

Glenmark Pharma

Relative to sector: **Neutral**

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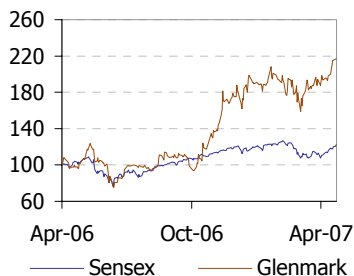
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ROBUST US GENERICS SALES DRIVE GROWTH

Glenmark's reported numbers for Q4FY07 were above expectations, with net sales at Rs 2.7bn (up 65% YoY), EBIDTA at Rs 907mn (up 179% YoY) and PAT at Rs 626mn (up 150% YoY). EBIDTA margin at 33% was up by over 13%. Consolidated Q4 sales were Rs 3.4bn, with EBIDTA at Rs 1bn and PAT at Rs 632mn. Consolidated sales for FY07 were USD 281mn (up 64%) and PAT was USD 69mn (up 255%).

Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 120mn
Market cap	: Rs 81bn
52 week high/low	: Rs 709/ Rs 228
Avg. daily vol. (6mth)	: 789,100 shares
Bloomberg code	: GNP IN
Reuters code	: GLEN.BO

Shareholding (%) Mar-07 QoQ chg

Promoters	: 54.3	(0.2)
FII's	: 25.6	(0.6)
MFs / UTI	: 1.8	0.3
Banks / FIs	: 1.8	(0.0)
Others	: 16.5	0.5

Q4FY07 Highlights

- The highlight of the quarter was a strong performance in the US generics market, where Glenmark registered sales of USD 18.2mn (up 149% YoY). Glenmark and its partners have 13 products in the US market (with ~25% market share in major products); they also have another 36 products awaiting FDA approval. The company recently filed a Para IV ANDA for ezetimibe (Schering's Zetia), which has annual sales of USD 1.5bn.
- Branded formulation exports to semi-regulated markets were up 68% YoY to Rs 454mn. Glenmark received 147 registrations and filed for another 62 in various export markets, during the quarter. With the commencement of operations in Turkmenistan and Cameroon during Q4, it has added nine new markets during FY07 and now has operations in 80 countries.
- Glenmark's Latam subsidiaries (Glenmark Farmaceutica Ltda, Brazil and Servycal S.A., Argentina) posted revenues of USD 15.3mn in Q4FY07 (up 73% YoY). In Q4, it filed four new dossiers with ANVISA, Brazil and three with ANMAT, Argentina, taking total filings across Latam to 40.

At CMP (Rs 677), it trades at 17.8x FY08E EPS of Rs 38 and 14.9x FY09E EPS of Rs 45. While these are not demanding valuations, they factor in large upsides from milestones, which should be assigned far higher risk weightages. We maintain our sector **Neutral** rating.

Financial summary (Consolidated)

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs)
2006	6,695	864	-	6.4	(19)	49.0	25.5	13.4	32.7	1.0
2007	12,070	3,096	-	23.0	258	26.6	59.8	29.0	18.8	1.5
2008E	17,162	5,117	32.3	38.0	65	17.8	56.4	34.0	13.1	2.3
2009E	21,117	6,121	39.9	45.4	20	14.9	42.5	32.7	11.0	3.0

Source: Company, ENAM Research; *Consensus broker estimates; ENAM estimates on diluted equity of 134.8mn shares; FY08E and FY09E average INR / USD rate assumed at Rs 42 and Rs 40 respectively.

Results update

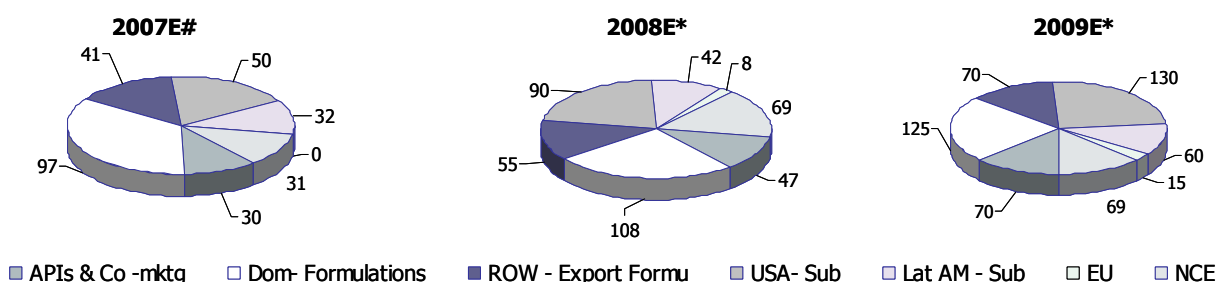
(Rs mn)	Quarter ended (Standalone)					Y/E (Consolidated)		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	2,748	1,663	65.2	2,019	36.1	17,162	12,070	42.2
EBIDTA	907	326	178.7	510	78.0	6,642	4,241	56.6
Other income	22	26	(13.2)	18	21.2	161	161	0.0
PBIDT	930	351	164.6	528	76.0	6,803	4,402	54.6
Depreciation	59	37	60.9	59	0.8	529	426	24.0
Interest	68	12	476.6	80	(15.1)	459	420	9.4
PBT	803	303	165.1	390	106.0	5,815	3,556	63.5
Tax	177	52	239.2	88	101.7	698	460	51.7
PAT	626	251	149.7	302	107.2	5,117	3,096	65.3
No. of shares (mn)	135	135	-	135	-	135	135	-
EBIDTA margins (%)	33.0	19.6	-	25.3	-	38.7	35.1	-
PBIDT margins (%)	33.8	21.1	-	26.2	-	39.6	36.5	-
EPS - annualized (Rs.)	18.6	7.4	149.7	9.0	107.2	38.0	23.0	65.3

Source: Company, ENAM Research

- Domestic formulation sales were up a marginal 1% YoY to Rs 1.2bn during the quarter. Among the new launches were Farozet (faropenem sodium), Gemez (gemifloxacin), Miliclav (amoxicillin + potassium clavulanate) and Vocarb (voglibose). It commissioned its new manufacturing facility at Baddi, which should help reduce the tax outgo in future periods.
- API sales were up significantly, with exports rising 94% YoY to Rs 188mn and domestic sales up 159% YoY to Rs 168mn during the quarter. Including 11 filed in FY07, it now has 30 US DMFs and expects to file 12-15 more each year.
- Its PDE4 inhibitor GRC 3886 (oglemilast) recently underwent Phase II trials for exercise-induced asthma. Phase IIB studies for asthma/ COPD are expected to commence shortly i.e. after its development partner Forest Labs receives FDA approval. The FDA has also asked for some additional animal toxicity studies, which are underway. Glenmark expects to receive the USD 30mn milestone payment from Forest sometime during FY08. It is also in discussions with some companies to out-license European rights for GRC 3886.
- GRC 8200, the DPP-IV inhibitor for diabetes is undergoing Phase II clinical trials in India and South Africa; Glenmark expects to complete these during the current quarter. It has signed a Euro 190mn deal with Merck KGaA for US, Europe and Japanese rights for the product and has received Euro 25mn as an upfront payment during Q3FY07.
- Its third NCE, the vanilloid receptor antagonist GRC 6211, should enter Phase IIA studies for one indication (dental pain) during the current quarter. It is being evaluated by a leading CRO (Kendle) for a range of indications such as osteoarthritis, dental pain, neuropathic pain and urinary incontinence.
- A fourth NCE, GRC 10801, a cannabinoid (CB-1) receptor antagonist for obesity, is presently in pre-clinical trials and could progress to Phase I trials by Q1FY08. Two other NCEs – an analgesic GRC 10693 and a second PDE4 inhibitor GRC 4039 – are likely to progress to Phase I during Q2FY08.

Sales Breakup

(\$ mn)	Guidance		
	2007#	2008E*	2009E*
APIs & Co -mktg	30	47	70
Dom- Formulations	97	108	125
ROW - Export Formu	41	55	70
USA- Sub	50	90	130
Lat AM - Sub	32	42	60
EU	-	8	15
NCE	31	69	69
Total Sales	281	419	539
PAT	69	125	150



Source: Company, ENAM Research; # Actuals, * Management guidance

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