

Glenmark Pharma

INR: 275



BUY

Key Investment Rationale:

Base business to grow over 18% CAGR:

We expect robust growth in base business (18% CAGR growth over FY10-13E) driven by growth in US generics (18.2% CAGR), Latam business (19.4% CAGR over FY10-13E) & domestic formulation business (18.4% CAGR over FY10-13E). The growth in US market can be attributed to growth in high margin derma products, hormonal products & others. Out of the 22 ANDAs filed for derma products, the company has approval of 18 ANDAs. Other opportunities in US market mainly include Oxycodone, Cutivate, & calcipotriene. Domestic market is expected to grow mainly on the back of new launches in key therapeutic segments viz respiratory, dermatology & anti-infectives. Completion of successful restructuring for Brazilian operations to add to the growth on Latam business.

EBITDA margins to improve by 160bps to 27.4% in FY12:

Company recently received an USFDA approval for Norethindrone & Ethinyl Estradiol tablets which marks company's fourth entry into hormonal product portfolio & third in oral contraceptive segment. Company's total pipeline for these products is worth ~ USD 141mn (IMS Health, Dec 2010). These products are very high margin products & presence of few players leads to higher profit realization.

Attractive First to File opportunity :

The company has a total of 11 Para IV (Mkt size – USD 6.8bn) of which the company has sole FTF (Mkt size – USD 1.6bn) opportunities on four products. Out of the four products, Malarone & Cutivate are expected to be launched in Q3FY12 & Q1FY12 respectively. This brings into account NPS/share of Rs 2 & 1.2 respectively for the company. Being FTF player it would be entitled to an exclusivity of 180 days.

R&D progress on track:

The company has total of 10 molecules in pipeline out of which two are in-licensed & one-out licensed. NCE viz Crofelemer (Mkt size – USD 80mn) & GRC15300 (USD 9bn) are progressing well and the launch is expected to happen in Q4FY12 & post FY15 respectively. This brings in NPV/share of Rs 25 & 22 respectively. Also recently the company's NCE GRC-17536 got approval for human trials in Europe for multiple indications.

Valuation & Outlook:

We believe that the company is performing extremely well & going further it is ready to grab opportunities arising out of their pipeline for ANDAs. We remain positive on the stock with a target price of 379 & maintain our recommendation as BUY. At CMP of 275 the stock is trading at a P/E of

Key Financials:

(Rs in crores)

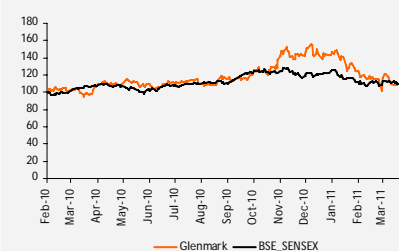
Particulars	FY09	FY10	FY11E	FY12E
Sales	2116	2512	2982	3444
EBITDA	802	647	851	942
OPM (%)	21.5%	25.8%	28.5%	27.4%
PAT	312	331	484	561
NPM (%)	14.7%	13.2%	16.2%	16.3%
EPS	11.5	12.3	17.9	20.8
P/E	23.9	22.4	15.3	13.2
RoE	19.5%	14.1%	17.1%	16.7%
RoCE	9.4%	12.3%	17.9%	20.8%

Company Research, KRChoksey

Price Target (INR): 379

Market Data	Mar 29, 2011
Shares outs (Cr)	27
Equity Cap (Rs. Cr)	27
Mkt Cap (Rs. Cr)	7438
52 Wk H/L (Rs)	389/241
Avg Vol (1yr avg)	174478
Face Value (Rs)	1

Price Performance:



Market Info:

SENSEX	19120
NIFTY	5736

Share Holding pattern (%)

Particulars	Dec10	Sep10	Chg
Promoters	48.32	48.34	-0.02
FII's	31.19	29.99	1.2
Institutions	6.73	6.39	0.34
Others	13.76	15.28	-1.52
Total	100	100	-

Analyst :

Deepika Jain
deepika.jain@krchoksey.com

☎ 91-22-6696 5536

www.krchoksey.com

☎ 91-22-6696 5555

☎ 91-22-6691 9569