



**INITIATING COVERAGE  
SHORT NOTE**

## Glenmark Pharmaceuticals Ltd

<b>Market Cap.</b>	<b>52 Week H/L</b>	<b>CMP</b>	<b>Target Price</b>
Rs. 17,398 Cr.	Rs.640 / 370	Rs.617	Rs.760

### STOCK DATA

#### BUY

Reuters Code	GLEN.BO	
Bloomberg Code	GNP IN	
BSE Code	532296	
NSE Symbol	GLENMARK	
Face Value	Rs.1	
Shares Outstanding	28.2 Cr	
Avg. Daily Vol. (6m)	2,815,319	
Price Performance (%)		
1M	3M	6M
7	29	27

200 Days EMA Rs.508

### SHARE HOLDING (%)

Promoters	46.6
FII	25.8
FI/Bank	9.2
Body Corporate	1.4
Public & Others	17.0

### RESEARCH ANALYST

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### Focus on selective therapies on domestic front

Glenmark has strengthened its position in its core therapies like cardiac, diabetes and respiratory. Domestic sales continue to outperform Indian pharma market on account of traction on Fabiflu and chronic therapies like cardiac and diabetes. We expect domestic performance to be healthy, thereby leading to better gross margins on account of better product mix.

### Debt and non core R&D expense to witness reduction

Glenmark Life Sciences, subsidiary of Glenmark Pharma, has filed DRHP for IPO and it plans to raise ~Rs.1160 cr. We expect part of the proceeds will be used to pare down the debt. Also the company has spent Rs.757cr in FY21 for its R&D on its Ichnos Sciences. Ichnos is in discussion for fund raising both at company and molecule levels. It expects atleast one outlicensing deal in FY22 and therefore R&D spends, net of licensing fees will be lower, leading to better margins.

### US business to pick up on account of new launches

Over the last 4 years, US business saw a de-growth of 1.4% in FY18-21, driven by price erosion in derma products (5-6%). It managed to file just 7 ANDAs in FY21, on account of Covid-19. Company has indicated that price erosion has hit the bottom and plans to file ~18-20 ANDAs in FY22 and launch 8-10 products, with focus on limited competition products. We expect 8% CAGR for US revenue over FY21-23e.

### OUTLOOK & VALUATION

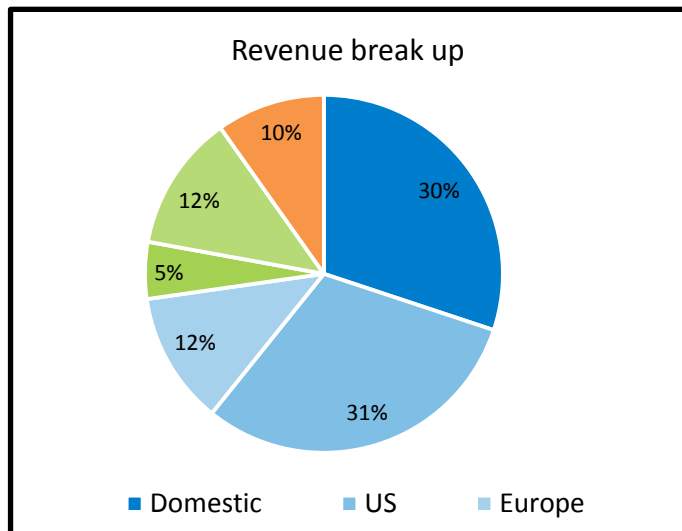
With limited success in R&D in the past, resulting in inflating debt and spends, Glenmark has taken strategic step to diversify its R&D division, thereby focusing on generics and speciality products. This should result in lower interest and R&D spends. We expect strong positioning in domestic market, arrest of de-growth in US market and gradual opening up in Europe and Rest of World tailwinds to play out, resulting in 8-9% growth in topline for FY22 and FY23. We initiate coverage with a BUY rating for target price of Rs.760 (24% upside) over an investment horizon of 18-24 months.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	AEPS (Rs.)	P/E (x)	P/Bv (x)	ROE (%)
FY20	10,641.0	1,698.1	743.1	7.0	26.3	23.4	2.9	12.7
FY21P	10,943.9	2,084.4	925.5	8.5	32.8	18.7	2.5	14.1
FY22E	11,855.3	2,240.4	1,057.8	8.9	37.5	16.4	2.1	13.9
FY23E	12,996.0	2,441.3	1,191.0	9.2	42.2	14.6	1.9	13.7

**COMPANY OVERVIEW**

Glenmark Pharmaceuticals Ltd is one of the leading multinational pharmaceutical companies with 70% of revenues from exports. In US, it is the 14<sup>th</sup> largest generic manufacturer by prescription in US and its products are used to fill about 83mn prescriptions each year. Company has 15 manufacturing facilities and 7 R&D centres globally. The formulations business focuses on therapeutic areas such as dermatology, anti-infective, respiratory, cardiac, diabetes. Apart from formulations and API, it is present in Research and Development, Ichnos Sciences. Recently, company has decided to restructure its business into 3 separate entities- 1) Glenmark Pharma, 2) Glenmark Life Sciences (API) and 3) R&D company that will focus on discovering molecules in the field of immunology, oncology and pain

The Company is listed on Dow Jones Sustainability Index (DJSI) for 2<sup>nd</sup> consecutive year. DJSI assesses the world's 4,500 largest companies and is one of the most respected independent sustainability ranking indices in the world. The DJSI assessment is extensive and includes a detailed analysis of management practices and performance measures within areas such as corporate governance, risk management, anticorruption, innovation, sustainable supplier management etc.



Source: Company, Sushil Finance Research

## PROFIT & LOSS STATEMENT

(Rs.cr)

Y/E Mar.	FY20	FY21P	FY22E	FY23E
<b>Net Sales</b>	<b>10,641.0</b>	<b>10,943.9</b>	<b>11,855.3</b>	<b>12,996.0</b>
Raw Material Cost	3,698.6	3,698.8	3,959.9	4,368.6
Employee Cost	2,254.8	2,343.7	2,513.3	2,755.1
Other Expenses	2,989.5	2,817.0	3,141.7	3,430.9
<b>EBITDA</b>	<b>1,698.1</b>	<b>2,084.4</b>	<b>2,240.4</b>	<b>2,441.3</b>
Depreciation	417.2	443.6	474.2	519.8
Interest Cost	377.3	353.1	338.0	311.0
Other Income	159.6	50.2	83.0	91.0
<b>PBT</b>	<b>1,096.1</b>	<b>1,382.5</b>	<b>1,511.2</b>	<b>1,701.5</b>
Tax	320.1	412.4	453.4	510.4
<b>RPAT</b>	<b>743.1</b>	<b>925.5</b>	<b>1,057.8</b>	<b>1,191.0</b>

## BALANCE SHEET STATEMENT

(Rs.cr)

As on 31 <sup>st</sup> Mar.	FY20	FY21P	FY22E	FY23E
Equity Share Capital	28.2	28.2	28.2	28.2
Reserves	6,042.3	7,036.4	8,094.2	9,285.3
<b>Net worth</b>	<b>6,070.5</b>	<b>7,064.6</b>	<b>8,122.5</b>	<b>9,313.5</b>
Total loans	4,485.6	4,401.8	4,061.2	3,725.4
Other Current Liabilities	4,126.0	4,201.0	4,252.9	4,454.2
<b>Total Liabilities</b>	<b>14,684.8</b>	<b>15,603.6</b>	<b>15,992.7</b>	<b>17,088.3</b>
Net block	2,977.7	2,957.8	2,981.5	3,007.5
Sundry debtors	2,409.0	2,572.1	2,757.1	3,094.3
Inventories	2,135.6	2,276.8	2,329.4	2,569.8
Cash and bank	1,111.2	1,139.2	1,836.1	1,513.0
Loans and advances	-	-	-	-
Other Financial Assets	124.9	144.0	165.0	170.0
<b>Total Assets</b>	<b>14,684.8</b>	<b>15,603.6</b>	<b>15,992.7</b>	<b>17,088.3</b>

Source: Company, Sushil Finance Research Estimates

## CASH FLOW STATEMENT

(Rs.cr)

Y/E Mar.	FY20	FY21P	FY22E	FY23E
PAT	776.0	970.1	1057.8	1191.0
Depreciation & Amortization	417.2	443.6	474.2	519.8
Finance Cost	377.3	353.1	338.0	311.0
(Incr)/Decr in Working Capital	3.1	-406.6	-419.4	-312.2
<b>Cash Flow from Operating</b>	<b>1893.7</b>	<b>1772.5</b>	<b>1904.0</b>	<b>2220.1</b>
(Incr)/ Decr in Gross PP&E	-1297.1	-423.6	-497.9	-545.8
(Incr)/Decr In Investments and Intangibles	-445.1	-152.9	-45.1	-40.0
<b>Cash Flow from Investing</b>	<b>-1633.6</b>	<b>-727.4</b>	<b>-125.2</b>	<b>-585.8</b>
(Decr)/Incr in Debt	608.8	-83.8	-340.6	-335.8
Taxes	-320.1	-412.4	-453.4	-510.4
<b>Cash Flow from Financing</b>	<b>-86.5</b>	<b>-1017.2</b>	<b>-1497.8</b>	<b>-1617.3</b>
<b>Cash at the End of the Year</b>	<b>1111.3</b>	<b>1139.2</b>	<b>1420.2</b>	<b>1437.1</b>

## FINANCIAL RATIO STATEMENT

Y/E Mar.	FY20	FY21P	FY22E	FY23E
<b>Growth (%)</b>				
Total Sales	7.9%	2.8%	8.3%	9.6%
<b>Profitability (%)</b>				
EBITDA Margin	16.0%	19.0%	18.9%	18.8%
APAT Margin	7.0%	8.5%	8.9%	9.2%
ROCE	12.9%	14.9%	15.3%	15.8%
<b>Per Share Data (Rs.)</b>				
AEPS	26.3	32.8	37.5	42.2
Reported CEPS	41.1	48.5	54.3	60.6
BVPS	215.1	250.4	287.9	330.1
<b>Valuation</b>				
PER (x)	23.4	18.7	16.4	14.6
P/BV (x)	2.9	2.5	2.1	1.9
EV/EBITDA (x)	12.0	9.7	9.1	8.3
MCap/Net Sales (x)	1.6	1.6	1.5	1.3
<b>Turnover</b>				
Debtor Days	83	86	85	87
Inventory Days	211	225	215	215
Creditor Days	210	221	215	215
<b>Gearing Ratio</b>				
D/E (x)	0.74	0.62	0.50	0.40

Source: Company, Sushil Finance Research Estimates

**Rating Scale :** This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

**Total Expected Return Matrix (Rating and Return)**

**BUY : Over 20%**

**HOLD : 0% to 20%**

**SELL : 0% to -20%**

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<b>Analyst Stock Ownership</b>	<b>No</b>
<b>Stock Recommended to Clients</b>	<b>Yes</b>
<b>Remuneration/Benefits received from company in 12 months</b>	<b>No</b>
<b>Merchant Banking Market Making activities / projects</b>	<b>No</b>
<b>Sushil Financial Services Pvt. Ltd and Group Companies Holding</b>	<b>No</b>
<b>Sushil Financial Services Pvt. Ltd and Group Directors Holding</b>	<b>No</b>
<b>Broking Relationship with the company covered</b>	<b>No</b>