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IPO Note – Glenmark Life Sciences Limited

25-July-2021

RETAIL RESEARCH

Glenmark Life Sciences Limited

Issue Snapshot:
Issue Open: July 27 – July 29 2021

Price Band: Rs. 695 –720

*Issue Size: 21,022,222 eq shares
(Fresh Issue of Rs.1060 cr + Offer for sale of 6,300,000 eq sh)

Issue Size: Rs.1497.8-1513.6 cr

Reservation for:

QIB	Upto	50% eq sh
Non Institutional	atleast	15% eq sh
Retail	atleast	35% eq sh

Face Value: Rs 2

Book value: Rs 69.82 (Mar 31, 2021)

Bid size: - 20 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	21.56 cr
*Post issue Equity:	Rs.	24.51 cr

Listing: BSE & NSE

Global Co-Ordinators And Book Running Lead Managers: Kotak Mahindra Capital Company Ltd, BofA Securities India Ltd, Goldman Sachs (India) Securities Private Ltd

Book Running Lead Managers: DAM Capital Advisors Ltd, BOB Capital Markets Ltd, SBI Capital Markets Ltd

Registrar to issue: KFin Technologies Private Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.0	82.8
Public	0.0	17.2
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Glenmark Life Sciences 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. It also manufactures and sells APIs for gastro-intestinal disorders, anti-infectives and other therapeutic areas. Its API portfolio comprises specialized and profitable products, including niche and technically complex molecules, which reflects its capability to branch into other high value products. It has strong market share in select specialized APIs such as Telmisartan (anti-hypertensive), Atovaquone (anti-parasitic), Perindopril (anti-hypertensive), Teneligliptin (diabetes), Zonisamide (CNS) and Adapalene (dermatology). It is also increasingly providing contract development and manufacturing operations ("**CDMO**") services to a range of multinational and specialty pharmaceutical companies. The Company is a research and development ("**R&D**")-driven API manufacturer, focused on undertaking dedicated R&D in its existing products and in areas where there is growth potential in the future.

GLS is a wholly-owned subsidiary of its Promoter, Glenmark Pharmaceuticals Limited ("**Glenmark**"), a research-oriented, innovation led, global pharmaceutical company, which was established in 1977 and is listed on the BSE and NSE. Enabled by high standards of quality and process innovation, its products are sold in both regulated markets and emerging markets. As of March 31, 2021, it had a portfolio of 120 molecules globally and sold its APIs in India and exported its APIs to multiple countries in Europe, North America, Latin America, Japan and the rest of the world ("**ROW**"). As of May 31, 2021, it had filed 403 Drug Master Files ("**DMFs**") and Certificates of suitability to the monographs of the European Pharmacopoeia ("**CEPs**") across various major markets (i.e. United States, Europe, Japan, Russia, Brazil, South Korea, Taiwan, Canada, China and Australia). As of March 31, 2021, 16 of the 20 largest generic companies globally were its customers and that it enjoy a reputation of trust and reliability with such companies.

GLS currently operates four multi-purpose manufacturing facilities which are situated on leasehold properties located at Ankleshwar and Dahej in the state of Gujarat, India, and Mohol and Kurkumbh in the state of Maharashtra, India with an aggregate annual total installed capacity of 726.6 KL as of March 31, 2021. It has been consistently implementing current Good Manufacturing Practices ("**cGMPs**") across each of its manufacturing facilities, which are monitored by a comprehensive Quality Management System ("**QMS**") encompassing all areas of business processes from R&D and raw material procurement to manufacturing, packaging and delivery.

The Company intends to increase its API manufacturing capabilities by enhancing the existing production capacities at its Ankleshwar facility during the financial year 2022 and its Dahej facility during the financial years 2022 and 2023 by an aggregate annual total installed capacity of 200 KL. This additional production capacity is expected to help further expand its generic API production and also grow its oncology product pipeline. It intends to develop a new manufacturing facility in India for the manufacture of generic APIs from the financial year 2022 which is expected to become operational in the fourth quarter of the financial year 2023. The new facility will also provide a platform for the growth of its CDMO business and also add capacity for its generic API business. This facility will be a greenfield project built on a 40-acre footprint with a plan to manufacture both APIs and intermediates and will house several multi-purpose manufacturing blocks with mid to high-volume capacity. It will include a high degree of automation and comply with global regulatory standards, and will have an aggregate capacity of 800 KL over the next three to four years.

GLSS's R&D laboratories focus on new product development and complex molecules, cost improvement programs, process improvements and oncology product development. To assist it with R&D initiatives, it has established dedicated teams for new product development, complex products, oncology product development, technology transfer, life cycle management and project management. As of March 31, 2021, it employed 213 personnel at its R&D laboratories, which constituted 13.86% of its total permanent employee strength. For the financial years 2021, 2020 and 2019, its total expenditure for R&D activities was Rs.405.17 million, Rs.400.28 million and Rs.375.76 million,

or 2.15%, 2.60% and 2.67% of its total revenue from operations, respectively. As of May 31, 2021, GLS owned or co-owned 39 granted patents and had 41 pending patent applications in several countries and six pending provisional applications in India.

Objects of Issue:

The Offer comprises of a Fresh Issue aggregating to Rs. 10,600 million by GLS and an Offer for Sale of up to 6,300,000 Equity Shares, aggregating by the Promoter Selling Shareholder.

Offer for Sale

The Promoter Selling Shareholder will be entitled to the proceeds from the Offer for Sale. GLS will not receive any proceeds from the Offer for Sale. All fees and expenses in relation to the Offer other than the listing fees (which shall be borne by the Company) shall be shared amongst the Company and the Promoter Selling Shareholder, pursuant to the Offer and in accordance with applicable laws.

Fresh Issue

GLS proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Payment of outstanding purchase consideration to the Promoter for the spin-off of the API business from the Promoter into GLS pursuant to the Business Purchase Agreement dated October 9, 2018;
- Funding capital expenditure requirements ;and
- General corporate purposes

Further, GLS expects to receive the benefits of the listing of the Equity Shares including enhancing its visibility and brand image among its existing and potential customers.

Requirement of funds, schedule of implementation and utilization of Net Proceeds

The Net Proceeds are proposed to be utilised in accordance with the details provided below:

Particulars	Amount (Rs. in million)
Payment of outstanding purchase consideration to the Promoter for the spin-off of the API business from the Promoter into GLS pursuant to the Business Purchase Agreement dated October 9, 2018	8000.00
Funding capital expenditure requirements	1527.64
General corporate purposes	*
Total	*

Competitive Strengths

Leadership in Select High Value, Non-Commoditized APIs in Chronic Therapeutic Areas: GLS is a leading developer and manufacturer of select high value, non-commoditized APIs in chronic therapeutic areas, including CVS, CNS and pain management and diabetes and continue to branch into other APIs. Its API portfolio comprises specialized and profitable products, including niche and technically complex molecules, which reflects its ability to branch into other high value products. As of March 31, 2021, it sold its APIs in India and exported to multiple countries in Europe, North America, Latin America, Japan and ROW.

The total market size in terms of sales for its portfolio of 120 molecules globally was estimated to be around US$142 billion in 2020 and is expected to grow by about 6.8% over the next five years to reach to about US$211 billion by 2026. 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 market size in terms of volume for its 120 molecules was estimated to be at 9,959 tonnes in 2020 and is expected to grow at a rate of 6% over the next five years to reach to about 12,079 tonnes by 2026. The chronic therapeutic areas covered by its portfolio of 120 molecules accounted for 84% of the US$142 billion end-market size and is expected to become 91% by 2026.

GLS has gradually built scale and reach in its API offerings through economies of scale in its manufacturing operations and a portfolio buildup which has enabled it to service new markets and explore new product and service offerings to its customers. It work towards developing eight to 10 molecules each year, which include both high value and high volume APIs. As of May 31, 2021, it had filed 403 DMFs and CEPs across various major markets (i.e. United States, Europe, Japan, Russia, Brazil, South Korea, Taiwan, Canada, China and Australia). As of March 31, 2021, it had a portfolio of 120 molecules globally. Its business positioning is strengthened by its service offerings across markets, which enables to act as a one-stop shop for pharmaceutical product companies. The Company's capabilities and experience has helped it perform well in regulated markets and has enabled to successfully partner with customers, including offering its customers a first mover advantage with respect to various products.

Strong Relationships with Leading Global Generic Companies: Over the years, GLS has established strong relationships with leading global generic pharmaceutical companies that has helped it to expand its product offerings and geographic reach. As of March 31, 2021, 16 of the

20 largest generic companies globally were its customers and that it enjoy a reputation of trust and reliability with such companies. It has been able to build and strengthen its relationships with them on account of its strong brand equity, high quality products, R&D skills, knowledge of the regulatory environment in the markets where it supply its 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, GLS has been able to maintain high customer loyalty with a high rate of repeat customers. For the financial years 2021, 2020 and 2019, approximately 69% of its customers were period-on-period repeat customers. It also has a long history with many of its 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. For the financial year 2021, Glenmark, Teva Pharmaceutical Industries, Torrent Pharmaceuticals and Aurobindo Pharma were among its 10 largest customers by revenue contribution, while these four key customers and Krka were among its 10 largest customers by revenue contribution for the financial years 2020 and 2019. The term of GLS's relationship with its seven largest customers averages approximately five to 15 years, and approximately 41% of its customers for the financial year 2021 were also its customers in each of the financial years 2020 and 2019.

Quality-Focused Compliant Manufacturing and R&D Infrastructure: GLS currently operates four multi-purpose manufacturing facilities which are situated on leasehold properties located at Ankleshwar and Dahej in the state of Gujarat, India, and Mohol and Kurkumbh in the state of Maharashtra, India with an aggregate annual total installed capacity of 726.6 KL as of March 31, 2021. It has not received any warning letters or import alerts from such regulatory authorities. Its facilities have also been subject to 432 inspections and audits by its customers during this period. The Company has been consistently implementing cGMPs across each of its manufacturing facilities, which are monitored by a comprehensive QMS encompassing all areas of business processes from R&D and raw material procurement to manufacturing to packaging and delivery. It focus on building quality into its products through compliance with global regulatory standards as well as compliance with local and state laws that encompass manufacturing regulations, environmental clearance norms and other statutory norms.

Further, GLS is focused on undertaking dedicated R&D in its existing products and in areas where there is significant growth potential. Its R&D laboratories focus on new product development and the development of complex molecules, cost improvement programs, process improvements and oncology product development. To assist it with its R&D initiatives, it has established dedicated teams for new product development, complex products development, oncology product development, technology transfer, life cycle management and project management. GLS's strong process research, analytical research and process chemistry research capabilities provide it significant competitive advantages.

Strong Focus on Sustainability in Operations: GLS is focused on sustainability in its operations through meaningful interventions in environment management, safety initiatives in its operations and occupational health of its workforce. It has undertaken various initiatives relating to energy efficiency, recovery and reuse of solvents and water conservation, recovery and reuse to reduce its carbon footprint and be a responsible corporate citizen in its endeavor to address global environment issues. GLS has also established various standard operating procedures ("**SOPs**"), including SOPs to handle different categories of waste, and its waste management strategy includes monitoring and control procedures for waste categorization, segregation, minimization, safe handling, transport and disposal of waste. In its efforts to ensure resource usage conservation, it has implemented solvent recovery systems at its Ankleshwar and Dahej facilities. The solvent recovery system enables to recover and recycle spent solvent while also minimizing the volume of solvent being disposed. Its manufacturing facilities at Ankleshwar and Dahej are certified ISO 14001:2015 and ISO 45001:2018 for environment management and occupational health and safety management systems, which reflects its commitment to enhancing its environmental performance.

Cost Leadership across Products through Careful Monitoring and Continuous Effort: GLS strives to achieve cost leadership across many of its products through the careful application of operations initiatives, sourcing initiatives and R&D initiatives supported through a continuous effort by its Quality and Regulatory Affairs teams. Its long-term relationships with global generic companies also help it to plan its capital expenditure, enhance its ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower overall cost base, thereby maintaining a competitive cost structure to achieve sustainable growth and profitability. Its operations initiatives include solvent recovery and recycling, increase in batch sizes, the utilization of new downstream equipment for filtration or drying techniques and yield improvement. It implements these measures to reduce costs, improve efficiencies and reallocate resources to support identified growth opportunities in diverse markets.

Experienced Management Team with Proven Track Record: GLS has a professional and experienced management team led by its Managing Director and Chief Executive Officer, Dr. Yasir Rawjee, who has over 25 years of experience in the global API industry. Its operations team is headed by Mr. Vinod Naik who has over two decades of industry experience, R&D team is headed by Dr. Palle V R Acharyulu with several years of industry experience and Chief Financial Officer, Mr. Bhavesh Pujara has over 15 years of experience in finance. Its management team has demonstrated the ability to successfully build a global API business across diverse markets supported by strong R&D, Operations, Quality & Regulatory functions and has integrated its businesses with various operating activities through their cumulative years of work

experience. The knowledge and experience of its senior and mid-level management team members provides GLS with a significant competitive advantage as it seeks to grow its business.

Business Strategy:

Expand the Geographic Focus, API Portfolio and Scope of Operations*:* GLS intends to expand the size and scope of its business by diversifying its customer base in existing markets and increasing its geographic market coverage. It intends to expand its presence in countries/regions that are adopting a more stringent regulatory framework and are moving towards becoming well-regulated markets such as South Korea, Taiwan, Russia, Brazil, Mexico and Saudi Arabia. It also intends to create new opportunities in ROW markets by utilizing manufacturing in the least developed countries through local partnerships. It aims to continue growing its base generic business by focusing on (i) continued growth in its top existing products through increased market share and (ii) new generic product launches which will ensure growth in top-line and retention of bottom-line, which will enable it to deepen its presence in existing markets. GLS expects revenue contribution from its newly-commercialized products to increase over the next five years and narrow the proportion of revenue attributable to sales of its top existing products. In addition, it see the complex API business as a key growth opportunity and intends to leverage its expertise in the area of synthetic chemistry and analytical characterization to expand its existing technology platforms to manufacture and grow complex API portfolio in oncology, peptides and iron compounds, thereby expanding its existing portfolio of API products.

The growth drivers for the global complex API market include:

- Increase in demand for self-administered medications
- Cost rationalization giving impetus to generic injectables
- Growing sterile contract manufacturing organization (“CMO”)/CDMO market
- Growing clinical supplies market for injectables
- Mergers and acquisitions (“M&A”)
- Expansion of specialty API manufacturing facilities
- investing heavily in developing new complex molecules to target niche ailments
- Competitive differentiation

Further, where appropriate and advantageous for GLS’s business, it intends to selectively pursue acquisition opportunities that will strengthen market position, enhance technical capabilities, acquire new products in existing or different therapeutic areas and increase its sales, customers and geographic reach.

Grow CDMO Business*:* In the last three years, GLS has started working with innovator pharmaceutical companies in the area of CDMO. Given its capabilities in process chemistry research, and its manufacturing and analytical research capabilities, GLS has the ability to attract innovator pharmaceutical companies to partner with it for providing unique solutions tailored to the needs of innovator and specialty pharmaceutical companies. GLS will leverage its process research, analytical research and chemistry capabilities to provide CDMO services for a range of multinational corporations and specialty companies.

The growth drivers for the global CDMO market include:

- Costly breakthrough therapies which drive higher demand for pharmaceutical products
- Increasing pressure to lower drug prices
- Disruption by COVID-19 pandemic
- Realignment of business models
- Highly fragmented CDMO market

GLS intends to grow its CDMO business and believe that its relationships with leading global generic pharmaceutical provide opportunities to maximize the value of its product development and manufacturing platforms. It seeks to continue to explore opportunities to enhance existing relationships by undertaking contract development and manufacturing for new molecules across various product segments.

The growth drivers for the global specialty market include:

- Strong sales and low development costs lead to significant return on investment –
- Convenience and lower product costs

To this end, GLS aims to continue developing customized solutions for specialty pharmaceutical companies focused on creating niche markets through novel formulations, thereby expanding the market for existing therapies. It aims to tap all possible opportunities in the specialty business, both from its existing portfolio as well as new development opportunities.

Expand Production Capacities*:* GLS currently operates four multi-purpose manufacturing facilities with an aggregate annual total installed capacity of 726.6 KL as of March 31, 2021. It intends to increase its API manufacturing capabilities by enhancing the existing production capacities at Ankleshwar facility during the financial year 2022 and Dahej facility during the financial years 2022 and 2023 by an aggregate annual total installed capacity of 200 KL. This additional production capacity is expected to help further expand its generic API production

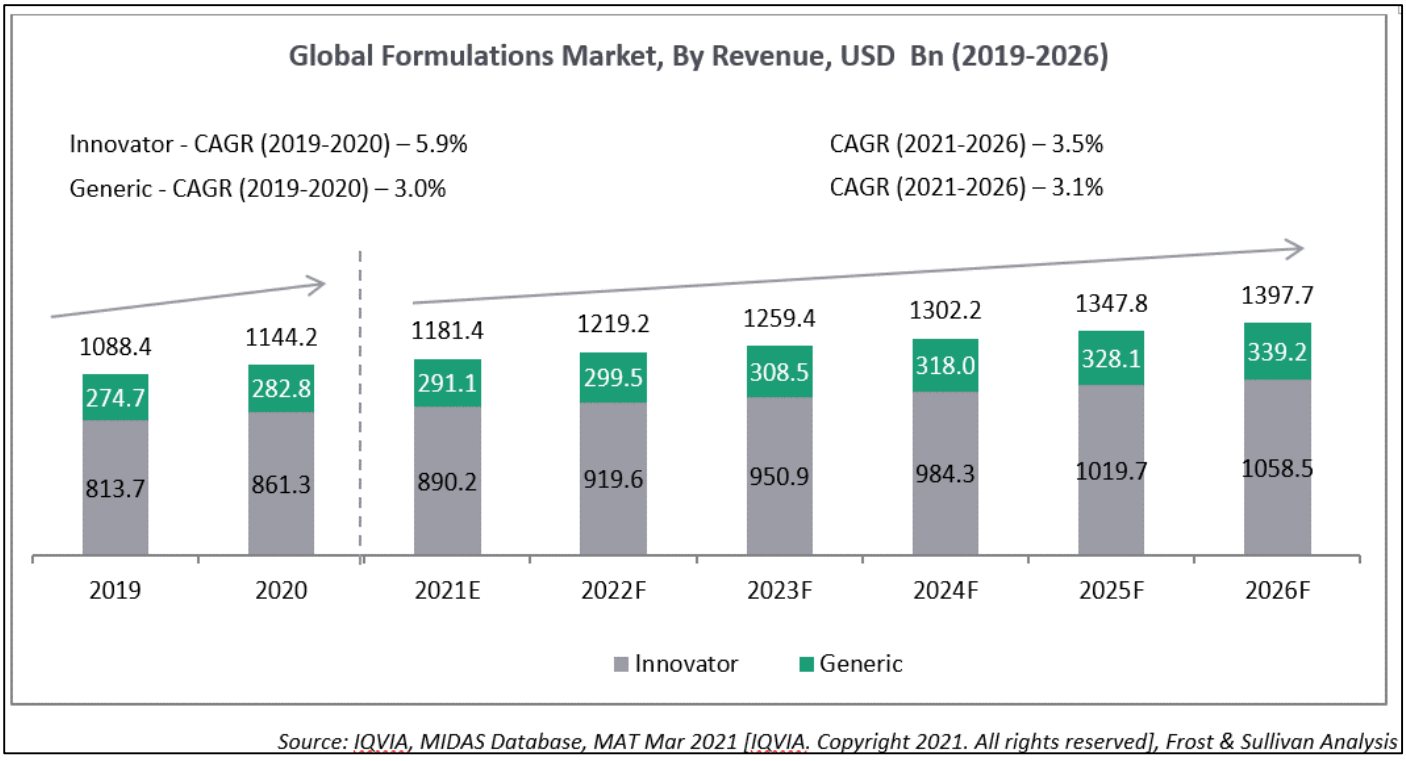
and also grow oncology product pipeline. It intends to develop a new manufacturing facility in India for the manufacture of generic APIs from the financial year 2022 which is expected to become operational in the fourth quarter of the financial year 2023. In connection with the expansion of its production capacity, it also plans to invest in backward integration of key starting materials to become more self-reliant and less dependent on its vendors for raw materials, as such dependence on vendors may sometimes impact timely manufacture and delivery of APIs to its customers. It also plans to expand technology platform and manufacturing footprint at its Dahej facility to grow oncology product portfolio, and implement the use of more automation in its processes to increase efficiency and improve compliance.

Improving Financial Performance through Focus on Operational Efficiencies: GLS continually aims to improve its financial performance by focusing on enhancing its operational efficiencies through initiatives such as solvent recovery and recycling, increase in batch sizes, the utilization of new downstream equipment for filtration or drying techniques and yield improvement. The Company will also continue to implement sourcing initiatives include ongoing negotiations with vendors based on the prevailing market environment and alternate vendor qualification. It also intends to reinforce its R&D capabilities through prudent investments aimed at sustainable business opportunities and expect its R&D initiatives to support development of new, innovative processes aimed at improving production efficiencies and to also address strategic business opportunities in the global pharmaceuticals industry.

Industry

Overview of Global Formulations Market

The global pharmaceutical industry is rapidly transforming across all value chains from manufacturers, providers and patients. The global formulation market was estimated to be around US$1,144 billion in 2020 and is expected to grow at a CAGR (2021–2026) of 3.4% to reach to about US$1,398 billion by 2026. Growth in the market is largely attributed to the launch of novel therapies, expansion of existing therapies, growing demand for generic medicines, biologics and personalized medicines as well as accelerated demand for effective treatments and drugs. In the global market, innovator formulations sales was around US$861.3 billion in 2020 and it is expected to grow at a CAGR of 3.5% from 2021 to 2026 to reach to about US$1,058.5 billion by 2026. Generics, which are around 25% of the current market, will increase from US$282.8 billion in 2020 to about US$339.2 billion in 2026 at a CAGR of 3.1% during the forecast period.



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Market Size and Estimated Growth Rate (2021-2026) – By Region

The United States is the leading country with highest market share of about 45%, followed by the EU5 countries at 15%. In the APAC region, China captured about 8.8% of the total market share in 2020 while other emerging countries like India, Russia and Brazil together captured around 3.7% of the total market share. The total growth of the formulations market in the United States was around 5.2% between 2019 and 2020, while that of India was about 9.3% during the same period. China is expected to have the highest growth rate of about 8.1% between 2021 and 2026 followed by India at 7.1%, Russia at 5.9%, EU5 countries at 5.4%, USA at 4.2%, and Brazil at 2%. While growth in developed markets is expected to slow down in the coming years, emerging markets will play a significant role in the next five years.

	Regions	2019	2020	2021	2022	2023	2024	2025	2026
Market Share by Region (%)	USA	44.9%	44.9%	45.2%	45.6%	46.0%	46.4%	46.7%	46.9%
	EU5	15.1%	14.9%	15.3%	15.6%	15.9%	16.2%	16.5%	16.8%
	China	8.6%	8.8%	9.2%	9.7%	10.1%	10.6%	11.1%	11.5%
	India	1.6%	1.7%	1.6%	1.7%	1.8%	1.8%	1.9%	2.0%
	Russia	1.4%	1.5%	1.4%	1.5%	1.5%	1.5%	1.6%	1.6%
	Brazil	2.2%	2.1%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%
	ROW	26.1%	26.1%	25.5%	24.3%	23.0%	21.8%	20.7%	19.6%

Source: IQVIA, MIDAS Database, MAT Mar 2021[IQVIA. Copyright 2021. All rights reserved], Frost & Sullivan Analysis

During the forecast period (2021-2026), the United States with a revenue share of 45% in 2020 is expected to show a strong CAGR of 4.2% and Russia is expected to have a growth rate of around 5.9%, while EU5 and China are expected to show growth of 5.4% and 8.1%, respectively.

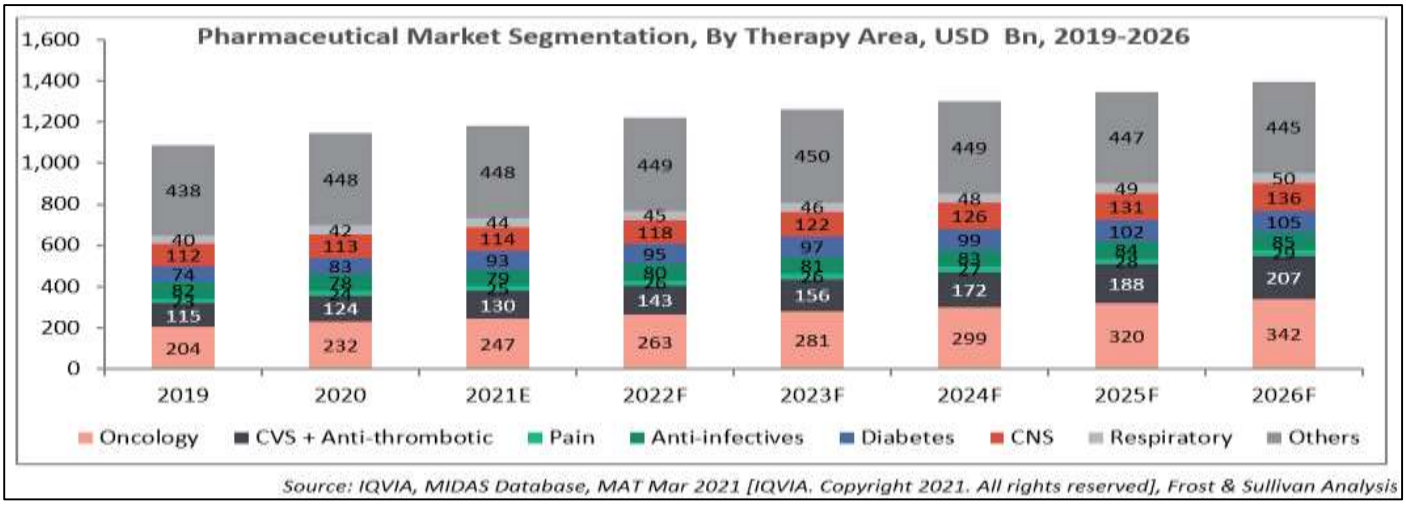
During the historic period (2019-2020), developed markets like the United States and EU5 displayed a CAGR of 5.2% and 3.4%, respectively. From 2021 to 2026, the United States and EU5 are expected to grow at a CAGR of 4.2% and 5.4%, respectively. India is expected to show a higher growth rate of 7.1% during the forecast period.

By 2026, the United States will retain the lead with 47% of the global pharmaceutical market share. Pharmerging regions would have varying shares in the global pharmaceutical market. In the global market, EU5 countries (17%) hold the top position after the United States, while China and India are expected to have around 11.5% and 2% market share, respectively.

Market Size and Estimated Growth Rate (2021-2026) – By Therapy Areas

The key therapy areas evaluated in this section include oncology, CNS, anti-infectives, CVS (including anti-thrombotics), diabetes, respiratory disorders and pain. These seven therapy area segments captured about 60.8% of the total formulations market in 2020 and are estimated to capture about 68.2% of the total formulations market by 2026. Global oncology market is the largest therapy market contributing to ~20.3% of the total formulations market in 2020 followed by CVS (including anti-thrombotics) capturing about 10.8% of the total market share. The other therapy area segments like CNS, diabetes and anti-infectives captured about 9.9%, 6.3%, and 6.8% of the total market shares, respectively in 2020.

Between 2019 and 2020, oncology therapy area and diabetes grew at about 13.8% and 12.3%, respectively. Anti-infectives market saw a decelerated growth rate of about -4.9% between 2019 and 2020; while pain and CVS (including anti-thrombotics), and respiratory segments had moderate growth rates of about 5.5%, 7.1% and 4.7% during the same period, attributed by the COVID-19 lockdown, supply chain disruptions as well as loss of patent and launch of generics. CNS therapy area had a slow growth rate of about 0.7% between 2019 and 2020; however, with rising incidence of neurological disorders and increasing number of drug launches observed, this segment is expected to grow at about 3.5% between 2021 and 2026.



Source: IQVIA, MIDAS Database, MAT Mar 2021 [IQVIA. Copyright 2021. All rights reserved], Frost & Sullivan Analysis

In 2020, the market for the seven therapy areas (oncology, anti-infectives, pain, diabetes, CVS + anti-thrombotics, CNS and respiratory) was worth US$696.1 billion.

The oncology market had a share of ~20%, and is the largest therapy market. It is driven by the increasing cancer incidence worldwide due to the alarming environmental changes and adoption of a sedentary lifestyle, as well as the rising awareness amongst population. Improved access to cancer care including, cancer prevention, screening, treatment, and follow-up care are also some of the major factors contributing to the growth of the oncology therapy market. New targeted therapies for cancer are currently the focus of many anticancer drug developments and will further drive the growth of the market in the coming years.

- CVS, including anti-thrombotics, therapy area is the next biggest therapy area with a market share of 10.8% in 2020.

- With respect to CVS therapy area, increase in incidence rate of cardiovascular diseases, owing to changing demographics and rise in prevalence of stroke, diabetes, and hypertension is expected to drive the antihypertensive drugs market. Rise in aging population globally is projected to drive the global antihypertensive drugs market during the forecast period. The anti-thrombotic market captured about 4.6% of the total market in 2020 and is expected to continue growing at about 9.7% over the next five years.

- CNS therapy area is the next biggest therapy area with a market share of 9.9% in 2020. According to the World Health Organization (WHO), around 1.2 million adult-onset brain disorders diagnosed are due to Alzheimer disease. Additionally, over 60,000 people are diagnosed with Parkinson's disease every year in the United States. The increasing prevalence of neurological disorders is expected to boost the adoption of advanced central nervous system treatment solutions during the forecast period. Moreover, availability of advanced healthcare facilities is expected to contribute to the global central nervous system treatment market in the forthcoming years. Among all the regions, North America is expected to remain dominant and hold the highest position in the global central nervous system treatment market during the forecast period. This dominance is attributable to the growing pharmaceutical sector that supports the adoption of advanced central nervous system treatment solutions in the region.

- Diabetes is next in line with its 2020 market shares at 7.3%. The markets for diabetes and CVS therapy area (discussed above) are expected to grow over the coming years, driven by the rising incidence of obesity, sedentary lifestyle, poor eating habits and rising geriatric population.

- As per the International Diabetes Federation (IDF), diabetes prevalence was 463 million in 2019 and is anticipated to reach to about 578 million by 2030. Diabetes is one of the major health issues affecting about half a billion people across the globe. Treatment with a single anti-diabetic drug is insufficient. Availability of combination drug treatment with anti-diabetic agents such as sulphonylureas, DPP-IV and GLP-1 increase the overall effectiveness of the therapy. Thus, development of new drugs and combination therapies will positively impact the diabetes therapy area growth over the forecast period.

- Anti-infectives captured about 6.8% of the market share in 2020 and this segment is expected to have a slow growth rate of about 1.5% in the next five years. Over the past two decades, the incidence rate of infections and anti-microbial resistance has grown significantly, particularly across the low and middle income countries. There are a large number of companies well-established in the market with their products in the form of antifungals, antibiotics, anti-protozoans and antivirals targeting cytochrome, interleukin, interferons etc. The primary driving factor for the growth of the market is increasing burden of several infectious diseases across developed and emerging markets such as different forms of influenza, diarrhea, hepatitis, and urinary tract infections, among others, which needs more attention from pharmaceutical and biotechnology companies. Moreover, there has been a significant growth in the number of

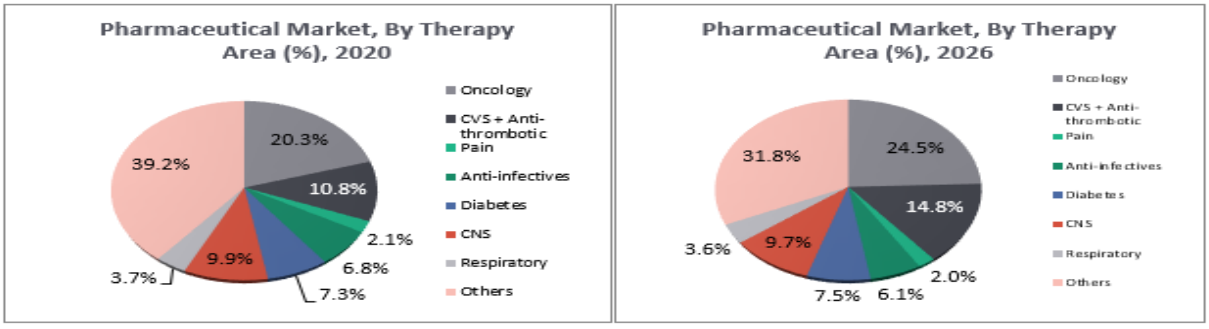
multidrug-resistant organisms across several parts of the world, which further increases the importance of innovation in the anti-infective agents.

- Pain therapy market had a market share of 2.1% in 2020 and is expected to grow at about 2.4% from 2021 to 2026. According to the estimates by the American Academy of Pain Medicine, over 100 million Americans suffer from chronic pain every year. With the growing aging population, the demand for pain relief solutions for chronic pain is increasing. The over the counter (OTC) analgesics market is expected to grow owing to the rising demand for topical analgesics and fast disintegrating tablets. Other key factors driving the market growth include rising incidence of chronic pain and musculoskeletal injuries and disorders.

Global Pharmaceutical Market, Therapy Area, CAGR (%)

Therapy Area	CAGR (2019-2020)	CAGR (2021-2026)
Oncology	13.8%	6.7%
Pain	5.5%	2.4%
Diabetes	12.3%	2.4%
CVS + Anti-thrombotics	7.1%	9.7%
CNS	0.7%	3.5%
Respiratory	4.7%	2.4%
Anti-infectives	-4.9%	1.5%

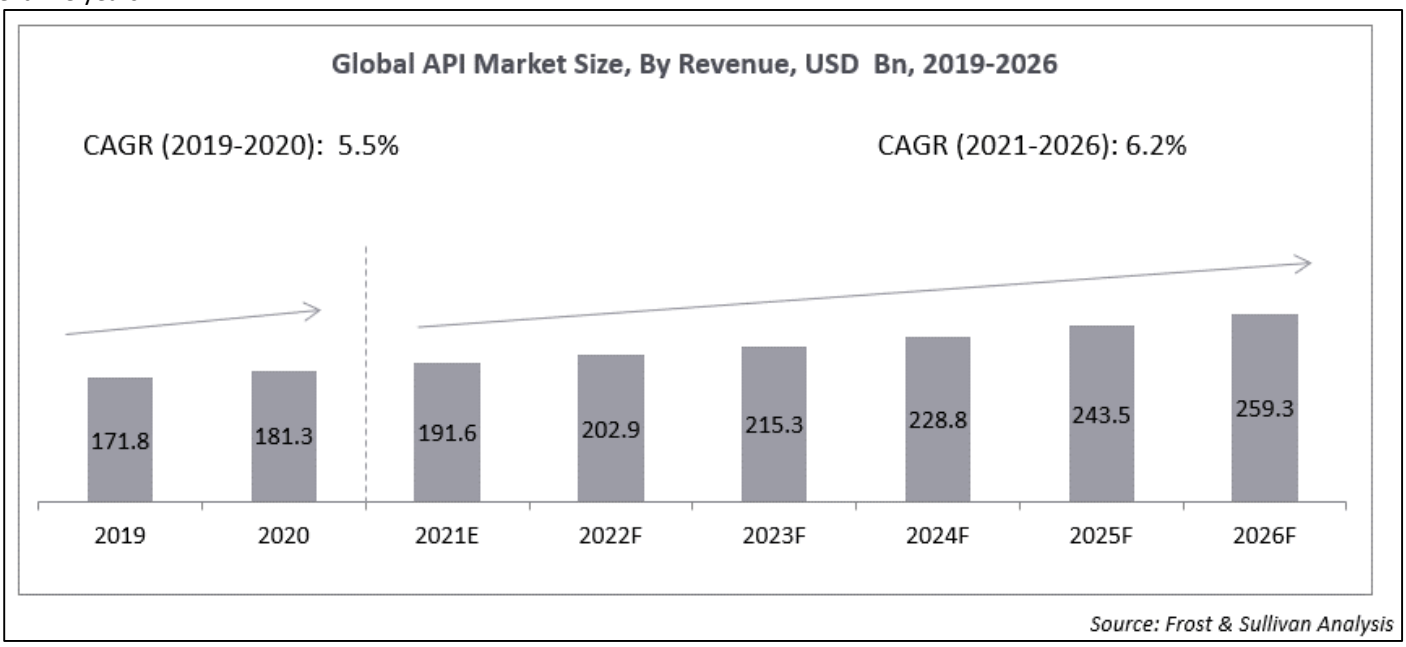
Source: IQVIA, MIDAS Database, MAT Mar 2021 [IQVIA. Copyright 2021. All rights reserved], Frost & Sullivan Analysis



Source: IQVIA, MIDAS Database, MAT Mar 2021 [IQVIA. Copyright 2021. All rights reserved], Frost & Sullivan Analysis

Overview of Global API Market

The global API market was estimated to be around US$181.3 billion in 2020 and is expected to grow at a CAGR of 6.2% to reach to about US$259.3 billion by 2026. The market is likely to exhibit a positive outlook with the growing trend towards the development of innovative therapeutic drugs by various pharmaceutical and biotechnology companies. The rising prevalence of chronic disorders, increasing demand for personalized medicine and emergence of novel drug delivery devices are some of the key factors expected to drive the API market over the next five years.



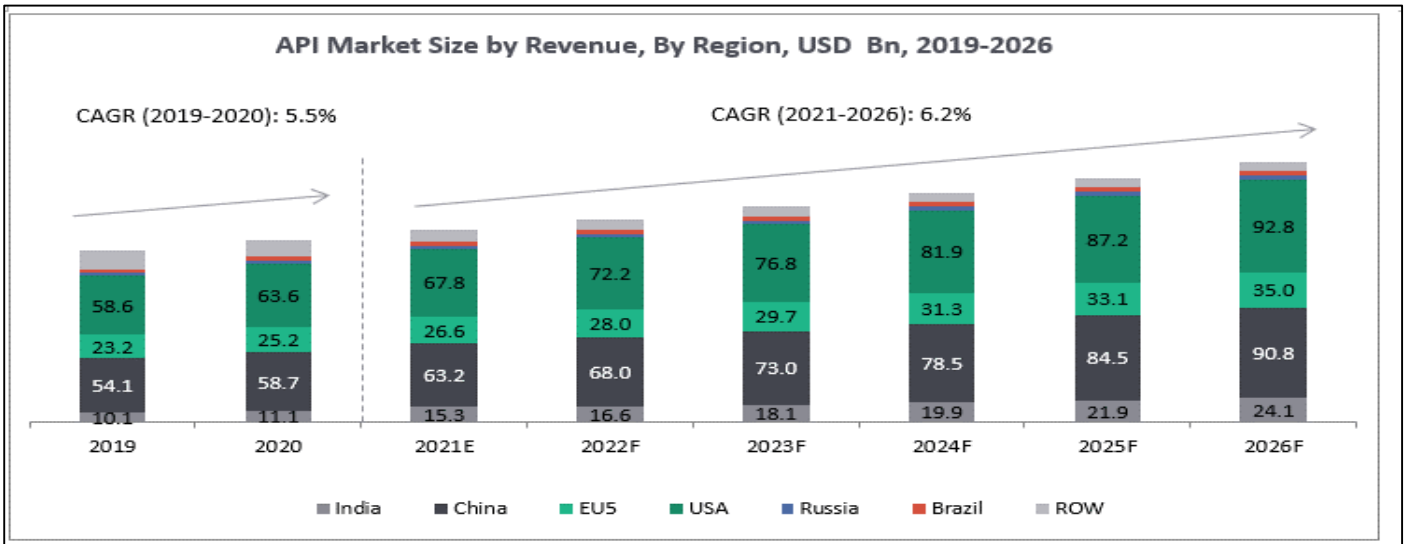
Source: Frost & Sullivan Analysis

Market Size and Estimated Growth Rate (2021-2026) – By Region

The United States captured the highest market share (from consumption point of view) of about 35% in 2020 and is expected to grow by about 6.5% between 2021 and 2026. This is followed by China with about 32% of the total market share with an estimated growth rate of about 7.5% during the same period. These two countries are followed by EU5 with about 14% market share in the global API industry. India currently holds about 6% of the market share with an estimated market size of about US$11 billion in 2020; however, India is expected to have the highest growth rate of about 9.6% in the next five years owing to the Government investments in setting up bulk drug parks encouraging self-sustainability of the Indian API industry.

As the pharmaceutical industry is moving ahead, various countries have implemented stringent regulations on developing high quality APIs, thus enhancing the potential clinical effectiveness of the final product and at the same time maintain the environmental safety standards. This mandate will further increase the overhead costs of in-house API manufacturing. Thus, many companies are outsourcing API manufacturing and APAC region has witnessed tremendous growth in API manufacturing due to its cost-effectiveness.

Currently, a large number of manufacturers have their robust footprints in China and India which is propelling many biopharmaceutical industries to seek partnerships with CDMOs. These possess the technical know-how and capabilities for large-scale manufacturing, which is anticipated to upsurge the market growth of APIs during the forecast period.



Source: IQVIA, MIDAS Database, MAT Mar 2021 [IQVIA. Copyright 2021. All rights reserved], Newport, Frost & Sullivan Analysis

	Regions	2019	2020	2021	2022	2023	2024	2025	2026
Market Share by Region (%)	*India*	5.9%	6.1%	8.0%	8.2%	8.4%	8.7%	9.0%	9.3%
	China	31.5%	32.4%	33.0%	33.5%	33.9%	34.3%	34.7%	35.0%
	EU5	13.5%	13.9%	13.9%	13.8%	13.8%	13.7%	13.6%	13.5%
	USA	34.1%	35.1%	35.4%	35.6%	35.7%	35.8%	35.8%	35.8%
	Russia	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
	Brazil	2.1%	2.0%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%
	ROW	11.2%	8.8%	6.0%	5.3%	4.7%	4.1%	3.6%	3.1%

The table below shows CAGR of each region for historic and forecast period. The global API market grew at a CAGR of 5.5% during the historic period and is expected to grow at a CAGR of 6.2% in the next five years. From 2021 to 2026, India, China and USA are expected to show highest growth rates of about 9.5%, 7.5% and 6.5%, respectively. EU5 countries and Russia are also expected to show a healthy growth rate of about 5.6% and 6.2%, respectively, over the next five years.

The Indian API Industry

Introduction

The Indian API industry is on a high growth trajectory over the past few decades. It has contributed significantly to the global generics market fulfilling 20% of the global demand in generics in terms of volume, making India the largest provider of generic medicines globally. Currently, India has highest number of USFDA-approved plants outside of the United States as well as 44% of global abbreviated new drug applications (ANDA).

Also, ranked third in the world, the Indian bulk drug industry has grown at a CAGR of around 9% over 2016–2020. It is further expected to expand and grow at a CAGR of around 9.6% during 2021–2026, signifying its future potential and evolving global importance.

However, over the last decade, India has observed increased dependency on imports of many KSMs, intermediates and APIs. The import of APIs has risen at a CAGR of 8.3% from 2012 to 2019 and the bulk drug import reached a value of INR 249 billion (US$3.43 billion) in 2019. The increasing import dependency can be attributed primarily to the availability of low cost API imports from other countries. This has been a cause of major concern for the industry and the Government, as India has seen disruption in supply side during Beijing Olympics (2008), China's "Blue Skies" policy implementation (2018) and COVID-19 (2020).
Currently, India imports nearly 68% of API, by value, from China. The latter is also a single supplier for many of the critical intermediaries and APIs including high-burden disease categories such as cardiovascular diseases (for example, Digoxin and Losartan), diabetes (Metformin and Glimepiride) and tuberculosis (Isoniazid and Streptomycin).

High dependency of intermediates and APIs on a single supplier poses a threat to the nation's health security. The current outbreak of Coronavirus has partially disrupted the supply of KSMs, intermediates and APIs, which has started resulting in supply shortages and higher cost of import in India; however, the situation has normalized as demand for pharmaceutical products has been classified as essential goods.

Competitive advantage of India in the API industry
India has a strong API domestic market. Indian firms have several advantages over their Western rivals, including:

- India is on par with other countries in terms of technological capabilities and process efficiency.
- India has a very high quality and manufacturing standards along with a strong chemical industry and skilled workforce.
- Experience in reverse engineering in the manufacturing of generics has aided several businesses in streamlining the process and increasing manufacturing efficiencies.
- The costs are very low in India – in reality, they are only two-fifths of what it costs to set up and operate a modern manufacturing plant in the West. Because of the low production and labor costs, companies can operate on considerably lower margins.
- Despite the difficulties, the instability in Chinese supplies due to COVID-19 pandemic has caused several major pharmaceutical countries to reconsider and reshuffle their API import sources. In 2020, an estimated 40% of all factories in China have shut down, resulting in supply disruptions and higher costs. As the emerging countries (Middle East, Africa, and Latin America) are pushing for local manufacturing of generics and formulations, India has a great opportunity to become one of the largest API suppliers in the world due to its fairly competitive labor market.
- The fact that India has the largest percentage of DMFs filed in the United States (15%) and the highest number of USFDA-approved API facilities is a significant 'first-mover' advantage.
- Over the last few years, the government has taken positive measures to change the business environment. It has also taken a number of positive measures for the pharmaceutical industry, including raising the FDI cap and developing a new intellectual property rights (IPR) strategy to encourage innovation. The government is driving the clustering programs and production-linked schemes, illustrating policy resolution. India will be at a better position if these benefits are paired with other financial incentives such as lower interest rates, capital subsidies, tax and duty exemptions, and reduced infrastructure and energy costs. These steps will help in building an encouraging ecosystem and increase competitiveness for domestic manufacturers to achieve cost competitiveness with other countries.
- The Indian government has announced a package worth INR 9,940 crore (US$1.4 billion) for the bulk drugs industry in March 2020, in order to improve domestic production and exports. The Cabinet has also approved INR 3,000 crore (US$413 million) to be provided over the next five years to encourage bulk drug parks and finance common infrastructure facilities. The government has also approved a Production Linked Incentive (PLI) scheme worth INR 6,940 crore (US$955 million) to promote domestic manufacturing of essential KSMs, drug intermediates, and APIs. For a period of six years, qualifying manufacturers of 53 specified essential bulk drugs will receive a financial reward based on incremental sales over the base year (2019-20).
- Given the effectiveness of high potency API ("**HPAPI**") therapeutic applications in treating various disorders, 10 domestic HPAPIs are likely to gain momentum now and in the post-Covid period. Biotech APIs will also benefit from an increase in biopharmaceuticals, such as vaccines, therapeutics, and diagnostics, as well as bio services. With a large number of synthetic drugs' patents set to expire, a growing number of small molecules in clinical trials, and a steady increase in contract manufacturing and research services, synthetic chemical API will continue to expand in India.
- In World Bank's Ease of Doing Business Ranking 2020, India jumped 14 places to reach 63rd rank in 2019 due to reforms on trading across borders. As such India made cross-border trade simpler by allowing post-clearance audits, bringing together trade stakeholders on a single electronic platform, upgrading port infrastructures, and improving electronic document submission.
- Wages in China have risen to a level much higher than those in India since 2007, due to a shift in demographics and economic reforms. India's manpower costs are currently lower than China's, and this cost-effective skilled labor supply advantage is expected to continue in the future. The cost of labor in China more than doubled, from 5.2% of the total direct manufacturing cost to 10.6% while in India, it has decreased from 6.1% to 5% (2015 data).
- Over the last few decades, the Indian pharmaceutical industry has experienced rapid growth. It has made a major contribution to the global generics industry, meeting 20% of global generics demand in terms of volume, rendering India the world's largest supplier of generic medicines.

Overview of Global Complex API Market

Drugs such as anti-infectives, diabetes, cardiovascular, analgesics, and pain relief drugs have historically dominated the API market. However, based on R&D trends, the market is moving toward complex APIs used in novel formulations that target niche therapeutic areas. The global complex API market (oncology, peptides, complex injectables and iron compounds only) has grown at a CAGR of about 14.8% from US$86.4 billion in 2019 to US$99.3 billion in 2020. The market is expected to continue growing from US$112.2 billion in 2021 to US$188 billion by 2026, at a CAGR of 10.9%. Many manufacturers have shown interest in focusing on this segment to avoid high competition and obtain first mover advantage.

Overview of Global Injectables Market

Injectables are a specialized and niche area within the pharmaceutical industry due to high complexity involved during development and manufacturing. Sterile injectable products have a major role in treating diseases which include anesthesia, critical care, anti-infective, renal care, infusion therapy, enteral & parenteral nutrition and oncology. As life sciences firms have increasingly shifted their focus to therapeutic segments like oncology, biologics have become a larger component of the pharmaceutical industry's development pipeline. Further, novel drug delivery systems that provide targeted therapies are gaining prominence. These two factors, among others, have led to a rapid growth in the injectable technologies market.

Global complex injectables API market size by revenue

The global complex injectables API market was valued at US$48.6 billion in 2020 and grew by about 11.3% between 2019 and 2020. This segment of the market is expected to grow by about 11% over the next five years to reach to about US$91.5 billion by 2026.

Growth in the market is primarily due to increase in prevalence of chronic disease, adoption of biosimilar products, emergence of newer drug delivery devices, increase in R&D activities on drug delivery forms and accelerating investments in this segment. Additionally, development of pre-filled syringes (PFS) which increases convenience and ease of use, and growing number of partnerships are also driving this market.

Overview of Iron Compounds Market

The global iron compounds API market was estimated to be worth US$1.3 billion in 2020 and is expected to grow at a CAGR of 4.5% from 2021 to 2026 to reach US$1.7 billion by 2026. During the historic period, the iron compounds market shows a CAGR of 11.4% and it is expected to further grow in future due to the rising incidence of anemia in patients with chronic kidney disease, number of cases of patients with postpartum anemia and number of patients undergoing elective surgeries.

Overview of Global Complex Oncology API Market

Between 2019 and 2020, the global complex oncology APIs market grew at a rapid pace. The demand for oncology APIs is primarily driven by increasing cancer incidences and a growing number of R&D activities related to anti-cancer drugs, growing demand for biologics and biosimilars for oncology indications.

Global complex oncology API market size by revenue

The global complex oncology API market was estimated to be worth US$32 billion in 2020 and is expected to grow at a CAGR of 11.5% from 2021 to 2026 to reach US$60.4 billion by 2026. During the historic period, the oncology market showed a CAGR of 14% and it is expected to grow with a healthy double digit growth rate. The rising investments of many pharmaceutical and biotech companies in anti-cancer drug discovery and development are driving this market.

Overview of Peptides Market

There are currently more than 60 peptide-based products on the market. These drugs, in particular, are one of the earliest groups of biologics and have shown a great promise in the treatment of a wide range of metabolic and oncological disorders. Peptide drugs are in high demand due to their demonstrated pharmacological value and high therapeutic profiles. Such efforts in this field, combined with the increasing clinical and preclinical pipeline of therapeutic peptides, are expected to further boost overall demand for peptide APIs.

Examples of popular, marketed therapeutic peptides include Victoza, Lupron Depot, Zoladex, Sandostatin and Somatuline. Further, according to experts, more than 600 pharmacological leads based on peptides are currently being investigated across various phases of development. Owing to their proven pharmacological value and favorable safety profiles, the demand for peptide drugs is on the rise. As a result, there is an increasing interest in manufacturing solutions for large quantities of such molecules, often requiring complex manipulations of long macromolecular structures, chemical modifications and thorough purification, for both clinical and basic research applications.

Although a lot has been achieved in terms of improvements in peptide synthesis and purification methods, there are certain challenges, especially those related to large-scale manufacturing capabilities, which continue to plague drug developers in this domain. Additionally, there are certain technical complications related to the synthesis of complex, long chain macromolecules, which are known to compromise both product yield and purity. In order to optimize production processes and associated expenses, leverage superior expertise and

infrastructure, and expedite time to market, many innovator companies have demonstrated the preference to work with specialty service providers. Presently, there are a number of CMOs and contract development and manufacturing organizations (CDMOs) that offer elaborate portfolios of services focused on peptide design, manufacturing and purification. Given the historical and prevalent trends in demand for peptide synthesis and purification services, several CMOs/CDMOs are actively expanding their capabilities and capacity to ensure consistent supply.

It has been observed that sponsor companies are likely to continue relying on contract manufacturing service providers over the coming decade. Large peptides can be generated in a cost-effective manner on both a small and large scale. Trimeris and Roche, for example, were active in commercializing enfuvirtide.

The majority of peptide buyers are based in the United States, Europe, and Japan and are being driven by creative United States biotech firms. Demand in emerging markets is currently lower, as generic products are still being reviewed, and the NCE segment is not seeing much development.

Overview of Global CDMO Market

CDMO Value Chain

The CDMO value chain includes drug development, API and formulations services. API manufacturing is a multinational industry, with various businesses pursuing success in different ways. Some API companies focus on low-cost, high-volume APIs, while others specialize in niche APIs. European API companies are main suppliers of high-potency; niche APIs due to their inability to compete on high volume APIs due to higher costs. India is the world leader in DMF filings, accounting for 46% of all DMF filings in the United States (Source: USFDA). In contrast, API companies in China and Italy own 12% and 9% of DMFs in the United States, respectively (Source: USFDA). Given its cost competitiveness, China has a monopoly on high-volume, low-margin commodity APIs. Due to its strong technical capacity and fermentation, China is a dominant player in the global API industry, with large-scale manufacturing capacities (supplying 40% of global APIs), cost efficiency, and sufficient supply of commodity bulk drugs and intermediates. The global API industry is changing, with more rigorous domestic and foreign inspections and a greater emphasis on following environmental regulations.

Traceability is another aspect affecting the global API industry. There are attempts being made around the world to improve traceability. A rapid increase in labor and raw material prices has also resulted in an overall increase in operating costs for Chinese API companies. In addition, an unreliable intermediate supply chain has increased the risk of Chinese API companies failing to meet supply requirements on time, eroding client trust. Therefore, the focus on reducing over-reliance on China is expected to favor India's volume API firms, owing to factors such as API sourcing from multiple geographically diversified sources to ensure supply protection and geopolitical tensions. At the same time, high-potency, combination and niche APIs continue to gain popularity. Indian API companies with relevant experience, track records, and ability is likely to benefit from API sector tailwinds in the near- to medium-term. Those that can secure their supply chain from raw materials to ingredients, in particular, are likely to see increased demand.

Global CDMO Market

Overview of the global CDMO market

Traditionally, CMOs have thrived by aggregating demand and delivering benefits of economies of scale. However, with the fading era of blockbuster drugs dispensed to large patient pools and shift to precision medicine, focus on niche indications, and increased R&D in biologics, pharma sponsors are increasingly turning to CMOs as strategic partners instead of contractors. Sponsors are looking for partnerships to not only append their existing capacity and get access to new markets, but also to mitigate risk and bring overhaul in manufacturing technologies. Consequently, safety, efficacy, and product quality are outweighing cost-saving considerations.

The global CDMO market has grown at a CAGR of 7.9% from US$99 billion in 2018 to US$115 billion in 2020. The market is expected to continue growing from US$125 billion in 2021 to US$169 billion in 2026, at a CAGR of about 5.2%. The world's aging population, increasing healthcare conditions in developing countries, and expensive breakthrough therapies are among the main factors driving this level of demand for pharmaceutical products. Companies are facing higher R&D costs and a need to invest in new capabilities as a result of the rapid growth in demand. As a result, lowering the cost of pharmaceuticals becomes more complicated, leading some companies to seek outsourcing partners to generate savings.

Competitive Advantages of India

India is amongst the preferred destinations for outsourcing of research as well as manufacturing activities as it offers several distinct advantages, such as lower manufacturing cost, ample talent pool to deal with ever increasing drug complexities, strong R&D capabilities and high IP adherence. Besides, India has already established itself as a significant player in the global pharmaceutical industry, especially in solid dosage form manufacturing.

It is expensive and time-consuming for pharmaceutical and biotech companies to switch CDMO once a manufacturing process is established, making it a long term and sticky relationship. For small biotech companies the decision is even more critical as they typically tend to partner very early, and outsource the end to end process, starting with drug discovery to development and later manufacturing. Factors such as fully

integrated services, large scale manufacturing capabilities, R&D infrastructure, USFDA approval, access to newer technologies, and track record of regulatory compliance, quality standards and financial strength play a significant role in influencing the decision of the R&D partner. Large Indian CDMO players with a proven track record and fully integrated services offerings are likely to be the beneficiaries of this future growth in outsourcing.

The Indian CDMO industry has seen several success stories in the recent past. Players like Syngene, Anthem Biosciences, GVK BIO and Sai Life Sciences have demonstrated strong revenue growth and established track record of quality and delivery. Syngene, a subsidiary of Biocon Limited, started operations in 1993 and today has revenues of more than US$260 million. It has established a name in the global biopharma industry and boasts of having eight of the top ten pharma companies globally as its customers. Similarly, Anthem Biosciences which started operations in 2007-2008 as a drug discovery service provider is today a fully integrated platform with state-of-the-art manufacturing plants, 700 plus scientists and capabilities across chemical as well as biopharma drugs. Both these companies also cater to specialty chemicals, animal health, agrochemical, consumer goods and nutrition companies along with the pharmaceutical clients.

The top Indian CDMO companies have grown at a CAGR of 14.1% over the last 5-year period compared to the top global CDMO companies which grew at a CAGR of 9.7%. Even in terms of profitability, the Indian companies outperformed global peers, with the top Indian companies having EBITDA margins in the range of 20-30% as compared to the 10-25% range for the top global ones, thus delivering excellent returns for their stakeholders.

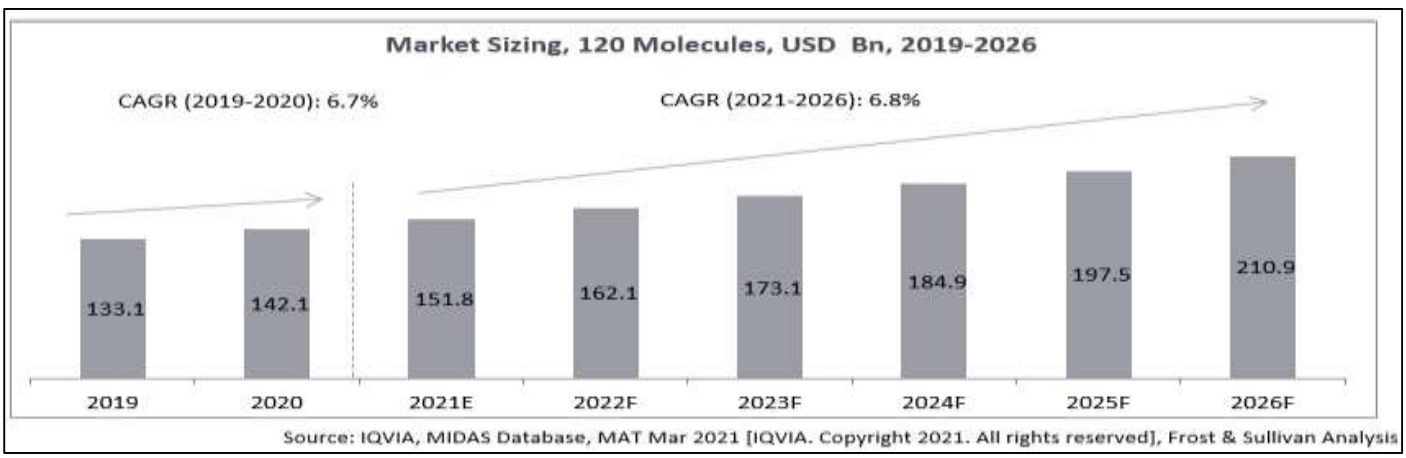
Biologics are one of the top selling drugs worldwide with 11 of the top 15 drugs globally being biologics. However, a major drawback of biologics is high development costs, making them unaffordable and inaccessible to many patients worldwide. Biosimilars are generic versions of biologic drugs which have no clinically meaningful difference in term of safety and effectiveness but cost much less than the innovator biologic drug. Given their cost advantages, biosimilar market is expected to witness an exponential growth of over 30% CAGR in the next five years.

Emergence of bio-pharma in the overall pharmaceutical market has led to an increased R&D spend by the large pharma companies and increased funding for emerging biotech companies. Thus, outsourcing of R&D in bio-pharma segment is expected to grow at 19% CAGR from 2016 to 2024. India has a thriving ecosystem for biopharma, low cost of operations and ample talent and infrastructure to reduce time to market for development and large-scale manufacturing of biologics and biosimilars, thus making Indian CDMO companies an ideal partner for R&D in bio-pharma segment.

Global pharmaceutical players continuing to witness cost pressures and looking for ways to shorten time to market would look for well-established CDMO partners, particularly in India and China. Regulatory headwinds in China, incidences like Covid-19 and political confrontations with the developed economies of the world are likely to dent confidence in partnering with CDMO players in China. On the other hand, Indian CDMO companies in the last decade have demonstrated their capabilities on the global platform and are best positioned to benefit from increased R&D outsourcing in the pharmaceutical industry.

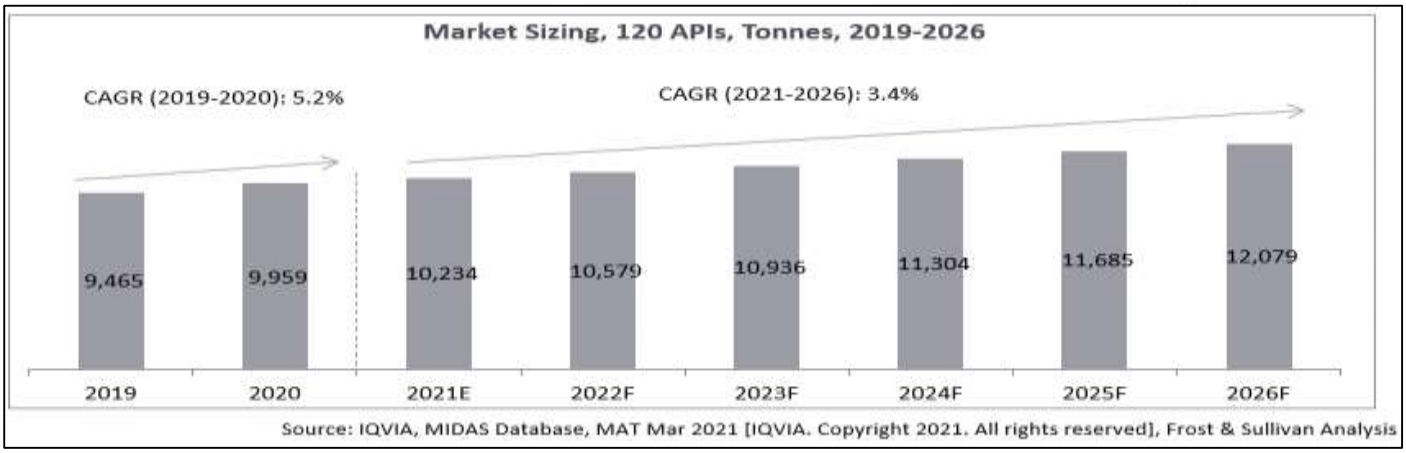
Overview of Glenmark Life Sciences' ("GLS") Product Portfolio

GLS is a leading developer and manufacturer of high value, non-commodotized APIs and its portfolio comprises of 120 products (10 products in laboratory development; 4 products in laboratory validation and 106 products being commercialized) ranging across various therapy areas like cardiovascular, CNS, diabetes, anti-infectives and others. The total market size in terms of sales for the 120 products globally, was estimated to be around US$142 billion in 2020 and is expected to grow by about 6.8% over the next five years to reach to about US$211 billion by 2026. The future growth of these products is expected to remain stable driven by the rising prevalence of non-communicable diseases, growing demand from the regulated markets for drugs indicated for hypertension, diabetes and cancer, and ageing population.

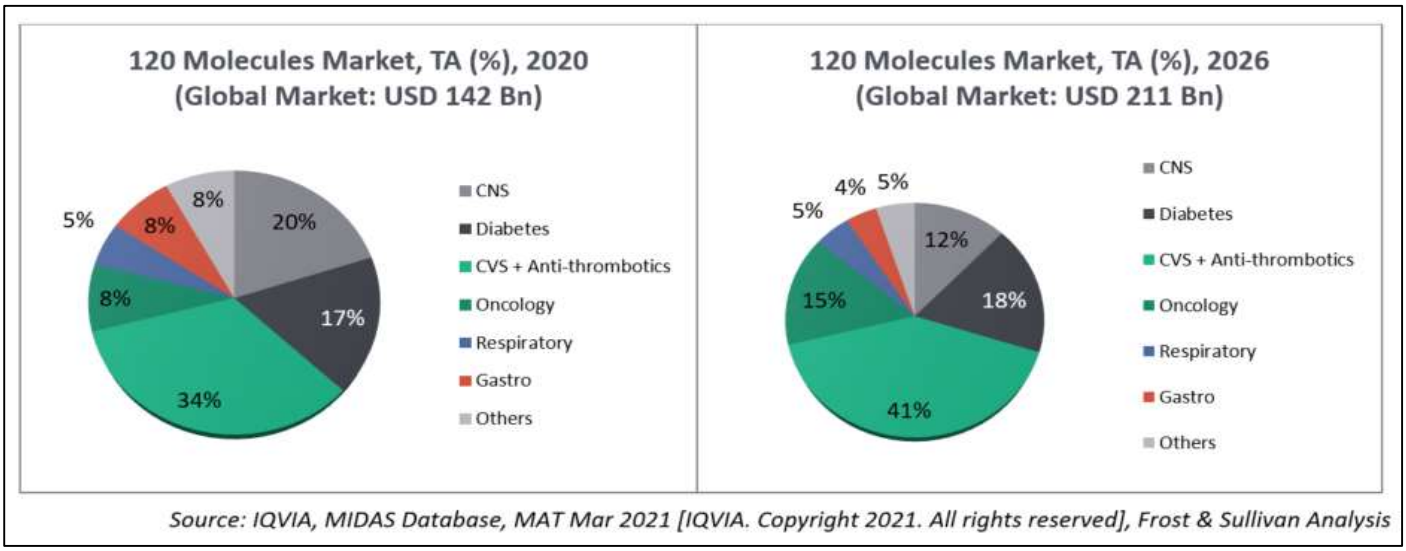


Source: IQVIA, MIDAS Database, MAT Mar 2021 [IQVIA. Copyright 2021. All rights reserved], Frost & Sullivan Analysis

The market size in terms of volume for the APIs of 120 products was estimated to be at 9,959 tonnes in 2020 and is expected to grow at a rate of 3.4% over the next five years to reach to about 12,079 tonnes by 2026.



GLS' portfolio of 120 niche, highly profitable and technically-complex products cater to large chronic therapy areas, such as CNS, diabetes, CVS (including anti-thrombotics) and oncology. These comprise of 84% of the US$142 billion end-market size for the GLS portfolio, which is expected to become 91% by 2026.



Competitive Scenario

The API market is highly fragmented with approximately 1,500 API manufacturing plants. As of 2017, the top 14-16 API players comprised just 16-17% of the total market share. Key players playing in the API market include Laurus Labs, Divis, Glenmark Life Sciences, Shilpa Medicare, Aarti Drugs and Solara Active Pharma Sciences.

Key Concerns:

- Any manufacturing or quality control problems may subject GLS to regulatory action, damage its reputation and have an adverse effect on its business, results of operations, financial condition and cash flows.

- Business is dependent on the sale of products to the key customers, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for GLS's products could adversely affect the business, results of operations, financial condition and cash flows.

- Derives a significant portion of revenue from API business, of which a limited number of therapeutic categories and key products generate a significant portion of total revenue, and its business may be adversely affected if API business or products in these therapeutic categories or its key products do not perform as well as expected or if substitute products become available or gain wider market acceptance.

- GLS' manufacturing and R&D facilities are located in the Indian states of Gujarat and Maharashtra. A slowdown or shutdown in its manufacturing operations could have an adverse effect on the business, results of operations, financial condition and cash flows.
- Any delay, interruption or reduction in the supply of raw materials to manufacture products may adversely affect the business, results of operations, financial condition and cash flows.
- The COVID-19 pandemic, or any future pandemic or widespread public health emergency, could materially and adversely impact GLS's business, financial condition, cash flows and results of operations.
- GLS has significant working capital requirements. If it experiences insufficient cash flows to fund its working capital requirements or if it is not able to provide collateral to obtain letters of credit and bank guarantees in sufficient quantities, there may be an adverse effect on its business, cash flows and results of operations.
- GLS does not own the brand name 'Glenmark' and the trademarks for its name 'Glenmark Life Sciences' and its logo are also registered in the name of its Promoter.
- The interests of GLS' Promoter, Glenmark, may conflict with its interests or with the best interests of its other shareholders.
- Pricing pressure from customers may affect GLS's gross margin, profitability and ability to increase its prices, which in turn may materially adversely affect the business, results of operations and financial condition.
- GLS is subject to extensive government regulation and if it fails to obtain, maintain or renew its statutory and regulatory licenses, permits and approvals required to operate its business, results of operations and cash flows may be adversely affected.
- GLS is exposed to counterparty credit risk and any delay in receiving payments or non-receipt of payments may adversely impact its results of operations.
- Inability to accurately forecast demand for GLS' products and manage its inventory may have an adverse effect on its business, results of operations, financial condition and cash flows.
- Success depends on GLS's ability to develop and commercialize new products in a timely manner. If its R&D efforts do not succeed, the introduction of new products may be hindered, which could adversely affect its business, growth and financial condition
- Ability to adopt new technology to respond to new and enhanced products poses a challenge in its business. The cost of implementing new technologies for its operations could be significant and could adversely affect the business, results of operations, cash flows and financial condition
- If GLS' is unable to patent new processes and protect its proprietary information or other intellectual property, its business may be adversely affected.
- Inability to successfully implement the business plan and growth strategy could have an adverse effect on the business, results of operations, financial condition and cash flows.
- The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution and other adverse consequences.
- Inability to meet the obligations, including financial and other covenants under its debt financing arrangements could adversely affect the business, results of operations and cash flows.
- Reforms in the healthcare industry and the uncertainty associated with pharmaceutical pricing and reimbursement could adversely affect the pricing and demand for GLS's products.
- Non-compliance with and changes in, safety, health, environmental and labor laws and other applicable regulations, may adversely affect the business, results of operations, financial condition and cash flows.
- Dependent on a number of key personnel, including GLS' senior management, and the loss of or its inability to attract or retain such persons could adversely affect the business, results of operations, financial condition and cash flows.

- The pharmaceutical industry is intensely competitive and inability to compete effectively may adversely affect the business, results of operations and financial condition and cash flows.
- GLS faces foreign exchange risks that could adversely affect the results of operations and cash flows.
- GLS is currently entitled to certain incentives and export promotion schemes. Any decrease in or discontinuation of such incentives or export promotion schemes may adversely affect the results of operations, cash flows and financial condition.
- Any failure in GLS' information technology systems could adversely affect the business
- A downgrade in credit ratings of India may affect the trading price of the Equity Shares.
- Investors may have difficulty in enforcing foreign judgments against the Company or its management.
- Increasing employee compensation in India may erode some of GLS's competitive advantage and may reduce its profit margins, which may have a material adverse effect on its business, financial condition, cash flows and results of operations.

Profit & Loss

Particulars (Rs in million)	FY21	FY20	FY19
Revenue from Operations	18851.7	15373.1	8864.2
Other Income	8.1	119.9	4.4
Total Income	**18859.8**	**15493.0**	**8868.7**
Total Expenditure	**12940.9**	**10653.5**	**6387.0**
Cost of materials consumed	9762.0	6951.0	6538.9
Changes in inventories of finished goods and work-in-progress	-707.0	-46.4	-3015.9
Employee benefits expense	1491.3	1422.8	1062.8
Other expenses	2394.6	2326.2	1801.2
PBIDT	**5918.9**	**4839.5**	**2481.6**
Interest	875.5	335.2	6.1
PBDT	5043.4	4504.4	2475.6
Depreciation and amortization	333.9	293.7	192.6
PBT	**4709.4**	**4210.7**	**2283.0**
Tax (incl. DT & FBT)	**1193.6**	**1079.7**	**327.1**
Current tax	1127.5	985.4	259.0
Deferred tax	66.2	94.3	68.1
PAT	**3515.8**	**3131.0**	**1955.9**
*EPS (Rs.)	32.61	29.04	24.64
Face Value	2.0	2.0	2.0
OPM (%)	31.4	30.7	27.9
PATM (%)	18.6	20.4	22.1

*EPS calculated after adjusting bonus shares (Source:RHP)

Balance Sheet

Particulars (Rs in million) As at	FY21	FY20	FY19
Assets			
Non-current assets			
Property, plant and equipment	5648.9	5390.8	4499.7
Capital work-in-progress	141.0	107.3	803.3
Intangible assets	79.1	71.7	63.3
Intangible assets under development	0.0	0.0	0.7
Financial assets			
- Investments	0.8	0.8	0.8
- Other financial assets	85.5	84.3	78.9
Current tax asset (net)	11.5	0.0	0.0
Other non-current assets	13.6	0.1	0.3
Total non-current assets	**5980.3**	**5654.9**	**5447.0**

Current assets			
Inventories	5134.2	4127.8	4008.4
Financial assets			
- Trade receivables	6195.0	6386.3	4480.9
- Cash and cash equivalents	1156.0	100.0	20.6
- Other financial assets	275.9	207.7	57.9
Other current assets	1229.4	779.4	739.2
Total current assets	**13990.4**	**11601.1**	**9307.0**
Total assets	**19970.8**	**17256.0**	**14754.0**
Equity and Liabilities			
Equity			
Equity Share Capital	19.6	19.6	19.6
Other equity	7507.9	3997.3	861.7
Total equity	**7527.5**	**4016.9**	**881.3**
Liabilities			
Non-current liabilities			
Deferred tax liabilities (net)	228.9	164.5	68.6
Total non-current liabilities	**228.9**	**164.5**	**68.6**
Current liabilities			
Financial liabilities			
- Borrowings	0.0	0.2	0.2
total outstanding dues of micro enterprises and small enterprises	357.7	100.7	220.9
total outstanding dues of creditors other than micro enterprises and small enterprises	1855.3	1910.1	1608.0
Other financial liabilities	9550.9	10736.6	11763.1
Provisions	199.0	139.8	140.4
Other current liabilities	114.5	103.7	47.9
Current tax liabilities (net)	136.9	83.6	23.5
Total current liabilities	**12214.4**	**13074.6**	**13804.1**
Total equity and liabilities	**19970.8**	**17256.0**	**14754.0**

(Source:RHP)

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