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Initiating Coverage

Glenmark Pharmaceuticals

23-October-2020

RETAIL RESEARCH

Glenmark Pharmaceuticals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 486.8	Buy in the band of Rs 436-440 and add further on dips to Rs 399-403	Rs 474	Rs 528	2 quarters

HDFC Scrip Code	GLEPHAEQNR
BSE Code	532296
NSE Code	GLENMARK
Bloomberg Code	GNP: IN
CMP Oct 22, 2020	486.85
Equity Capital (Rs cr)	28.22
Face Value (Rs)	1
Equity Share O/S (cr)	28.22
Market Cap (Rs cr)	13737
Book Value (Rs)	215
Avg. 52 Wk Volumes	3521453
52 Week High	572.7
52 Week Low	168

Share holding Pattern % (Sep, 2020)	
Promoters	46.6
Institutions	34.7
Non Institutions	18.7
Total	100.0

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Our Take

Glenmark has outpaced IPM (Indian Pharmaceuticals Market) with the launch of differentiated products and successful brand building efforts. Company is ranked no.2 in Dermatology, 4th in Respiratory and 6th in Cardiac. Its nine brands appear in Top-300 and one in Top-50 in the Indian Pharma Market. In April 2019, Glenmark became the first company globally to launch the novel patent-protected and globally researched SGLT2 inhibitor remogliflozin for Type 2 diabetes. In 2015, the company had launched an affordable version of teneligliptin for Type 2 diabetes. Going forward, company intends to keep scouting for ways to make drugs more accessible and affordable in the domestic market.

Company has built upon a strong portfolio in OTC segment as well with few key products such as Candid dusting powder and Scalpe. Domestic sales for Sep-20 rose 34 percent, led by Covid anti-viral drug Fabiflu. Also, other brands such as Telma, Candid, and Candid B supported growth. For the Sep-2020 quarter, the company registered strong 32% growth led by robust numbers from anti-viral drug sales and strong traction from cardiac and anti-diabetic therapeutic areas.

Glenmark is the 14th largest generics manufacturer by prescription volume in the US. However, in the recent years, company's performance in the US market has remained weak on the back of competitive environment and price erosion. Also its Baddi facility continues to be under US FDA scanner since May 2019 where it had received a warning letter with key issues. Company guides for better growth in the next two years for US business vs. 5% decline in the last three years. Glenmark has approval for 164 products in the US while 44 applications pending in various stages of approval with US FDA, of which 24 are Para IV filings.

LatAm and Europe business has been growing at steady pace. On the back of lower base and new launches LatAm could see better growth in the coming quarters. Company has been one of the highest spenders on R&D; it has spent ~Rs 4800cr or ~12% of its revenues over FY17-20. Management has guided for lower R&D as compared to last three years and commercialization of Monroe facility would drive margins over the next two years; we have factored in 160bps margin expansion over FY20-22E. API business is expected to do well on the back of better utilisation and due to tighter pollution control norms in China over the next two years. Company derives > 75% of API revenues Internationally from Europe, US and Japan etc. The re-rating of the stock depends upon the company's achievement in containing R&D spend and reduction in debt. Currently, the combination of financial risk and business risk (NCE development) is suppressing valuation multiples.

Valuation & View

Though domestic business has been fairly strong in India, the US has not really picked up pace despite a low base due to price erosion in large products. The US base business looks fairly set, we believe that there will be slow pick-up due to a relatively thin pipeline (44 pending approvals) and warning letter at its Baddi facility. Glenmark has also transferred its high-margin API business to a newly formed subsidiary and has also initiated the transfer of its innovative business to a new entity with a view to raise capital to fund R&D expenses and support its commercial strategy post approval. Till the time the new entity (ICHNOS) finds a partner, Glenmark will have to bear the costs. Further deleveraging through business reorganization hinges on asset monetization, which is a time-consuming exercise. High R&D costs and capex leave limited scope for debt repayment.

Meaningful debt reduction can be achieved if the company is able to generate cash flows through some corporate action and from any large out-licensing deals. Going forward, consistent rationalization of R&D cost and debt reduction on the back of minority stake sale of its NCE (New chemical entity) business- ICHNOS Sciences & API business - Glenmark Life sciences will be key monitorables. We estimate 7% revenue and 15% PAT CAGR over FY20-22E. We project India business to grow at 9%, US revenues at 7% and Europe business at 8.5% CAGR over the same period. Healthy revenues along with 160bps margin improvement would lead to 15% PAT CAGR over FY20-22E. Though Glenmark is trading at a discount to peers, limited growth drivers in the near term and a highly leveraged balance sheet limit upside potential. Any meaningful debt reduction and value unlocking in the innovative business could lead to stock rerating. Glenmark spends the highest percent of EBITDA on innovation research among its peers but on EV/EBITDA it is trading at a significant discount to peers due to the high debt on books.

At the CMP, Glenmark trades at 13.3x FY22E Earnings. We feel investors can buy the stock on declines to Rs 436-440 band (12x FY22E EPS) and add further on dips to Rs 399-403 (11x FY22E EPS) for base case target price of Rs 474 (13.0x FY22E EPS) and bull case TP of Rs 528 (14.5x FY22E EPS) over the next two quarters.

Financial Summary

Particulars (Rs cr)	Q1 FY21	Q1 FY20	YoY (%)	Q4 FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Total Revenues	2345	2323	0.9	2768	-15.3	9,865	10,641	11,120	12,158
EBITDA	478	342	39.8	466	2.6	1586	1699	1991	2127
Depreciation	113	91	24.4	126	-10.4	326	417	474	509
Other Income	59	2	-	44	33.0	208	160	136	149
Interest Cost	94	93	1.1	99	-4.6	335	377	375	338
Tax	104	51	103.7	98	5.6	376	320	355	400
APAT	254	109	133.0	220	15.3	925	776	921	1027
EPS (Rs)						32.8	27.5	32.7	36.4
RoE (%)						17.2	13.3	14.2	14.0
P/E (x)						14.8	17.6	14.9	13.3
EV/EBITDA						10.1	9.4	8.1	7.5

(Source: Company, HDFC sec)

Q1 FY21 result highlights

- Revenues grew 2.7% yoy to Rs 2345cr. It was driven by Europe and Domestic Formulation, partially offset by decline in RoW markets and LatAm sales. Domestic Formulations (34% of sales) revenue grew 3.7% yoy to Rs 780cr. Europe revenue (12% of sales) increased 13% yoy to Rs 273cr. US revenues grew 1.6% to Rs 743cr. API sales also saw muted growth of 1.8% to Rs 235cr. RoW sales declined 18% YoY to Rs 212cr, LatAm sales declined 19% yoy to Rs 66cr.
- Gross Margin expanded 100bps yoy to 65.5% due to superior product mix. EBITDA margin surged 610bps YoY to 20.4%, due to lower other expenses (-550bps yoy as % of sales). EBITDA grew 46% YoY while PAT surged 51% yoy on better margins and lower taxes.
- Company guides for EBITDA margin of around 19% in FY21. Management expects some benefits of lower SG&A to continue throughout the year.
- Company expects Ryaltris NDA approval for the US market in H2CY21. Management commented that they are on track to resolve regulatory issues at Baddi facility.
- R&D expense is expected at ~11% of sales for FY21 (~60% for innovation and 40% for generics). R&D spend in Q1FY21 stood at around Rs 254cr or 10.8% of sales.

- Ichnos Sciences has initiated the process to raise capital in the US to fund development of its pipeline and future growth plans. It is expected to complete the process in H2FY21.
- US business: Dermatology segment contributes around 30% to the US revenue as against the highs of 40-45%. Company filed 3 ANDAs in Q1FY21 and plans 3 more ANDAs in the next quarter. It launched 3 products and received 2 approvals. Company guides for 8-10 launches this year. Company is expected to close 1 out-licensing deal in the US in FY21. It expects high-single-digit growth in FY21; however, in derma portfolio, price erosion coupled with lower volume is expected to continue for next few quarters; overall generic derma market is witnessing 5-6% price erosion on QoQ basis due to lower demand.
- Costs: Expects (a) R&D as % of sales to decline YoY in FY21 (FY20 R&D expenses at ~Rs 1352cr, 12.7% of sales), (b) staff cost as % of sales to decline YoY in FY21 as no major MR addition (FY20 MRs strength at ~3,800). Management guided for Rs 700-800cr capex in FY21. About 50% would be maintenance capex and the rest will be on in-licensing and asset addition.
- Other highlights: (1) Ichnos Sciences (Innovation business spin-off): Glenmark has invested US$ 115mn in FY20 and US$ 23mn in Q1FY21; It expects to initiate fund raising by Q3FY21 and (2) R&D pipeline: (a) Specialty assets: Ryaltris - in Jun'19, received Complete Response Letter (CRL) from US FDA citing deficiencies in DMF and in manufacturing facilities; it is in process to resolve CRL. Additionally, it is in the process of partnering Ryaltris in US and EU, and (b) pipeline products to categorized as (i) Ichnos to focus on immunology and oncology base product pipeline and (ii) Glenmark will continue with Biologics, dermatology and respiratory projects.

US Business highlights

Glenmark is the 14th largest generics manufacturer by prescription volume in the US. Over the last 8 years, the company has grown the US business at around 15% CAGR but due to recent cost pressures and competitive environment, the revenue has seen around 5% decline in the last three years. The company has shifted focus from vanilla generic oral solids to value-added niche generics in relatively high barrier-to-entry segments such as oral contraceptives and skin treatments. Company guides for better growth in the next two years for US business led by new launches and moderating price erosion.

In the US, the company continues to seek approvals for new products while improving cost efficiency and defending the market share. The company has consistently gained market share in Naproxen, Mupirocin, Omeprazole, Olmesartan, Verapamil ER and Clobetasol propionate. The Baddi formulations facility remains under warning letter and the resolution of the same is critical in order for Glenmark to sustain growth in the US. As on Jun-2020, company had 164 ANDA approvals and 44 pending for approval with US FDA. It includes 24 Para-IV applications with a sizable market size and revenue visibility, though this would depend upon pricing environment and competition at

the time of approval/launch. Dermatology segment contributes around 30% to the US revenue as against the highs of 40-45%. Company filed 3 ANDAs in Q1FY21 and plans 3 more ANDAs in the next quarter. It launched 3 products and received 2 approvals. Company guides for 8-10 launches in FY21. Company is expected to close 1 out-licensing deal in the US in FY21. Ryaltris [Olopatadine hydrochloride and Mometasone Furoate] is a novel fixed-dose combination nasal spray of an anti-histamine and a steroid, indicated for the treatment of symptoms associated with seasonal allergic rhinitis (SAR) in patients over 12 years of age. Ryaltris is currently under review with the US FDA as a treatment for seasonal allergic rhinitis in the US. Glenmark and Hikma entered into an exclusive licensing agreement for commercializing Ryaltris Seasonal Allergic Rhinitis Nasal Spray in the US. Under the terms of the agreement, Glenmark will be responsible for continued development and regulatory approval of Ryaltris by the US FDA, while Hikma will be responsible for the commercialization of Ryaltris in the US.

Domestic Business to continue strong growth trajectory

Glenmark is concentrated on the core therapy areas like Cardiac, Dermatology and Respiratory in the domestic market, which are ranked 2nd, 4th and 6th respectively in IPM. Company derives around 70% of its domestic revenues from these therapeutic areas. The company has 9 products in the Top-300 products in IPM. The company is ranked 14 in the Indian Pharma Market (IPM) as on FY20. Glenmark ranks third in the respiratory segment in the Indian pharmaceutical market. In the cardiology space, the most notable brand remains Telma, which is the first brand to feature in the top-20 IPM brands. It has shown consistent growth over the last several years, growing faster than the Indian Pharmaceutical Market (IPM). Revenues have grown at 13% CAGR in FY14-20 as against market growth of low double digits over the same period.

Company derives ~60% of its domestic revenues from chronic therapeutic area while the balance from acute segment. The Indian business is concentrated in few chronic therapies, making the company immune to seasonal fluctuations. In anti-diabetics segment, Glenmark became the first company to launch the novel patent-protected and globally researched SGLT2 inhibitor Remogliflozin Etabonate 100 mg for Type 2 diabetes. Glenmark, with its clinical efficacy and economical pricing through Remogliflozin has been transforming diabetes therapy in the country. SGLT2 inhibitors are the newest class of oral drugs for the management of Type 2 diabetes, combining effective glycemic control with weight loss and cardiovascular risk reduction. Since its launch, Remogliflozin continues to do well in the market and is well received in the medical community. It has achieved an impressive market penetration of 34% in the segment. Going forward, the company is expected to outperform the market with new launches. Recently, the company announced the launch of Nindanib, a branded generic version for treatment of Pulmonary Fibrosis in India. Pulmonary fibrosis (PF) is a respiratory condition characterized by thickening

and/or scarring of the lungs, making breathing difficult and reducing patient life spans. Glenmark is 3rd largest in the respiratory segment in India. Its Nindanib is priced at Rs 4500 (100 mg) and Rs 5400 (150 mg) per month which are available at just 5% of the cost as compared to the innovator brand in India.

Consumer care business registered revenues of Rs 204cr in FY20. The company has a strong presence across OTC segments as well with Candid Dusting Powder (DP) and Scalpe+. Candid DP is a 30 year-old flagship and a prescription leader in the category of fungal skin infection. Scalpe+ is a 17-year old brand with a proven track record in dandruff treatment. Going forward, Glenmark's OTC business will focus on its other leading brands like Candid Powder, Scalpe and introduce new Rx to OTC switches. Channel-wise modern trade channel was a key growth driver delivering 34% growth in FY20.

Apart from this, company has also divested VWash brand to HUL in Mar-2020. Under this agreement, the brand and other trademarks, copyrights, know-how associated with Glenmark's VWash brand transferred to HUL in Jun-2020. Glenmark will receive an upfront payment and royalty on sales for 3 years. Glenmark announced the sale of its gynaecology business for Rs 115cr to Integrace in Jan-2020. It includes products like Dubagest, Mumfer and Fenza; these three products had sales of around Rs 60cr with single digit EBITDA margin.

Europe & RoW Business

Glenmark is one of the fastest growing domestic players in Europe. Company recorded 11.4% yoy growth in revenues at Rs 1248cr in FY20. Europe business has registered 8% revenue CAGR over FY17-20. This has been achieved through a combination of portfolio expansion and geographical spread. The company's geographical footprint covers all major markets in Western Europe and Central and Eastern Europe. The business has leveraged not just its in-house pipeline, but also added a significant component of in licensing partnerships to develop a robust portfolio, delivering strong growth over the last decade.

During FY20, the Western European business continued expanding through increased penetration in the UK, Germany, Spain and the Netherlands while Nordic countries witnessed some de-growth. During the year under review, the Central Eastern European region also managed to grow well in constant currency with major markets witnessing sales growth. During the year under review, GSK concluded a settlement agreement concerning the existing litigation against Glenmark and Celon regarding the shape of their inhalation product containing salmeterol xinafoate and fluticasone propionate, named Salmex (aka Stalpex, Salflutin and Asthmex) in selected European markets.

Glenmark is also working to close a partnership deal for Ryaltris in various other markets including the EU. The company has already filed an application for Ryaltris approval in the European Union. We expect the company to clock 8.5% revenue CAGR over FY20-22E.

In the RoW, the key markets are Russia/CIS, Asia and Africa region. For FY20, revenues grew by 1% yoy at Rs 1286cr. Company intends consolidate its position in key markets in the Middle East and African regions. Company targets to grow faster than the market in Russia through a diversified, innovative portfolio, strengthen hold on the respiratory and dermatology segments and enter the specialty and hospital channels. Launch of Momate Rhino OTC helped to further strengthen Glenmark's respiratory franchise in the Russian market. An important growth lever will be the in-licensing of complex generics that provide first-to-file opportunities. We estimate 4% revenue growth over FY20-22E.

Latin America Business update

For FY20, Glenmark's revenue from its Latin America and Caribbean operations (LatAm) increased 28% yoy at Rs 536cr (US$ 75.6mn). In Jun-2019, Glenmark announced that its Brazilian subsidiary has entered into an exclusive partnership agreement with Novartis AG, for three respiratory products indicated for treatment of Chronic Obstructive Pulmonary Disease (COPD) in Brazil. The products involved in the agreement are Seebri (Glycopyrronium bromide), Onbrize (Indacaterol) and Ultibro (combination of Indacaterol and Glycopyrronium). Under the terms of the agreement, Novartis remains the holder of the registration of these medicines and will be responsible for their manufacture and supply. Glenmark will be responsible for exclusively promoting, commercializing and distributing these products in Brazil. This deal strengthened Glenmark's respiratory franchise and helped consolidate the company's position in this segment in Brazil. We estimate 7.5% revenue CAGR in LatAm business over FY20-22E.

Key focus areas

Glenmark is concentrated on the core therapy areas like Dermatology, Respiratory and Oncology globally, and Cardio-metabolic in select markets to maximise offerings to patients. Secondly, the company has built strong partnerships and alliances with companies across markets for technology, products and commercialization. This has helped to improve offerings and enhance reach across geographies. The third driver is the launch of global brands. Company develops products bearing in mind the requirements of multiple markets across the globe. Company has been one of the highest spenders on R&D; it has spent ~Rs 4800cr or ~12% of its revenues over FY17-20.

Ryaltris, the innovative product for seasonal allergic rhinitis, which was developed to meet requirements of the stringent health regulators is targeted for launch in key global markets. Company is in the process of increasing its presence in Asia, Africa, Middle East and also expanding field force in India and certain Latin American countries.

API Business Outlook

On the API front, API manufacturing in China has got curtailed owing to tighter pollution control norms. Glenmark Life Sciences is well placed to leverage this opportunity in a cost-effective and quality-conscious manner. Company expects 10-12% growth in the API business over the next two years. Over the last two decades, Glenmark has built a robust and reliable Active Pharmaceutical Ingredients (API) business that caters to the world's leading pharmaceutical companies.

Starting with two APIs in 2003, this division has scaled up to manufacture nearly 135 APIs for over 200 customers in more than 80 countries. 60% of the API revenues come from Top-10 molecules. Company derives > 75% revenues internationally from Europe, US and Japan etc. In FY19, Glenmark spun off the API business into an independent entity called Glenmark Life Sciences (GLS). Domestic and ROW regions led the growth for Glenmark Life Sciences, with both regions recording good growth over the corresponding period last year. The US business also witnessed revival in FY20. The company also expanded its presence in the Japanese market. GLS continued to sustain its leadership position in products like Lercanidipine, Atovaquone, Perindopril, Olmesartan, and Aprepitant. Company recorded 8% yoy rise in API business and accounted for ~10% of its revenues in FY20. We estimate 7% revenue CAGR in API business over the next two years.

COVID 19: Anti-viral drug Favipiravir update

In May-2020, Glenmark Pharma said that it has initiated phase-III trial on anti-viral Favipiravir for COVID-19 in India. Company said that Clinical trials have commenced and over 10 leading government & private hospitals in India are being enrolled for the study. Glenmark is the first pharmaceutical company in India to be given an approval by the regulator to conduct Phase 3 clinical trials in India on Favipiravir Antiviral tablets for COVID -19 patients. Favipiravir is a generic version of Avigan of Fujifilm Toyama Chemical Co., Japan, a subsidiary of Fujifilm Corporation. Glenmark has successfully developed API and formulations for the product through its in house R&D team. Favipiravir has demonstrated activity against influenza viruses and has been approved in Japan for the treatment of novel influenza virus infections. The molecule will be marketed under the brand name 'FabiFlu' in India. Glenmark Pharmaceuticals on Jul 22, 2020 announced top-line results from a Phase 3 clinical trial in mild to moderate COVID-19 patients conducted across seven clinical sites in India. The Drugs Controller General of India (DCGI) granted it approval for Covid-19 treatment under emergency use authorisation, which means since

there is limited data available on the medicine's performance on Covid-19 positive cases, doctors prescribing it would have to document the written consent of a patient. Glenmark Pharmaceuticals reduced the selling price of its coronavirus disease (Covid-19) drug Favipiravir from Rs 103 to Rs 75 per tablet that could significantly lessen the cost for 14-days regimen from Rs 14,000 to Rs 10,200.

Indian government's panel of experts in September rejected Glenmark's proposal to conduct phase 3 clinical trials of Favipiravir drug combined with steroid dexamethasone as possible treatment for Covid-19. Recently, the company said that a combination of antivirals Umifenovir and Favipiravir in the treatment of moderate hospitalised Covid-19 patients did not show significant clinical benefit.

Key Risks

- Regulatory compliance remains the key risk. Warning letters remain key issues to be resolved. The company has received a warning letter for its Baddi facility.
- Company has not been able to scale up US business over the past three years, postponement of new launches and higher generic price erosion in the US market may hinder growth.
- Lower than expected contribution from new launches in the US.
- Slower than expected ramp up in the EU business.
- Execution and commercialization capabilities for new as well as existing products are a key risk. With a large NCE pipeline, the company faces a lot of risk in terms of successful trials and marketing. The company in the past has dropped a lot of NCEs due to failure in clinical trials.
- DPCO risk – The risk of additional drugs coming under price control is a major risk to the India business of Glenmark. The value growth of India business will largely depend on the extent of price control on the drugs.
- Foreign exchange Risk: Large part of revenue comes from exports and hence, the company faces risk of currency fluctuations.
- Company has heavy debt on books; gross D/E stood at 0.7x as on Mar-2020.
- Capex & R&D needs - Higher than anticipated Capex & R&D spends will affect net debt reduction.
- Delay in monetizing innovations and API business could hinder its plan to derisk its model and bring down debt.
- Balance sheet quality, high capex, weak free cash generation, limited visibility on US generic pipeline, lack of near-term catalysts in NCE/NBE pipeline remain key concerns for Glenmark.
- While earnings trajectory is improving, meaningful improvement in return ratios is some time away.
- Inability to monetise innovation/specialty assets could postpone rerating for the stock.
- Adverse development and payout due to price fixing litigation in the US could be a concern going forward for the company.

Glenmark Pharmaceuticals Ltd.

Company Background

Incorporated in 1977, Glenmark Pharmaceuticals is a leading player in India with main focus in India, US and Europe region. Apart from this the company has also presence in LatAm and RoW markets. Company derives around 10% of its revenues from API business with majority being from international markets. In the last three-four years, US business has witnessed weak performance due to pricing erosion and lack of new blockbuster launches. Company spends on innovative R&D and generic R&D remains at 65:35 ratio. Ex-US, other geographies have started showing greater traction especially Europe, LatAm and Russia. The company has undertaken a strategic step of reorganising its business into three separate entities operating independently – 1) Glenmark Pharmaceuticals (GPL) - To primarily focus on building a global generics, specialty and OTC business in the therapy areas of dermatology, respiratory and oncology. It also has a strong regional/country specific presence in other therapeutic areas like diabetes, cardiovascular and oral contraceptives, 2) Glenmark Life Sciences (GLS) - This primarily includes manufacturing and marketing of active pharmaceutical ingredient (API) products across all major markets globally. It also includes captive sales, 3) Innovation New Company (NewCo) - to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both biologics (NBE) as well as new chemical entities (NCE). In Jun-2020, the company concluded divestment of its intimate female hygiene OTC brand, 'VWash' alongside other extensions (no employee transfer) to HUL for which it will receive an upfront payment and sales royalties for three years. The company's consumer business comprised three brands (Candid, VWash and Scalp) contributing Rs 204 crore in FY20.

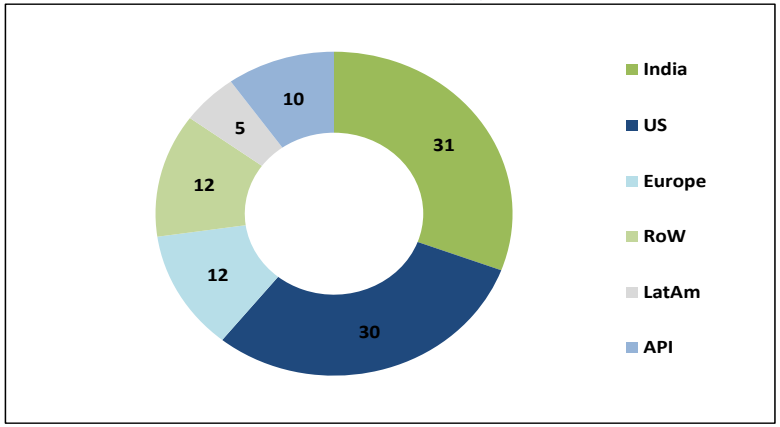
Peer Comparison

Company	CMP	Mcap (Rs cr)	Revenues* (Rs cr)	Operating Profit* (Rs cr)	PAT* (Rs cr)	RoE* (%)	RoCE* (%)	P/E* (x)	D/E* (x)	P/B* (x)
Ajanta Pharma	1639	14305	3228	900	634	19.5	22.0	23	0.1	4.3
Alembic Pharma	1011	19884	5858	1486	1020	19.9	19.2	18.8	0.2	3.7
Glenmark Pharma	487	13737	12158	2127	1027	14.0	13.5	13.3	0.5	1.8

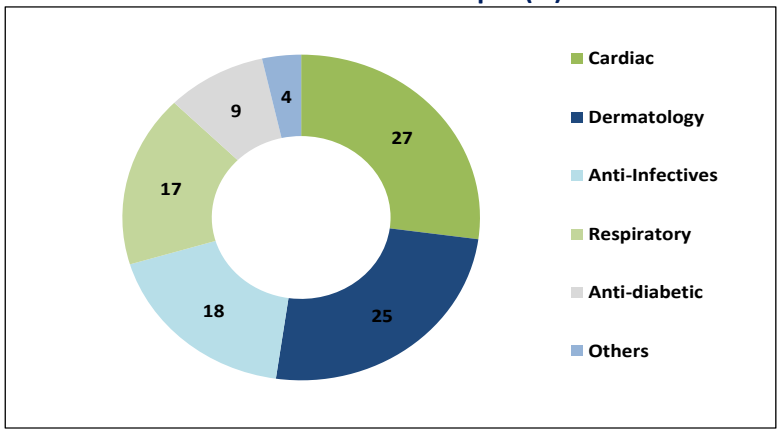
Source: Company, HDFC sec Research, *FY22E consolidated

Glenmark Pharmaceuticals Ltd.

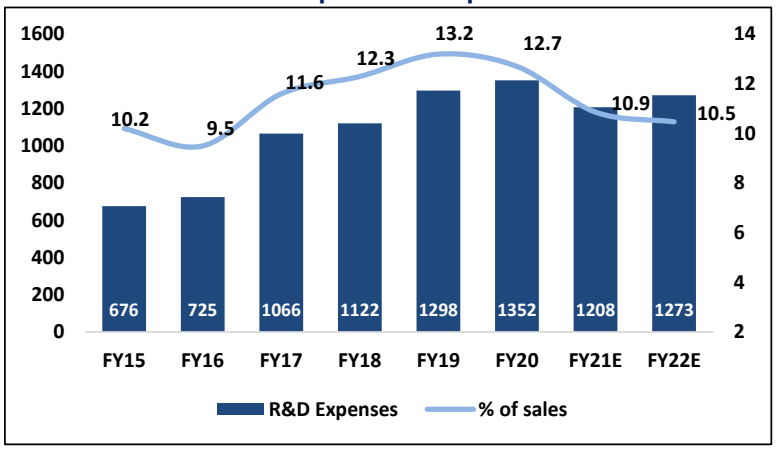
Revenues Mix (%)



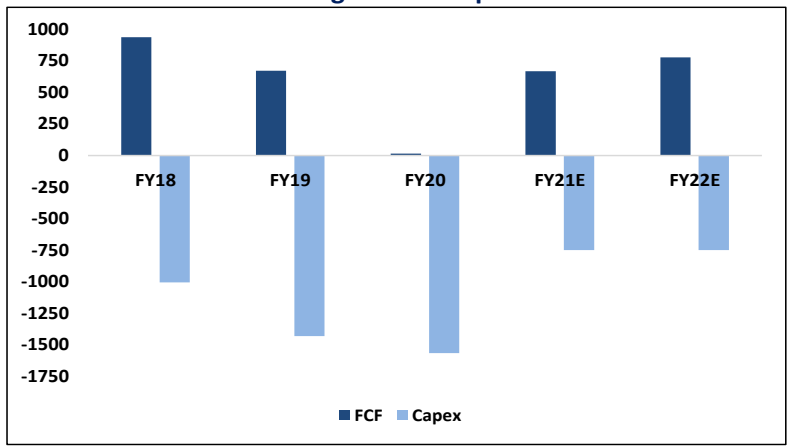
Domestic Revenues Split (%)



R&D expenses to taper off



FCF to see significant improvement



Source: Company, HDFC sec Research

RETAIL RESEARCH

Glenmark Pharmaceuticals Ltd.

Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Total Income	**9103**	**9865**	**10641**	**11120**	**12158**
Growth (%)	-0.9	8.4	7.9	4.5	9.3
Operating Expenses	7488	8279	8942	9129	10031
EBITDA	**1615**	**1586**	**1699**	**1991**	**2127**
Growth (%)	-21	-2	7	17	7
EBITDA Margin (%)	**17.7**	**16.1**	**15.9**	**17.9**	**17.5**
Depreciation	302	326	417	474	509
EBIT	1313	1260	1280	1517	1618
Other Income	92	208	160	136	149
Interest expenses	286	335	377	375	338
PBT	1119	1301	1096	1276	1427
Tax	315	376	320	355	400
RPAT	**804**	**925**	**776**	**921**	**1027**
Growth (%)	-27.5	15	-16.1	18.8	11.5
EPS	**28.5**	**32.8**	**27.5**	**32.7**	**36.4**

Balance Sheet

As at March	FY18	FY19	FY20	FY21E	FY22E
SOURCE OF FUNDS					
Share Capital	28.2	28.2	28.2	28.2	28.2
Reserves	5135	5577	6042	6875	7782
Shareholders' Funds	**5163**	**5605**	**6070**	**6903**	**7810**
Long Term Debt	4142	3574	4043	3711	3266
Net Deferred Taxes	-1320	-1383	-1440	-1440	-1440
Long Term Provisions & Others	3	89	430	486	579
Total Source of Funds	**7988**	**7885**	**9104**	**9662**	**10215**
APPLICATION OF FUNDS					
Net Block (incl. CWIP)	3018	3497	4199	4455	4714
Intangible Assets	1082	1518	1998	1998	1998
Long Term Loans & Advances	136	141	177	190	211
Total Non-Current Assets	**4288**	**5211**	**6426**	**6714**	**6974**
Inventories	2031	2252	2136	2376	2631
Trade Receivables	2332	2195	2409	2565	2748
Cash & Equivalents	1234	937	1111	1163	1261
Other Current Assets	1391	1313	1148	1173	1210
Total Current Assets	**6990**	**6695**	**6804**	**7279**	**7854**
Short-Term Borrowings	295	303	443	421	341
Trade Payables	1870	2221	2126	2266	2527
Other Current Liab & Provisions	719	1059	1042	1094	1171
Short-Term Provisions	404	438	515	551	573
Total Current Liabilities	**3290**	**4021**	**4126**	**4332**	**4612**
Net Current Assets	3700	2674	2678	2947	3242
Total Application of Funds	**7988**	**7885**	**9104**	**9662**	**10215**

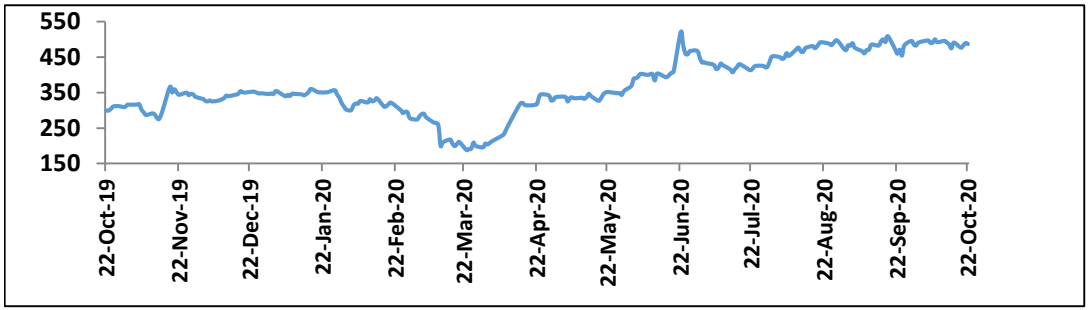
Source: Company, HDFC sec Research

Glenmark Pharmaceuticals Ltd.

Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	1119	1301	1096	1276	1427
Non-operating & EO items	-92	-208	-160	-136	-149
Interest Expenses	286	335	377	375	338
Depreciation	302	326	417	474	509
Working Capital Change	647	727	172	-217	-196
Tax Paid	-315	-376	-320	-355	-400
OPERATING CASH FLOW (a)	**1946**	**2105**	**1582**	**1418**	**1529**
Capex	-1007	-1433	-1568	-750	-750
Free Cash Flow	939	672	15	668	779
Investments	-34	-71	-107	-13	-21
Non-operating income	92	208	160	136	149
INVESTING CASH FLOW (b)	**-949**	**-1296**	**-1514**	**-627**	**-622**
Debt Issuance / (Repaid)	-424	-482	826	-275	-351
Interest Expenses	-286	-335	-377	-375	-338
FCFE	229	-145	464	17	90
Share Capital Issuance	0	0	0	0	0
Dividend	-67	-68	-73	-89	-120
FINANCING CASH FLOW (c)	**-777**	**-885**	**377**	**-739**	**-809**
NET CASH FLOW (a+b+c)	**220**	**-76**	**444**	**52**	**99**

One Year Price Chart



Key Ratios

	FY18	FY19	FY20	FY21E	FY22E
Profitability Ratios					
EBITDA Margin	17.7	16.1	15.9	17.9	17.5
EBIT Margin	14.4	12.8	12	13.6	13.3
APAT Margin	8.8	9.4	7.3	8.3	8.5
RoE	16.7	17.2	13.3	14.2	14
RoCE	13.7	13.2	11.6	13.2	13.5
Solvency Ratio					
Net Debt/EBITDA (x)	2	1.9	2	1.5	1.1
D/E	0.9	0.7	0.7	0.6	0.5
Net D/E	0.6	0.5	0.6	0.4	0.3
PER SHARE DATA					
EPS	28.5	32.8	27.5	32.7	36.4
CEPS	39.2	44.3	42.3	49.5	54.5
BV	183	198.6	215.1	244.6	276.8
Dividend	2	2	2.5	3	4
Turnover Ratios (days)					
Debtor days	94	81	83	84	83
Inventory days	84	79	75	78	79
Creditors days	125	129	118	122	125
VALUATION					
P/E	17	14.8	17.6	14.9	13.3
P/BV	2.7	2.4	2.3	2	1.8
EV/EBITDA	9.9	10.1	9.4	8.1	7.5
EV / Revenues	1.7	1.6	1.5	1.4	1.3
Dividend Payout	7	6.1	9.1	9.2	11

Source: Company, HDFC sec Research

Disclosure:

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