



Economy News

- ▶ The wholesale price index-based inflation fell for the third consecutive week to close at 12.1% for the week ended August 30, due to a fall in prices of a few food articles and manufactured products. However, the inflation rate of 30 essential commodities increased by 62bps to 7.52% because of increase in prices of salt, sugar, wheat and urad. (BS)
- ▶ After obtaining a feedback from the industry and other agencies, the Government is expected to firm up new norms about the minimum public shareholding in listed companies. As per the proposal under consideration, listed companies with less than 25% public shareholding will have to increase the same by 3 - 5% annually to make it 25% (ET)
- ▶ The rupee fell to a near two year low yesterday on fears that the falling stock markets will lead to pull out of funds by FIIs. The rupee closed the day at Rs.45.56 per USD, down by about 1% as compared to Wednesday (Times of India)
- ▶ Accorded to the amended 3G policy, successful foreign bidders will be allowed to acquire Indian operators without waiting for the mandatory three years. Another change was that, CDMA players will be allotted 3G spectrum through auction. (ET)
- ▶ Domestic car sales fell for the second consecutive month with August sales declining by 4.36%, although motorcycles sales grew by 15.9%. According to the figures released by SIAM, domestic passenger car sales in August stood at 94,584 units as against 98,893 units in the same month last year and motorcycles saw sales at 4,85,294 units as against 4,18,702 units in the corresponding month a year ago. (BS)

Corporate News

- ▶ In a major restructuring exercise, JetLite will be trimming its 2,300 staff strength by a third to cut costs and will integrate some key functions with **Jet Airways**. This has been confirmed by Jet Airways' CEO, Wolfgang Prock-Schaeur (BS)
- ▶ **Infosys** has said that, it will take a re-look at its investment plan in West Bengal following the ongoing crisis in Singur. The company is planning to invest Rs.2.5bn to set up a development centre on the outskirts of Kolkata. (BS)
- ▶ **Bharti Airtel** has launched a Rs.2bn innovation fund for promoting entrepreneurship in the telecom sector. The objective of the fund is to provide opportunities to the entrepreneurs to undertake innovation in the field of telecom with regard to content, software and technologies (BS)
- ▶ GMR Energy, a subsidiary of **GMR Infrastructure**, has said it plans to invest over Rs.100bn in setting up a 2,000-3,000 MW nuclear power plant in the country in the next 5-7 years (BL)
- ▶ **HCL Infosystems** has said that, it has started exporting hardware products to different nations, including Gulf countries, and has bagged an IT infrastructure project in Africa. (FE)
- ▶ **Larsen & Toubro** has said that, it has bagged a \$160mn order from Brazilian oil firm Petrobras for supplying equipment for its refinery project (FE)

Equity

	11 Sep 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
BSE Sensex	14,324	(2.3)	(5.8)	(6.1)
Nifty	4,290	(2.5)	(5.8)	(5.5)
BSE Banking	7,211	(1.6)	(3.0)	2.5
BSE IT	3,990	(0.9)	5.8	(8.2)
BSE Capital Goods	11,941	(2.4)	(6.3)	(0.4)
BSE Oil & Gas	9,340	(3.4)	(10.6)	(6.4)
NSE Midcap	5,639	(1.2)	(5.0)	(7.6)
BSE Small-cap	6,819	(1.2)	(5.6)	(9.4)
World Indices				
Dow Jones	11,434	1.5	(1.8)	(5.8)
Nasdaq	2,258	1.3	(7.1)	(6.1)
FTSE	5,318	(0.9)	(3.9)	(8.2)
Nikkei	12,103	(2.0)	(8.1)	(11.9)
Hangseng	19,389	(3.1)	(10.7)	(16.0)

Value traded (Rs cr)

	11 Sep 08	% Chg - Day
Cash BSE	4,611	(9.0)
Cash NSE	10,783	(10.1)
Derivatives	50,366	(4.5)

Net inflows (Rs cr)

	10 Sep 08	% Chg	MTD	YTD
FII	(870)	367	(398)	(29,968)
Mutual Fund	106	(149)	171	10,372

FII open interest (Rs cr)

	10 Sep 08	% Chg
FII Index Futures	13,379	0.3
FII Index Options	22,545	(3.8)
FII Stock Futures	20,479	(1.9)
FII Stock Options	1,293	9.7

Advances / Declines (BSE)

	11 Sep 08	A	B	S	Total	% total
Advances	29	558	151	738	30	
Declines	175	1156	289	1,620	67	
Unchanged	-	54	13	67	3	

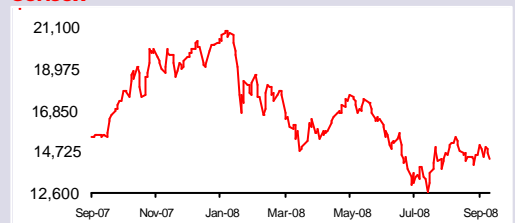
Commodity

	11 Sep 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	101.6	0.7	(10.1)	(25.7)
Gold (US\$/OZ)	746.5	(0.8)	(7.6)	(13.6)
Silver (US\$/OZ)	10.6	(1.2)	(26.3)	(35.1)

Debt / forex market

	11 Sep 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.42	8.49	8.95	8.35
Re/US\$	45.56	45.30	42.17	42.79

Sensex



EVENT UPDATE

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GLENMARK PHARMACEUTICALS LTD (GPL)

PRICE: Rs.655
TARGET PRICE: Rs.791

RECOMMENDATION: BUY
FY10E P/E: 15.5x

Glenmark filed IND application for GBR 500 with USFDA; to initiate phase I studies soon

- ❑ **Glenmark has filed an Investigational New Drug (IND) Application for a monoclonal antibody molecule GBR-500 with the USFDA**
- ❑ **The company will initiate Phase I studies for GBR 500 soon**
- ❑ **It became the first Indian company to have a novel biologic molecule in the clinics that could potentially be marketed globally**
- ❑ **Developing IP assets, taking it to phase II clinical studies and out-license it to global partner for further development is key strategy**
- ❑ **We maintain buy with our SOTP-based target price Rs.791.**

Glenmark to initiate Phase I studies for GBR 500

Glenmark has filed Investigational New Drug (IND) Application with the USFDA for its molecule GBR 500 (monoclonal antibodies) to commence Phase I clinical trials. The filing signifies the successful completion of a substantial number of pre-clinical studies for its humanized biologic molecule.

The company expects to complete Phase I trials for GBR 500 by the end of FY09 immediately followed by several proof of concept Phase IIA studies in patients with multiple sclerosis and another common human inflammatory disease. In addition to the essential safety, tolerability and pharmacokinetics testing in Phase I, this study will also evaluate a number of relevant pharmacodynamic inflammatory parameters.

GBR 500, a monoclonal antibody, is an antagonist of the VLA-2 (Alpha2 Beta1) integrin. Since VLA - 2 mediates interaction of cells relevant for the inflammatory process with the extracellular matrix, it has the potential to be a broadly applicable anti-inflammatory compound.

NCE/NBE pipeline is getting bigger and valuable with total 13 molecules

Glenmark's NCE/NBE pipeline is getting bigger and valuable with the addition of five new molecules into the drug discovery pipeline. The discovery program continues to investigate new targets and is actively yielding new hits for further development. Presently, the company has a pipeline of 13 NCE and NBE molecules. Five are in clinics, four in pre-clinical and four are in the discovery stage.

In its last R&D deal, GPL has out-licensed its GRC-6211 molecule (pain management) to Eli Lilly for upfront license fees of US\$45 mn and total potential milestone payments of US\$350 mn. This licensing deal has reduced its dependence on GRC 3886 (asthma/COPD) and GRC 8200 (diabetes) to drive its R&D value and re-enforce confidence in its R&D capabilities.

The company currently has three molecules in phase-II, two in Phase-I, four in pre-clinical while one NCE and three biologics are at the discovery stage and are expected to enter the clinics during FY2010-11.

Summary table

(Rs mn)	FY08	FY09E	FY10E
Revenues	19,340	26,437	35,649
Growth (%)	62.6	36.7	34.8
EBITDA	8,005	10,692	13,942
EBITDA margin (%)	41.4	40.4	39.1
Net profit	6,321	7,923	10,694
Net Margin (%)	32.7	30.0	30.0
EPS diluted (Rs)	25.4	31.6	42.2
Growth (%)	96.8	24.2	33.7
DPS (Rs)	0.7	0.5	0.5
RoE (%)	57.4	40.9	36.2
RoCE (%)	36.0	33.5	33.4
EV/Sales (x)	4.3	6.3	4.6
EV/EBITDA (x)	10.5	15.6	11.7
P/E (x)	25.8	20.8	15.5
P/BV (x)	5.0	7.0	4.7

Source: Company, Kotak Securities - Private Client Research

Glenmark's NCE/NBE Research Pipeline

Compound	Target	Primary Indications	Status	Target launch
GRC 3886 (Oglemilast)	PDE IV	Asthma, COPD	Phase IIb (Forest)	2011
GRC 6211	TRPV 1	Osteoarthritis, Dental Pain, Incontinence, Neuropathic Pain	Phase II	2012
GRC 8200 (Melogliptin)	DPP IV	Diabetes (Type II)	Phase II	2012
GRC 4039	PDE IV + TNF alfa	Rheumatoid Arthritis, Inflammation, Multiple Sclerosis	Phase I	2012
GRC 10693	CB 2	Neuropathic Pain, Osteoarthritis, and Other Inflammatory Pain	Phase I	2013
GRC 9332	SCD 1	Obesity, Dyslipidemia, Metabolic disorders	Pre-clinicals	2013
GRC 17173	TRPV 3	Osteoarthritis, Dental Pain, Neuropathic Pain	Pre-clinicals	2013
GBR 500	VLA2	Acute Multiple Sclerosis; Inflammatory Disorders	Pre-clinicals	2013
GBR 600	Undisclosed	Acute Stroke / Coronary Syndrome; Thrombosis	Pre-clinicals	2014
		Cardiovascular disorders		

Source: Company Presentation April 2008

We expect strong revenue and earning growth in FY09 and FY10

We expect strong revenue and earning growth for the next two years on the back of significant traction across the key geographies and increased confidence in NCE/NBE research capabilities. We expect Glenmark to register 35.8% and 30.1% compounded growth in revenue and earnings over FY08-10E, driven by 39.4% compounded growth in core business and potential NCE milestones payments of US\$69 mn each in FY09 and FY10, respectively.

Valuation attractive; many catalysts exist; maintain Buy

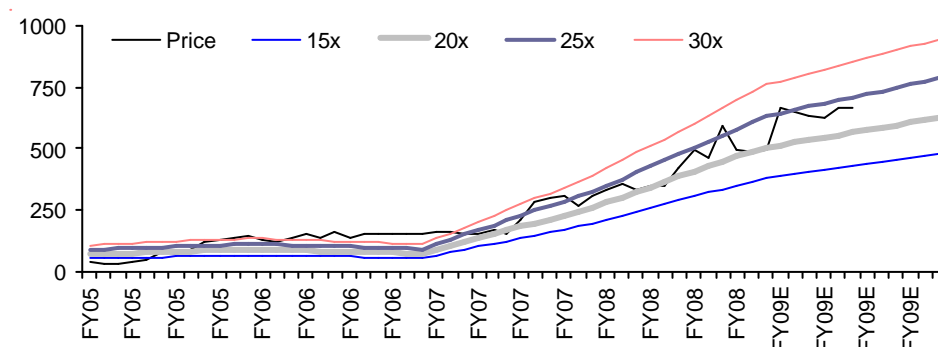
We expect fully diluted EPS of Rs.31.6 and Rs.42.2 for FY09 and FY10; respectively assuming US\$69 mn income from NCE out-licensing each in FY09 and FY10, respectively. The EPS from core business is expected to be Rs.23.9 in FY09 and Rs.34.6 in FY10. At current market price Rs.655, the stock is trading at 20.8x FY09 and 15.5x FY10 fully diluted earning estimates.

We maintain our BUY recommendation on Glenmark Pharmaceuticals with a price target of Rs.791

We use Sum-Of-The-Parts method (SOTP) to value the stock, valuing the R&D deals and the core generic business separately. We believe probability-adjusted DCF is appropriate to calculate the option value from NCE compound as it captures the reducing probability of success as the molecules progress on the clinical path. We have valued the core business (excluding R&D income) at Rs.519 attaching 15x PE multiple to FY10 fully diluted earning and an option value IP Assets at Rs.272 (GRC 3886 at Rs.119, GRC 8200 at Rs.49, and GRC 6211 at Rs.104). Hence, we arrived at target price of Rs.791.

We believe that valuations are attractive and many potential catalysts exist in the stock viz., expected milestone payments, potential out-licensing deal for GRC-3886 to European region, and potential acquisition in EU/US countries. We maintain **BUY**.

PE Band



Source: Capitaline, Kotak Securities - Private Client Research

Key risks

- Greater than anticipated pricing pressure or lower market share in generic or API business
- Any delay in ANDA filings and/or approval and any delay in launch by its global partners would impact the growth and profitability of the company
- Suspension of any key molecules GRC-3886/8200/6211 from phase II clinical trials due to toxicity or in-efficacy
- Regulatory delays to conduct advance clinical studies
- Regulatory risk in domestic market.

ANNEXURE

Note on Molecules and Monoclonal Antibodies (MAbs):

- **GBR 500:** GBR 500, a monoclonal antibody, is a potential first in class compound being initially developed for MS (Multiple Sclerosis). It is an antagonist of the VLA-2 (Alpha2 Beta1) integrin. VLA-2 mediates interactions of cells with the extra-cellular matrix. Integrin-mediated cell migration is required for the recruitment of immune cells to sites of inflammation, and Glenmark intends to develop GBR 500 as a modulator of inflammation. The market for Multiple Sclerosis alone is around US\$7 bn.
- **GBR 600:** Glenmark's other biologic molecule, GBR 600, which is in the pre-clinical stage of development is also a monoclonal antibody directed against a validated key target in the thrombus-forming cascade. GBR 600 is under development at Glenmark's Biologics Research Centre in Switzerland. GBR 600 is being developed for the treatment of acute coronary syndrome and cerebral thrombosis.
- **Monoclonal antibody (MAB):** Monoclonal antibody products generated global revenues in excess of US\$23 bn in 2007 representing the fastest-growing segment within the global pharmaceutical industry. Monoclonal Antibodies have very high entry barriers and difficult to develop.

The future outlook for MAbs is very strong with global sales of the class projected to reach US\$ ~40bn by 2012. The major advantage of MAbs over other therapeutics is their exquisite specificity. They are ideal drugs as they bind only to specific targets and therefore have great potential for high efficacy with favourable side effect profiles. No therapeutic areas illustrate this better than oncology and inflammatory disorders: MAbs have revolutionized treatment of certain cancers, which in the past could not be effectively treated using conventional small molecule therapies. In addition, patients suffering from inflammatory disorders such as rheumatoid arthritis, ankylosing spondylitis, Crohns disease, psoriasis, IBD (Inflammatory Bowel Disease) and psoriatic arthritis have greatly benefited from use of MAB therapies.

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
11-Sep	Amtek Auto L	Citigroup Global Markets Mauritius	B	3,397,967	170.45
11-Sep	Amtek Auto L	Cap Group Ac Sml Cap World Fnd Inc	S	3,402,000	170.45
11-Sep	Amtek Indi L	Warhol Limited	B	4,495,307	75.00
11-Sep	Amtek Indi L	Goldman Sachs Investments Mauritius	S	2,178,776	75.00
11-Sep	Amtek Indi L	Deutsche Securities Mauritiuslimited	S	2,321,224	75.00
11-Sep	Asahi India	Urudavan Investment And Trading	B	930,685	52.00
11-Sep	Asahi India	Swiss Fin Corpo Mauritius Ltd	S	2,700,000	52.00
11-Sep	Avance Techn	Simran Sunil Raheja	B	20,074	16.60
11-Sep	Avance Techn	Donthi Reddy	S	22,090	15.58
11-Sep	Cerebra Int	Anandh T P	S	49,968	27.14
11-Sep	Dollex Indut	Yusuf Khan	S	65,000	15.78
11-Sep	Goldston Tec	Bhavesh Prakash Pabari	S	100,000	116.92
11-Sep	Kotak Sensex	Emkay Global Financial Services Ltd	S	27,735	142.20
11-Sep	Lotus Choc C	Prashantha Acharya	B	200,000	27.38
11-Sep	Lotus Choc C	H.H.Javeri	S	100,000	27.65
11-Sep	Mphasis Ltd	Merrill Lynch Cap Mkts Espana Sa Sv	B	5,398,000	249.97
11-Sep	Mphasis Ltd	Hsbc Global Investment Funds	S	4,112,711	250.00
11-Sep	Odyssey Corp	Suresh Chottalal Modi	S	49,900	34.95
11-Sep	Usher Agro	Sophia Growth	B	150,000	172.75
11-Sep	Usher Agro	Dkg Securities Pvt Ltd	B	196,400	178.79
11-Sep	Usher Agro	Swiss Finance Corporation Mauritius	S	212,314	177.77

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Tata Motors	424	1.1	0.3	0.7
Punjab National Bank	502	0.5	0.1	0.8
Hero Honda	837	-0.1	0.0	0.3
Losers				
Reliance Ind	1,997	(4.1)	(20.2)	5.7
ONGC	1,036	(3.9)	(14.7)	1.6
Bharti Airtel	777	(4.3)	(10.9)	6.3

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
12-Sep	Union Bank of India and Edelweisse group holds press conference Wipro & NDTV hosts convergence on financial services sector

Source: Bloomberg

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