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## **STOCK WATCH**

**Glenmark Pharma**

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An **INDEPENDENT** Research Initiative  
We are **NOT** a Broking House

**Date Of Report: 5<sup>th</sup> April 2010**

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**CMP: Rs.270****Recommendation: Buy**

## Background

Glenmark Pharma is a mid-sized Indian pharma company with focus on niche therapeutic areas of dermatology, gynecology, pediatrics gynaecology, ENT, oncology and diabetics. Together with its subsidiaries, the company manufactures and markets pharmaceutical formulations and active pharmaceutical ingredients in the Indian and global markets.

Glenmark also generates revenues from out-licensing of its research molecules which are out sourced.

Thus, being in the business of specialty/proprietary as well as generics, Glenmark is an end-to-end specialty company and integrated generic formulation manufacturer.

## Analyst's Notes

With the passage of the US Healthcare Bill the opportunities for the company in the near term appear promising as MNC's would like to invest in formulation business in which Glenmark has a strong presence. Notably, formulation business of the company accounts for about 56 per cent of the total revenues of the company as per Q3 FY10 results.

The company has also received approvals for 12 ANDA (abbreviated and new drug approvals) in FY10 and has nearly 50 ANDA's pending approval. Increase in approvals will lead to rise in the domestic formulations business and thereby improve operational performance.

The QIP exercise to raise fund worth Rs.413 crore was to reduce its debt on the balance sheet thereby reducing its interest costs. This would positively impact the bottom line of the company.

The company's working capital cycle also improved as it tightened its credit policy which saw the debtors day decline to 150 days in Q3 FY10 as against 165 days. Thus efficient working capital management, cost rationalization and reduced interest cost burden will enable the company to post decent numbers for FY11.

Approval of its 8 molecules (6 New Chemical entities (NCE) and 2 New Biologics Entities (NBE) which are in the pipeline would enhance company's profitability as the company would generate revenues by marketing these drugs.

The company expects its domestic business to be a major growth driver as the company's domestic formulations business grew by 17 percent. The likely cause of this is an increase in per capita spending on healthcare.

During Q3 FY10 the company's revenues stood at Rs. 642 crore which grew by 10.4 per cent y-o-y on the back of strong growth from European and domestic formulations business. Resultantly its Net profits also increased by 15.5 per cent y-o-y at Rs.94.07 crore as against Rs.81.42 crore for the same period in FY09

Recovery in the US and Latin American is a positive signal for the company's business as revenues from these markets had declined by 10 per cent y-o-y and 36 per cent y-o-y respectively in Q3 FY10

## Concluding Notes

Any positive news flow relating to NCE pipeline, plans to list its generics business unit, passage of the US Healthcare bill and pending approval by US FDA for its drug used to relieve pain will see further upward momentum in the stock price.

Investors can therefore consider investing in this stock with a long term perspective.

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## About Us

**LOTUS KNOWLWEALTH (LKW) PVT LIMITED**, an organization promoted by **ASHOK KUMAR** (B.Com, ACA, LLB (Gen).) He oversees the operations of an experienced team comprising professionals from the fields of economics and finance.

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