

# Glenmark Pharma

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## Shareholding (%)

Promoters	53.8
FII's	24.7
MF/FI's/banks	2.6
Others	18.9

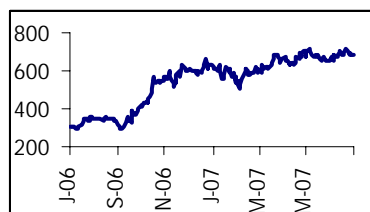
## Share price performance

52-week high/low (Rs) 778/295

	-1m	-3m	-12m
Abs (%)	4.9	3.0	123.0
Rel* (%)	1.2	-5.6	81.7

\*to Nifty

## Stock chart



## The growth story continues.....

Glenmark Pharmaceuticals Ltd. (Glenmark) reported consolidated revenue of Rs 3.5 bn, EBITDA margin of 29.2% (17.6% in Q1FY07) and PAT of Rs 571.5 mn in Q1FY08. The company registered total formulation sales growth of 93% to Rs 3.2 bn (Rs 1.7 bn in Q1FY07). This was primarily driven by an increase in sales in the U.S. and Latin American markets by 258% YoY and 173% YoY respectively. Growth in formulation sales was also supported by domestic sales and API sales, which increased 49% to Rs 1.3 bn and 55% to Rs 395 mn YoY respectively.

At the current price of Rs 679, the stock is trading at a P/E of 21.3x FY07E EPS of Rs 31.9 and 16.6x FY08E EPS of Rs 41. We maintain 'Buy' rating on the stock.

- ▲ In Q1FY08, a 258% YoY increase in U.S. formulation sales can be primarily attributed to the 19 existing ANDAs in the U.S. market. During the quarter, Glenmark received approval to market four products, viz. Pravastatin Sodium (lowers cholesterol), Terbinafine HCL (anti-fungal agent), Ondansetron (chemotherapy induced nausea & vomiting), Naproxen (NSAID) and tentative approval for Topiramate (anti-convulsant) in the U.S. market. The company has filed seven ANDAs with the USFDA and 35 ANDAs are pending approval/launch. Going forward, the company expects pricing pressure to continue, but hopes to retain its EBITDA margin of 25-30% as a result of its focus on launching niche products (controlled substances) in the US market.
- ▲ Glenmark's subsidiaries in Latin America (Glenmark Farmaceutica Ltd. in Brazil, Servycal S.A. in Argentina and 10 others in Latin American countries) collectively posted revenue of Rs 553 mn in Q1FY08, registering an increase of 173% YoY. In Brazil, Glenmark filed seven new dossiers and expects to file 25 dossiers and launch 18 products in FY08E. In Argentina, the company filed four new dossiers in the current quarter. In ROW markets, Glenmark filed 35 oncology dossiers and launched 12 oncology products in Q1FY08E.
- ▲ Revenue from ROW branded formulations increased by 22% YoY to Rs 446 mn; this growth was driven by 43 registration approvals. In Russia, Glenmark recorded a growth of 45% (market growth rate of 27%), increased its sales force and received approval for two new products.

**Buy**

**Rs679**

July 31, 2007

**Market cap**

Rs bn 82

US\$ mn 2,029

**Avg 3m daily volume**

381,254

**Avg 3m daily value**

USD mn 6

**Shares outstanding (mn)**

121

**Reuters**

GLEN.BO

**Bloomberg**

GNP IN

**Sensex**

15,261

**Nifty**

4,440

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- ▲ API sales revenues (from both regulated and semi-regulated markets) increased by 48% YoY to Rs 198.5 mn, and revenue from the domestic API business increased by 63% YoY to Rs 196.7 mn; this increase was led by exports to Bulgaria in Q1FY08. In Q1FY08, Glenmark filed four USDMFs and expects to file 15 DMFs by FY08E.
- ▲ Domestic formulation sales recorded a growth of 7% QoQ and 49% YoY to Rs 1,281 mn on account of nine new products and line extensions introduced in Q1FY08; of these six were the first to launch India molecules. New domestic launches included formulations such as Razel Ez, Mumfer-F, Gracederm, Rabefine fast, Glenoxal and Palnox. In Q1FY08, Glenmark received MHRA, UK approval for its Goa plant and TPD, Canada approval for its Baddi plant. The company plans to launch 15 products in Q2FY08E.
- ▲ Currently, the stock is quoting at a PER of 21.3x and 16.6x FY08E and FY09E respectively. The company is expected to grow at a two-year CAGR of 33.4%. This growth will be driven by scaling up its operations (ANDA approvals and in-licensing deal) in the U.S. market and out-licensing deal for its NCEs. Therefore, we maintain 'Buy' rating on the stock.

*Table 1. Quarterly result table (consolidated)*

Rs mn	Q1FY08	Q4FY07	QoQ (%)	Q1FY07	YoY (%)
Net Sales	3513.6	3390.8	3.6	1829.4	92.1
Total Expenses	2488.7	2380.5	4.5	1508.3	65.0
EBITDA	1024.9	1010.3	1.4	321.1	219.2
Depreciation	143.2	123.6	15.8	85.7	67.0
EBIT	881.7	886.7	-0.6	235.3	274.6
Interest	143.6	146.9	-2.2	70.0	105.0
Other Income	24.8	76.9	-67.7	44.8	-44.6
PBT	762.9	816.7	-6.6	210.1	263.2
Provision for tax(including deferred tax)	191.4	184.1	4.0	23.3	720.5
PAT	571.5	632.6	-9.7	186.7	206.1
Equity (Face value 2)	269.6	242.1		242.1	
EPS (Rs.)	4.2	5.2		1.5	
<b>Key Ratios (%)</b>					
EBITDA Margin	29.2	29.8		17.6	
Interest / Sales	4.1	4.3		3.8	
Tax / PBT	25.1	22.5		11.1	
NPM	16.3	18.7		10.2	

Source: IISL research, company

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## Financials

### Profit & Loss

In Rs million	FY06	FY07	FY08E	FY09E
Net sales	7,019.8	12,069.9	16,723.3	21,487.1
YoY (%)	23.3	71.9	38.6	28.5
Total expenses	5,647.7	7,998.9	10,719.5	13,724.7
Inc/dec in stock	(66.6)	(645.7)	(517.8)	(572.0)
Raw material cost	2,521.3	3,985.0	5,401.6	7,057.5
Staff cost	144.6	245.9	344.3	447.5
Power and fuel cost	88.4	220.5	287.0	385.4
Other manufacturing expen:	315.2	430.0	540.7	721.6
Selling Expenses	884.8	1433.2	1722.0	2119.7
Other expenses	1,760.0	2,330.0	2,941.8	3,565.0
EBIDTA	1,372.1	4,071.0	6,003.8	7,762.4
YoY (%)	(13.2)	196.7	47.5	29.3
EBIDTA (%)	19.5	33.7	35.9	36.1
Other income	128.2	160.7	214.3	54.0
PBIDT	1,500.3	4,231.7	6,218.1	7,816.4
Interest	147.2	533.3	606.7	626.6
Gross profit	1,353.1	3,698.5	5,611.4	7,189.8
Depreciation	147.2	426.3	499.3	607.4
PBT and extra ordinary	1,205.9	3,272.2	5,112.1	6,582.5
Extra ordinary items	0.0	0.0	0.0	0.0
PBT	1,205.9	3,272.2	5,112.1	6,582.5
(-) Tax	241.0	499.5	817.9	1,053.2
Tax/ PBT	20.0	15.3	16.0	16.0
PAT	964.9	2,772.7	4,294.1	5,529.3
Adjusted net profit	964.9	2,772.7	4,294.1	5,529.3
YoY (%)	(11.9)	187.4	54.9	28.8

### Key Ratios

	FY06	FY07	FY08E	FY09E
EPS (Rs)	8.1	22.9	31.9	41.0
CEPS (Rs)	10.2	29.0	37.1	47.5
Book value (Rs)	31.3	52.6	78.5	118.5
Dividend per share (Rs)	0.8	1.0	0.9	1.0
Debt-equity (x)	2.0	1.1	0.7	0.4
ROCE	10.9	26.9	31.1	31.9
ROE	26.0	43.5	40.6	34.6
<b>Valuations</b>				
PE (x)	83.6	29.7	21.3	16.6
Cash PE (x)	66.5	23.4	18.3	14.3
Price/book value (x)	21.7	12.9	8.7	5.7
Dividend yield	0.1	0.1	0.1	0.1
Market cap/sales	11.5	6.8	5.5	4.3
EV/sales (x)	12.4	7.4	5.9	4.6
EV/EBDITA (x)	63.5	21.9	16.4	12.6

### Balance Sheet

In Rs million	FY06	FY07E	FY08E	FY09E
Equity capital	237.4	242.1	269.6	269.6
Preference capital	200.0	200.0	200.0	200.0
Reserves	3,477.5	6,130.8	10,305.6	15,705.9
Net worth	3,714.9	6,372.9	10,575.2	15,975.5
Total borrowings	7,554.0	7,154.5	7,127.8	6,485.0
Deferred tax	420.0	736.0	940.5	1,203.8
Total liabilities	11,688.9	14,263.4	18,643.4	23,664.2
Gross block	5,996.4	7,972.9	9,972.9	11,972.9
Less: Acc. depreciation	768.3	1,194.6	1,693.9	2,301.3
Net block	5,228.1	6,778.4	8,279.0	9,671.7
CWIP	576.5	100.0	100.0	100.0
Investments	197.0	0.4	0.4	0.4
Current assets	7,414.8	9,838.3	13,315.5	17,660.5
Inventories	1,575.3	2,217.5	3,019.8	3,886.7
Debtors	3,815.9	5,553.2	7,228.0	9,706.2
Cash	1,056.0	100.0	100.0	100.0
Loans and advances	967.6	1,967.6	2,967.6	3,967.6
Current liabilities	1,719.4	2,347.3	2,945.0	3,652.3
Provisions	8.1	106.4	106.4	116.1
Net current assets	5,687.3	7,384.6	10,264.0	13,892.2
Miscellaneous expenses	0.0	0.0	0.0	0.0
Total assets	11,689.0	14,263.4	18,643.5	23,664.3

### Cash Flow

In Rs million	FY06	FY07E	FY08E	FY09E
Net profit	964.9	2,772.7	4,294.1	5,529.3
Depn and w/o	147.2	426.3	499.3	607.4
Deferred tax	101.5	316.0	204.5	263.3
Change in working cap	(1,605.1)	(2,653.3)	(2,879.4)	(3,628.1)
Other income	0.0	(160.7)	(214.3)	(54.0)
Operating cash flow	(391.5)	701.0	1,904.3	2,717.8
Other income	0.0	160.7	214.3	54.0
Capex	(2,449.0)	(1,500.0)	(2,000.0)	(2,000.0)
Investments	(44.9)	196.5	0.0	0.0
Investing cash flow	(2,493.9)	(1,142.7)	(1,785.7)	(1,946.0)
Dividend	(97.1)	(119.4)	(119.4)	(129.0)
Fresh equity	(226.5)	0.0	(0.0)	(0.0)
Debt	2,979.3	(399.6)	(26.7)	(642.8)
Financing cash flow	2,655.6	(518.9)	(146.1)	(771.8)
Others	13.0	4.7	27.5	0.0
Net change in cash	(216.7)	(955.9)	0.0	(0.0)
Opening cash	1,272.8	1,056.0	100.0	100.0
Closing cash	1,056.0	100.0	100.0	100.0

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