of injectables has been among the fastest across all drug delivery formats primarily due to the following factors:

- Rising prevalence of chronic diseases.
- Convenience and benefits of New Drug Delivery Systems ("NDDS")
- New market opportunities.
- Growth of biologics.
- Market entry barriers.

Global Generic Injectables Market

According to the IQVIA Report, China and North America have the highest and lowest generic penetration by volume in the injectables form in 2020. Generic penetration has mostly increased across the geographies during the last few years, except for North America and China where the value of the market has however, increased and grown by 12.1% and 1.2% respectively.

Penetration of Generics in Injectables Form, 2015 and 2020 (% volume share)



Source: IQVIA
Note: MAT March 2015-2020

Source: Company RHP (Page: 105)

Generic Injectables are expected to grow at ~16.1% from 2020 to 2025

IQVIA expects generics to grow at ~16.1% from 2020 to 2025, higher than historical growth of ~12.1% from 2015 to 2020. This is primarily due to doubling of the value of molecules losing exclusivity in 2020 to 2025 as compared to 2015 to 2020. The value of injectables molecules in 2014 which lost patent protection during 2015 to 2020 was ~US$34.1 billion and the value of injectables molecules in 2020 which are expected to lose patent protection between 2021 and 2025 is ~US$67.7 billion.

The impact of the covid-19 pandemic on global pharmaceutical growth

The COVID-19 pandemic has been fast-moving and has had very serious and unprecedented effects in many countries, which are still unfolding. Regions in North America, Europe, China and India have seen a lower pharmaceutical market growth rate in 2020 due to the COVID-19 pandemic. Any potential impacts on pharmaceutical consumption are also complex, multifaceted and very difficult to predict. Although there is currently no treatment or vaccine for COVID-19, the pandemic is still expected to impact pharmaceutical markets, with seven key themes identified:

- **Economic impact on growth:** The COVID-19 pandemic is already causing a slowdown in economic growth around the world and this may have knock-on effects for pharmaceutical markets which are sensitive to the country's economic growth. In contrast, in many developed markets it is thought that pharmaceutical sales are generally protected from economic downturns.
- **Impact on APIs/Generics:** The industry faces interruptions to the supply chain, given that China is a key global source of APIs. For example, India's dependence on China for around 70% of API imports meant that disruptions in China's API production caused upward pressure on drug prices in India in early 2020. Where disruption to the supply from China and India persists, especially if COVID-19 spreads significantly in India, this could trigger price increases globally for affected products, particularly generics.

- **Upsurge in demand for medicines to alleviate COVID-19 symptoms:** Shortly following the COVID-19 outbreak significant consumer panic purchasing of OTC medication was witnessed in several countries. This has included increases in the sale of immunity enhancing treatments, vitamins, analgesics (especially paracetamol), anti-infective, and cough and cold medications. This is expected to lead to a short term boost in retail volume growth in those countries most affected.
- **Delays in treatment of non-COVID-19 patients:** Hospitals under increasing pressure to accommodate COVID-19 inpatients have deprioritised elective surgeries and other treatments. The drug sales for certain treatments could reduce due to the reduced focus on non-COVID-19 patients.
- **Face-to-Face interactions minimised:** Due to concerns regarding COVID-19 transmission, face-to-face interactions between healthcare professionals and pharmaceutical industry representatives has already fallen in many countries. This trend is expected to continue and may lead to a small negative impact on pharmaceutical sales.
- **Impact on innovation:** Manufacturers may consider postponing their approach to new product launches to beyond the peak of the pandemic. Lack of personnel could also result in delays to regulatory approvals and formulary listings. This may have a short-term impact on pharmaceutical sales growth in the countries affected, most notably in the hospital sector.
- **Travel Restrictions & Medical Tourism:** Reductions in medical tourism is expected to cause a decrease in sales and retail sector pharmaceutical consumption. Widespread travel restrictions and border closures globally, will constrain pharmaceutical consumption through hospital and private sector outlets.

Financials

Statements of Profit and Loss (Rs. In Cr)

Y/E March	FY18	FY19	FY20	1QFY20	1QFY21
INCOME					
Revenue from operations	1,623	2,044	2,633	674	884
Other income	49	86	139	34	32
Total	**1,672**	**2,130**	**2,772**	**708**	**916**
EXPENDITURE					
Raw Material Cost	664	857	1,102	272	320
Employee Expense	179	223	278	69	72
Other Expense	245	258	298	70	79
Total Expenditure	**1,088**	**1,338**	**1,678**	**411**	**472**
EBITDA	**584**	**792**	**1,095**	**297**	**445**
Interest Cost	4	4	7	0	0
Depreciation	78	82	95	22	24
Exceptional Item	0	20	0	0	0
Restated PBT	**501**	**686**	**993**	**274**	**420**
Total Tax expense	180	234	220	91	106
Restated profit for the year	**321**	**452**	**773**	**184**	**314**

Source: Company's RHP

Statement of Assets and Liabilities (Rs. In Cr)

Y/E March	FY18	FY19	FY20	1QFY20	1QFY21
EQUITIES AND LIABILITIES					
Equity	15	15	15	15	15
Reserves and Surplus	2,395	2,847	3,631	3,028	3,948
Deferred tax liabilities (net)	96	108	74	106	73
Borrowings	59	43	37	39	35
Other Liabilities and Provisions	364	511	329	499	620
Total	**2,929**	**3,524**	**4,086**	**3,689**	**4,691**
ASSETS					
Cash + Cash in bank	671	753	1,325	828	1,529
Inventories	513	912	756	911	1,009
Receivables	475	506	602	653	674
Loans	0	0	0	0	1
Fixed Assets	1,043	1,053	1,157	1,063	1,206
Other Assets	228	299	246	232	273
Total	**2,929**	**3,524**	**4,086**	**3,689**	**4,691**

Source: Company's RHP

Statement of Cash Flows (Rs. In Cr)

Y/E March	FY18	FY19	FY20	1QFY20	1QFY21
Net cash (used in) / generated from operating activities	202	185	701	88	293
Net cash (used in) / generated from Investing Activities	-359	-314	-766	303	-81
Net cash generated from / (used in) Financing Activities	-4	-3	-7	0	0
Net (decrease) / increase in cash and cash equivalents	**-160**	**-132**	**-72**	**391**	**212**
Cash and Cash equivalents at beginning of the period / year	533	373	241	241	169
Cash and Cash equivalents at end of the period / year	373	241	169	632	381

Source: Company's RHP

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	–	We advise investor to subscribe to the IPO.
RS	–	**Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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