

Subscribe for Long Term

Issue Details

Price Band (Rs)	Rs.695 - 720
Face Value (Rs)	2
Issue Size (Rs)	1,513.60Cr
Issue Type	Book Building
Minimum lot	20 Shares
Issue Opens	July 27, 2021
Issue Closes	July 29, 2021
Listing on	BSE, NSE

Indicative Timeline

On or before

Finalization of Basis of Allotment	August 03, 2021
Unblocking of Funds	August 04, 2021
Credit of shares to Demat Account	August 05, 2021
Listing on exchange	August 06, 2021

Other Detail

Book Running Lead Managers	Kotak Mahindra Capital Company Limited, BofA Securities India Limited, Goldman Sachs (India) Securities Private Limited, DAM Capital Advisors Limited, BOB Capital Markets Limited, SBI Capital Markets Limited
Registrar	KFin Technologies Private Limited

Glenmark Life Sciences Limited

Company Background

Glenmark Life Sciences Limited ("GLS") was incorporated on 23rd June, 2011. GLS is a wholly-owned subsidiary of the Promoter, Glenmark Pharmaceuticals Ltd. GLS is a leading developer and manufacturer of select high value, non-commoditized active pharmaceutical ingredients ("APIs") in chronic therapeutic areas, including cardiovascular disease ("CVS"), central nervous system disease ("CNS"), pain management and diabetes. Currently, it has 4 manufacturing facilities at Ankleshwar and Dahej in Gujarat and Mohol and Kurkumbh in Maharashtra State with an aggregate annual installed capacity of 726.6 KL as of March 31, 2021.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.1,060Cr and Offer for sale of Equity Shares aggregating upto Rs.453.6Cr.

Issue Objectives

- To make payment of outstanding purchase consideration to the promoter for the spin-off of the API business from the promoter into the company.
- Funding capital expenditures requirements.
- To meet general corporate purposes.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.695	Number of Shares at Rs.720	Issue Size (Rs.Cr)
QIB	50%	1,07,75,899	1,05,11,111	756.80
Non-Institutional	15%	32,32,770	31,53,333	227.04
Retail	35%	75,43,129	73,57,778	529.76
Total		2,15,51,799	2,10,22,222	1,513.60

Source: Company RHP, ACMIIL Research

Outlook and Valuations

GLS is a leading developer and manufacturer of select high value, APIs in chronic therapeutic areas. The Indian API market has shown steady growth of 9.1% since FY19 and is expected to further grow at CAGR of 9.6% from 2021-26 outpacing the global market growth. With its superior product mix, established brand name, strong Relationships with Leading Global Generic Companies, and adding capacities, we believe the company is well placed to capitalize on domestic and global opportunities. At the upper price band of Rs.720/-, stock is valued at 25x of FY21 Earnings of Rs.28.7(based on fully diluted post issue equity). **We recommend to subscribe the issue from a long-term prospective.**

Investment Rationale

Leadership in Select High Value, Non-Commoditized APIs in Chronic Therapeutic Areas

Glenmark Lifesciences' API portfolio comprises specialized and profitable products, including niche and technically complex molecules, which we believe reflects our ability to branch into other high value products. The future growth of these products is expected to remain stable driven by the increasing prevalence of non-communicable diseases (including heart disease, stroke, cancer, diabetes and chronic lung disease), growing demand from the regulated markets for drugs indicated for hypertension, diabetes and cancer, and an aging population.

The company has gradually built scale and reach in its API offerings through economies of scale in manufacturing operations and a portfolio build-up which has enabled them

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to service new markets and explore new product and service offerings to our customers. The company work towards developing eight to 10 molecules each year, which include both high value and high volume APIs.

Strong Relationships with Leading Global Generic Companies

Over the years, the company has established strong relationships with leading global generic pharmaceutical companies that has helped them expand product offerings and geographic reach. The company works with 16 of the 20 largest generic companies globally as of March 31, 2021. They also have a long history with many of their key customers, including Glenmark, Teva Pharmaceutical Industries, Torrent Pharmaceuticals, Aurobindo Pharma, Krka and another company which is a global leader in generic pharmaceuticals and biosimilars.

The company has been able to build and strengthen its relationships with them on account of the strong brand equity, high quality products, R&D skills, knowledge of the regulatory environment in the markets where it supplies products and track record of manufacturing APIs at different scales at its facilities, which have been inspected/audited by Indian and key global regulatory bodies such as the USFDA, MHRA, Health Canada and PMDA Japan. As a result, the company has been able to maintain high customer loyalty with a high rate of repeat customers.

Quality-Focused Compliant Manufacturing and R&D Infrastructure

GLS currently operates four multi-purpose manufacturing facilities which are situated on leasehold properties located in Gujarat, and Maharashtra with an aggregate annual total installed capacity of 726.6KL as of March 31, 2021. **The company has not received any warning letters or import alerts from any regulatory authorities.**

The following table sets forth certain key details of our manufacturing facilities

Location	Description	Top Products (Therapeutic Area)	Approvals	Last Inspection
Ankleshwar, Gujarat	API manufacturing facility with manpower of 900 personnel Annual total installed capacities as of March 31, 2021 - 511.0 KL	Amiodarone (CVS), Olmesartan (CVS), Perindopril (CVS), Oxcarbazepine (CNS)	Food and Drugs Control Administration, Gujarat	May 2021
			USFDA	July 2019
			MHRA (United Kingdom)	November 2006
			FIMEA (Finland)	July 2014
			Romania (Europe)	February 2014
			PMDA (Japan)	August 2019
			COFEPRIS (Mexico)	February 2016
			Health Canada	July 2019
Dahej, Gujarat	API manufacturing facility with manpower of 259 personnel Annual total installed capacities as of March 31, 2021 - 141.9 KL	Amiodarone (CVS), Etoricoxib (Pain management), Omeprazole (Gastro-intestinal), Fluconazole (anti-infective), Cilostazol (CVS)	KFDA (South Korea)	April 2011
			USFDA	October 2018
			EDQM (Europe)	March 2018
			PMDA (Japan)	December 2016
Mohol, Maharashtra	API manufacturing facility with manpower of 78 personnel Annual total installed capacities as of March 31, 2021 - 49.1 KL	Telmisartan (CVS), Rosuvastatin (CVS), Vildagliptin (diabetes)	USFDA	March 2018
			Maharashtra FDA	January 2021
Kurkumbh, Maharashtra	API manufacturing facility with manpower of 70 personnel Annual total installed capacities as of March 31, 2021 - 24.6 KL	Glimepiride (diabetes), Sertaconazole (dermatology), Adapalene (dermatology)	Maharashtra FDA	January 2021

Source: Company RHP, ACMIL Research

Financial Snapshot

Particulars (Rs. Million)	FY19	FY20	FY21
Equity share capital	19.6	19.6	19.6
Net worth	881	4,017	7,528
Net asset value per share	11	37	70
Revenue from Operations	8,864	15,373	18,851
EBITDA	2,477	4,719	5,910
EBITDA %	27.9%	30.7%	31.4%
Net Profit	1,955*	3,130	3,516
Diluted EPS (Rs)	24.64	29.04	32.61
ROE	99.25%	77.94%	46.71%
ROCE	18.21%	30.77%	32.69%

Source: Company RHP, ADMIL Research, *On January 1, 2019, the API business of Glenmark Pharmaceuticals Limited was spun off into the Company. Therefore, the disclosure and accounting of the API business acquired by the Company was reflected in the audited financial statements for the financial year 2019 using pooling of interest method effective from July 10, 2018, in line with the requirements of Ind AS 103.

Comparison With Listed Peers

Company	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE (%)
Glenmark Life Sciences Limited	18,851	32.61	70	25^	46.71%
Divis Laboratories Limited	70,312	74.75	350	63.65	21.35%
Laurus Labs Limited	48,359	18.28	48	36.59	37.87%
Shilpa Medicare Limited	9,313	18.13	181	33.37	9.99%
Aarti Drugs Limited	21,593	30.09	98	24.28	30.70%
Solara Active Pharma Sciences Limited	16,456	64.52	442	25.83	13.93%

Source: Company RHP, ADMIL Research, Consolidated financial statements from Annual report/quarterly results of the respective listed peer company for the year ended March 31, 2021 submitted to stock exchanges. P/E Ratio has been computed based on the closing market price of equity shares on NSE on July 16, 2021, divided by the Diluted EPS provided. . ^P/E Ratio has been computed based on the issue price and FY21 earnings fully diluted post issue equity.

Risk and Concern

1. Failure to comply with the quality standards and technical specifications.
2. Customer concentration: Top 5 Customers contributes 54% of revenues.
3. Product concentration: Top 10 product account for 61% of revenues.

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