

Company Update

CMP	946
Target Price	1096
Previous Target Price	1096
Upside	16%
Change from Previous	0%

Market Data

BSE Code	532296
NSE Symbol	GLENMARK
52wk Range H/L	994/671
Mkt Capital (Rs Cr)	26729
Av. Volume(,000)	57
Nifty	8740

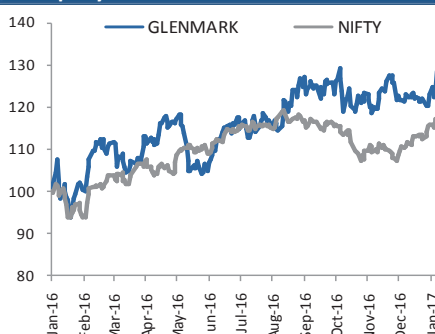
Stock Performance

	1M	3M	12M
Absolute	5.8	25.7	10.1
Rel.to Nifty	-0.2	8.5	-2.9

Share Holding Pattern-%

	3QFY17	2QFY17	1QFY17
Promoters	46.5	46.5	46.5
Public	53.5	53.5	53.5
Others			
Total	100	100	100

Company Vs NIFTY



Aditya Gupta

aditya.gupta@narnolia.com

Glenmark has posted revenue growth of 43% YoY to Rs. 2535 Cr in Q3FY17 vs Rs.1778 Cr in the corresponding period of FY16 led by growth in the revenue from US business by 102% to Rs. 1231 Cr on account of new product launch of Zetia which contributes Rs. 225 Cr in the US sales. The company has launched this product on 12 Dec 2016 and it has already received 180 days exclusivity on this product. As per the management the company, it will generate Rs. 1300-1700 Cr revenue post 50% profit sharing with Par pharmaceuticals. In the last quarter company has filed 5 ANDA's, and planned to file 10 ANDA's in Q4FY17.

Result Highlights of Q3FY17

- ◆ India Business grew by 5.91 % to Rs. 517 Cr in 3QFY17.
- ◆ Revenue from sale of API to regulated and semi-regulated markets globally was Rs. 192 Cr (an increment of 32% YoY). The good growth of the business was due to the successful launch of Olmesartan with Mylan under 180 days market exclusivity.
- ◆ The good growth was contributed by sale of Perindopril, Adapalene, Amiodarone.
- ◆ The effective tax rate for 3QFY17 is 27% and the company pays total tax of Rs. 178 Cr.
- ◆ Europe Formulations Business grew by 10.98% to Rs. 1,95 Cr in Q3FY17.

Outlook

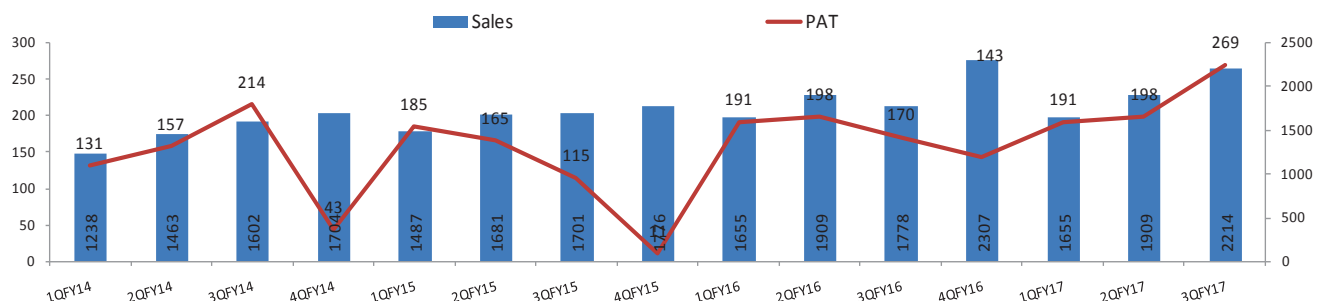
Management expects that post re-monetization, revenue from India business to improve further and benefits from the launch of Zetia in US will boost the revenue from US business in next 2 quarters. Good demand in API business and management focus on Oncology, Respiratory and Dermatology segments will help the company to diversify its portfolio in API segment. The management plans to reduce debt up to some extent by Q1FY18 on the back of growth in US business. Considering the long-term opportunities, we recommend "Hold" rating in this stock while maintaining our previous target price of Rs. 1096

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	4021	5012	6005	6630	7650
EBITDA	714	1015	1091	1210	1433
Net Profit	464	628	546	474	702
EPS	17	23	20	17	26
P/E	18.0	20.0	28.1	45.0	30.7

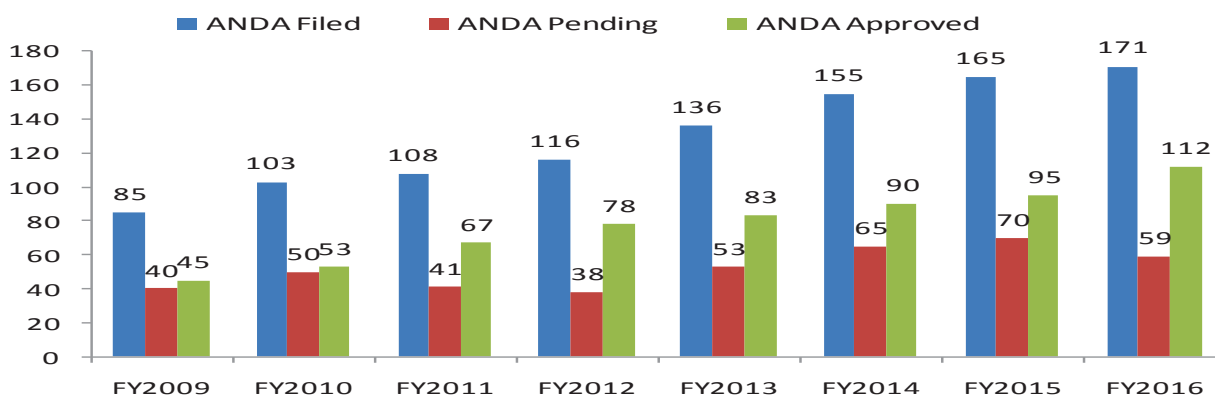
Concall Highlights

- ◆ Company has maintained higher level of cash of ~ Rs. 1600 Cr in order to do re-financing in next 3-4 months.
- ◆ Management has guided for lowering debt level in March 2017, but refrains from providing any specific number.
- ◆ Capex guidance for FY17 is Rs. 600-700 Cr.
- ◆ Tax rate guidance for 4QFY17 will be range of 28%.
- ◆ Management expects that effect of demonetization will be normalized in April 2017.
- ◆ Company has maintained higher level of cash of ~ Rs. 1600 Cr in order to do re-financing in next 3-4 months.

Sales and PAT Trend



Filings with USFDA



About Company

Glenmark Pharmaceuticals is one of the most successful research focused pharmaceutical companies, with a business model spanning drug discovery research, APIs and formulations in the domestic and international markets. Glenmark's R&D efforts have been extremely productive. GPL almost has a leadership position in the Indian drug discovery space (both NCEs and biologics). GPL has a presence in over 85 countries across the world including India, Europe, Brazil, Latin America (excluding Argentina), Russia/CIS, Africa and Asia through branded generic formulations. In regulated markets such as US, Europe, Argentina, etc it has a presence via its non-branded generics. GPL's formulation business is diversified over several therapeutic segments such as dermatology, internal medicine, respiratory, diabetes, paediatrics, gynaecology, ENT and oncology. Its manufacturing plants are located in Baddi (India), Nashik (India), Sao Paulo (Brazil) and Vysoke Myto (Czech Republic). In India, GPL markets over 100 molecules and combinations in various therapy areas such as dermatology, respiratory, gynaecology, pain management, diabetes, cardio-vascular, internal medicine, etc. Glenmark has reclassified its operations into 6 categories- India, US, Europe, Latin America, ROW markets and APIs. Earlier the classification was on the basis of - 1) Specialty businesses and 2) Generics businesses.

Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Revenue (Net of Excise D	5012	6005	6630	7650	EPS	23.2	20.1	17.5	25.9
Other Income	6	5	20	20	Book Value	102.9	110.5	110.6	157.4
Total Revenue	5019	6010	6650	7670	DPS	2.4	2.3	2.3	2.3
COGS	1654	1873	1934	2361	Payout (incl. Div. Tax.)	10%	12%	13%	9%
GPM	33.0%	31.2%	29.2%	30.9%	Valuation(x)				
Other Expenses	1561	2015	2283	2477	P/E	20.0	28.1	45.0	30.7
EBITDA	1015	1091	1210	1433	Price / Book Value	4.5	5.1	7.1	5.1
EBITDA Margin (%)	20%	18%	18%	19%	Dividend Yield (%)	1%	0%	0%	0%
Depreciation	127	217	260	269	Profitability Ratios				
EBIT	888	874	950	1164	RoE	23%	18%	16%	16%
Interest	160	189	190	179	RoCE	19%	16%	17%	17%
PBT	739	697	780	1005	Turnover Ratios				
Tax	111	151	119	303	Asset Turnover (x)	0.7	0.7	0.7	0.7
Tax Rate (%)	15%	22%	15%	30%	Debtors (No. of Days)	119	131	138	100
Reported PAT	628	546	474	702	Inventory (No. of Days)	61	57	70	75
Dividend Paid	64	63	63	63	Creditors (No. of Days)	76	83	113	96
No. of Shares	27	27	27	27	Net Debt/Equity (x)	0.7	0.8	0.9	0.6

BALANCE SHEET					CASH FLOW STATEMENT				
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Share Capital	27	27	27	28	OP/(Loss) before Tax	739	697	594	1005
Reserves	2760	2969	3073	3737	Depreciation	127	217	260	269
Net Worth	2787	2997	3000	4270	Direct Taxes Paid	165	263	318	478
Long term Debt	1920	2429	2574	2487	OP before Wc	1081	1407	1067	1431
Short term Debt	2288	2782	2922	3275	CF from Op. Activity	648	854	482	345
Deferred Tax	262	259	402	344	Current investments	-471	-377	-544	-890
Total Capital Employed	57	111	232	247	Capex	-464	-368	-540	-880
Net Fixed Assets	33	260	59	63	CF from Inv. Activity	-314	-56	3	452
Capital WIP	1834	2596	3364	3214	Repayment of Debt	-256	-628	-691	-1340
Debtors	7171	8634	9688	11103	Interest Paid	147	194	179	180
Cash & Bank Balances	2768	3036	3270	3908	Divd Paid (incl Tax)	64	63	63	68
Trade payables	60	60	58	57	CF from Fin. Activity	195	-98	199	699
Total Provisions	636	873	774	987	Inc/(Dec) in Cash	379	388	141	163
Net Current Assets	3727	4763	5323	5910	Add: Opening Balance	226	407	623	694
Total Assets	7171	8634	9688	11103	Closing Balance	605	795	764	857