

Business Overview

Glenmark Pharmaceuticals Limited (GNP) is a research driven company and has established presence globally. US & India are its largest markets and contribute 60% to revenue. In India, it is among the top-25 companies and is among the fastest growing companies. In the US, it has achieved reasonable scale by launching products in niche categories like derma, hormones, controlled substances and modified release products. The company is also gradually gaining scale in emerging markets like Brazil, Mexico, Russia and eastern European countries.

Key highlights

- Glenmark's (GNP) Q2FY21 performance was driven by favipiravir-led growth in the domestic market, heavy shipments in Europe and traction in the API business.
- EBITDA margin improved 330bps YoY to 19.3% on strong cost control.
- Going forward, management expects: 1) India to clock double-digit growth. 2) US to benefit from launches in injectables and nebulisers in FY22. 3) Sustenance of cost control in coming quarters.
- Margins to improve on rationalisation of R&D.
- Capital raising for the hived-off innovation company in FY21 and any out-licensing deals over the next 12-18 months could lend some upside.
- For biosimilar Xolair, GNP is in active discussions with potential partners before it initiates phase-III trials.
- India base business growing at 7-8%. Balance is favipiravir, which is expected to dip. Double-digit growth in India business is achievable.
- API external sales were strong. As customers look to diversify away from China, expects the API business to continue to post strong growth.

Risks

- Slowdown in ANDA approvals and USFDA related regulatory risks
- Currency risk in LatAm and Russia
- Setback on the novel research pipeline

QUICK DATA

Face Value (Rs.)	1.0
Div. Yield (%)	0.5
No of shares ('cr)	28.2
52-week High/Low (Rs.)	573 / 168
NSE Symbol	GLENMARK
BSE Code	532296
Bloomberg Code	GNP
Market cap (Rs. bn)	142

SHAREHOLDING PATTERN (%)

Promoters	46.6
Free Float	53.4
FIs	23.4
Others	30.0

EDELWEISS CLASSIFICATION

Market Cap	Mid Cap
Relative Reco	Performer

Edelweiss Ratios

Company	GNP
1 Wk Price performance (%)	6.5
3 M Price performance (%)	7.9
PE (x)	14.5
EV to EBITDA (x)	9.5
Return on Capital Employed (%)	13.7

Financial Snapshot

Year to March	FY20	FY21E	FY22E	FY23E
Net Revenue (INR cr.)	10,641	11,067	11,725	12,505
EBITDA (INR cr.)	1,698	2,179	2,058	2,194
EBITDA Margin	16.0	19.7	17.5	17.5
Adjusted PAT (INR cr.)	753	977	835	920
Adjusted diluted EPS (INR)	26.7	34.6	29.6	32.6
EPS Growth (%)	-7.4	29.7	-14.5	10.2
ROAE (%)	13.3	15.3	11.3	11.2

Technical View

	S1	S2	R1	R2
GNP	481.3	475.0	510.7	521.2

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