

GLENMARK LIFE SCIENCES LIMITED

Glenmark Life Sciences Limited (“GLS”) was incorporated on 23rd June, 2011. GLS is a wholly-owned subsidiary of the Promoter, Glenmark Pharmaceuticals Ltd. GLS operates two business lines – Generic APIs (generics and complex APIs) and CDMO (including specialty). 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.

Positives: (a) Good track record of regulatory compliance, company has not received any warning letter since 2015. (b) Leading manufacturer of selected specialized APIs for chronic therapeutic areas like CVS, CNS, diabetes, and pain management. (c) 16 of the 20 largest generic companies globally were customers, maintains a strong relationship with leading global generic companies.

Investment concerns: a) Dependence on Repetitive orders- approximately 69% of their customers were repeat customers. (b) Company will be increasing its capacity by 25% in FY2022 and underutilization will impact the return ratio. (c) Company will require new working capital for the growth as company having a high working capital cycle of 238 days.

Outlook & Valuation: Based on FY-2021 PE of 22x and EV/EBITDA of 12.9x at the upper price band of the IPO price, valuations are slightly better than the peer companies. Similarly, the company has one of the best ROCE of 32.7%. Company has a healthy balance sheet and will be Net Debt free after the IPO. We expect the upcoming expansion plan in Ankleshwar & Dahej will be the next growth driver for the company. We are assigning a **“Subscribe”** recommendation to the issue.

Key Ratio

Y/E March (₹ Cr)	FY19	FY20	FY21
Net Sales	886.4	1,537.3	1,885.1
% chg	-	73.4	22.6
Net Profit	195.8	313.3	351.9
% chg	-	60.0	12.3
EBITDA (%)	28.0	31.5	31.4
EPS (as stated)	24.6	29.0	32.8
P/E (x)	29.2	24.8	22.0
P/BV (x)	88.1	19.3	10.3
Ronw (%)	99.3	77.9	46.7
RoCE (%)	18.2	30.8	32.7
EV/EBITDA	31.3	16.0	12.9
EV/Sales	8.8	5.0	4.1

Source: Company, Angel Research

SUBSCRIBE

Issue Open: July 27, 2021

Issue Close: July 29, 2021

Issue Details

Face Value: ₹ 2

Present Eq. Paid up Capital: ₹ 1.96 Cr

Offer for Sale: ₹ 454 Cr

Fresh issue: ₹ 1060 Cr.

Issue size (amount): ₹1514 Cr**

Expected Listing date - 06/08/2021

Price Band: ₹ 695-720

Lot Size: 20 shares and in multiple thereafter

Post-issue mkt. cap: *₹ 8552 cr - **₹ 8822 cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 82.84%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	82.8%
Others	17.2%

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Company background

The company was incorporated in June, 2011 at Pune. The company was acquired by Glenmark Pharmaceuticals Ltd pursuant to the Share Purchase Agreement dated July 4, 2018. The Promoter - Glenmark Pharmaceuticals Ltd currently holds 100% of the pre- Offer issued Equity Share capital. GLS operates two business lines – Generic APIs (90.6% of total revenue) and CDMO (8.1% of total revenue). Company's API business comprises of the development, manufacture and sale of select high value, non-commoditized APIs in chronic therapeutic areas, including CVS, CNS, pain management and diabetes. The CDMO business currently comprises of applying for and procuring permission to market products in regulated markets as well as contract manufacturing of APIs for utilization by pharmaceutical companies to make formulations

Exhibit 1 Company Revenue Break-up

	2021		2020		2019	
	Revenue	%to Sales	Revenue	%to Sales	Revenue	%to Sales
CVS Therapeutic Area	776.3	45.4%	668.2	51.6%	543.9	43.1%
CNS Therapeutic Area	167.7	9.8%	128.0	9.9%	122.0	9.7%
Diabetes Therapeutic Area	61.9	3.6%	57.1	4.4%	79.5	6.3%
Pain Management	70.6	4.1%	72.7	5.6%	68.5	5.4%
APIs in Other Therapeutic	631.9	37.0%	367.9	28.4%	448.9	35.6%
Total	1708.4	100.0%	1293.9	100.0%	1262.7	100.0%

Source: Company, Angel Research

Issue details

The issue size is ₹ 1541 Cr, which comprises of fresh issues of ₹1060 crore & offer for sale of ₹ 454 Cr in the price band of ₹695-720 per share

Pre & Post Shareholding

Particular	Pre-issue		Post-issue	
	No of shares	%	No of shares	%
Promoter	10,78,04,950	100.0%	10,15,04,950	82.8%
Other	0	0.0%	2,10,22,222	17.2%
Total	10,78,04,950	100%	12,25,27,172	100%

Source: Company, Angel Research

Objectives of the Offer

- **Payment of outstanding purchase consideration** to the Promoter for the spin-off of the API business from the Promoter into the company pursuant to the Business Purchase Agreement.
- **Funding the capital expenditure requirements.**
- **General corporate purposes.**

Key Management Personnel

Glenn Saldanha is the Chairman and non-executive director of the company. He is also the chairman and managing director of the Promoter, Glenmark Pharmaceuticals Ltd.

V.S Mani is the non-executive director of the company. He is also an executive director and global chief financial officer of the Promoter, Glenmark Pharmaceuticals Ltd.

Yasir Rawjee is the Managing Director and Chief Executive Officer of the company. He leads the overall operations of the company and is responsible for the overall business strategy of the company.

Sumantra Mitra is the executive director and vice president – human resources department of the company and has been associated with the company since October 11, 2018. He is responsible for talent acquisition, talent management, capability development, organizational development and industrial relations, besides other aspects of the human resources agendas for the company.

Sridhar Gorthi is the independent director of the company. He is a partner at Trilegal. His areas of expertise at Trilegal include mergers and acquisitions, joint ventures, private equity and venture capital.

Manju Agarwal is the independent director of the company. She has approximately 34 years of experience in State Bank of India.

Taruvai Laxminarayanan Easwar is the independent director of the company. He is currently engaged as an advisor to the Boston Consulting Group (BCG) and is also a consultant with pharmaceutical companies.

Gita Nayyar is the independent director of the company. She is also serving as an independent director on the board of Taj-SATS Air Catering Ltd, Transport Corporation of India and Oriental Hotels Ltd.

Consolidated Profit & Loss account

Y/E March (₹ Cr)	FY19	FY20	FY21
Total operating income	886.4	1,537.3	1,885.1
% chg	-	73.4	22.6
Total Expenditure	638.6	1,065.3	1,293.9
Raw Material cost	352.3	690.5	905.4
Employee Benefit Expense	106.2	142.2	149.1
Other Expenses	180.1	232.6	239.4
EBITDA	247.8	472.0	591.2
% chg	-	90.5	25.3
(% of Net Sales)	28.0	30.7	31.4
Depreciation & Amortisation	19.2	29.3	33.3
EBIT	228.6	442.7	557.9
% chg	-	93.7	26.0
(% of Net Sales)	25.8	28.8	29.6
Interest & other Charges	0.6	33.5	87.5
Other Income	0.4	12.0	0.8
(% of Sales)	0.0	0.8	0.0
Exceptional items	0	0	0
Recurring PBT	228.4	421.2	471.2
(% of Net Sales)	25.8	27.4	25.0
Tax	32.6	107.9	119.3
PAT (reported)	195.8	313.3	351.9
% chg	-	60.0	12.3
(% of Net Sales)	22.1	20.4	18.7
EPS (as stated)	24.64	29.05	32.80
% chg	-	17.9	12.9

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ Cr)	FY19	FY20	FY21
SOURCES OF FUNDS			
Equity Share Capital	2	2	2
Other equity (Includes Preference shares)	86	400	751
Shareholders Funds	88	402	753
Total Loans	7	16	23
Other liabilities	-	-	-
Total Liabilities	95	418	775
APPLICATION OF FUNDS			
Net Block	537	557	587
Current Assets	930	1,160	1,399
Sundry Debtors	448	639	620
Cash & Bank Balance	8	31	143
Other Assets	74	78	123
Current liabilities	1,380	1,307	1,221
Net Current Assets	(449.6)	(147.2)	178
Other Non Current Asset	14	16	19
Total Assets	95	418	775

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹cr)	FY19	FY20	FY21
Restated Profit before tax	228.2	421	470.9
Depreciation	19.2	29.3	33.3
Change in Working Capital	(93.2)	(190.2)	(107.6)
Interest Expense	0.6	33.5	87.4
Direct Tax Paid	(23.5)	(92.5)	(108.5)
Others	(119.9)	26.5	99.5
Cash Flow from Operations	10.4	195.0	387.7
(Inc.)/ Dec. in Fixed Assets	(9.3)	(50.9)	(66.3)
Investment in bank deposits (net)	-	-	(2.8)
Interest received	0.4	0.3	0.4
Cash Flow from Investing	(8.9)	(50.6)	(68.7)
Proceeds from fresh issue	1.5	-	-
Dividend paid on equity shares	0.9	(136.5)	(213.7)
Others	-	-	-
Cash Flow from Financing	2.4	(136.5)	(213.7)
Inc./ (Dec.) in Cash	1.9	7.9	105.3
Opening Cash balances	-	2.0	10.0
Closing Cash balances	1.9	9.9	115.3

Source: Company, Angel Research

Key Financial Ratio

Y/E March	FY19	FY20	FY21
Valuation Ratio (x)			
P/E (on FDEPS)	29.2	24.8	22.0
P/CEPS	35.0	22.1	19.8
P/BV	88.1	19.3	10.3
EV/Sales	8.8	5.0	4.1
EV/EBITDA	31.3	16.0	12.9
Per Share Data (Rs)			
EPS (fully diluted)	24.64	29.05	32.80
Cash EPS	20.6	32.7	36.3
Book Value	8.2	37.3	69.8
DPS	-	-	-
Number of share	10.78	10.78	10.78
Returns (%)			
RONW	99.3	77.9	46.7
ROCE	18.2	30.8	32.7
Turnover ratios (x)			
Asset Turnover (net)	1.9	2.8	3.3
Receivables (days)	184.5	151.6	119.9
Inventory Days	415.2	218.2	207.0
Payables (days)	189.3	106.2	89.2
Working capital cycle (days)	410.4	263.5	237.7

Source: Company, Angel Research

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