

November 9, 2011

<b>Reco Buy</b>	<b>Previous Reco Buy</b>
<b>CMP Rs 319</b>	<b>Target Price Rs 401</b>
EPS change FY12E/13E (%)	NA
Target Price change (%)	NA
Nifty	5,221
Sensex	17,570

### Price Performance

(%)	1M	3M	6M	12M
Absolute	7	4	18	(14)
Rel. to Nifty	2	1	25	4

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Pharmaceuticals
Bloomberg	GNP@IN
Equity Capital (Rs mn)	270
Face Value(Rs)	1
No of shares o/s (mn)	270
52 Week H/L	390/242
Market Cap (Rs bn/USD mn)	86/1,738
Daily Avg Volume (No of sh)	525172
Daily Avg Turnover (US\$m)	3.3

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	48.3	48.3	48.3
FII/NRI	33.2	31.9	31.2
Institutions	6.4	6.9	6.9
Private Corp	1.9	2.2	2.7
Public	10.2	10.7	11.0

Source: Capitaline

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- **Q2FY12 revenues were in-line with expectations. Revenues at Rs10.5bn (up 46%YoY), b) Adj. EBITDA at Rs1.9bn (up 32% YoY), and c) APAT at Rs1.25bn (up 60% YoY)**
- **Revenue growth was driven by a) 36% growth in Specialty business (56% contribution to top-line) and b) 22% growth in Generics business (44% contribution to top-line)**
- **Licensing income of Rs. 1.2 bn from Sanofi for GBR 500 was offset by payment of Rs1.3bn to Paul Capital**
- **On account of good momentum in key business verticals, we maintain our Buy rating on the stock with a target price of Rs401 (18x FY12 Base Business EPS + Adjusted NPV of Rs45)**

### Q2FY12 Performance Highlights

- US business (contributed 28%) grew by 34% YoY due to ramp-up in 19 ANDAs launched last year which includes 4 OC and 1 hormone product. Company also launched para IV settled product i.e. Malarone in US. However it was only for 17 days and full quarter impact will come in Q3FY12
- India revenues (contributed 24%) grew 20% YoY to Rs. 2.6bn led by market share gains in key therapies of Cardiac, Respiratory, Diabetes and Dermatology
- Company repaid USD28.8mn to Paul Capital and as a result Glenmark will not share royalty (approx. 30%) with Paul Capital on its Derma Portfolio which is expected to be USD30mn by the end of FY12
- Base EBITDA margins (ex-licensing income) increased by 45bps to 20% and adjusted PAT stood at Rs1.25bn (grew by 60%)

### Multiple growth drivers ensure sustained revenue momentum

- Malarone – launched in September 2011 and Cutivate – expected launch in Q4FY12 are key upside triggers for the stock
- Company has not hedged its exports and as a result it will see 10% increase in realization on exports (contributes 70%) from Q3'12 onwards on back of Rupee depreciation
- Glenmark has strong product pipeline in the US and in the forthcoming quarters the management has guided for launch of six new products in the oral contraceptives, oral solids and semi solids space
- Strong performance from key specialties like the derma, respiratory, CVS and pain, new product launches coupled with recent addition to the filed force would lead to 16-18%+ growth in the Indian business. The total MR strength is ~2400

### Valuation

We expect Glenmark Pharma to report 24% revenue growth in FY12E and 8% growth in FY13E. We expect EBITDA margins to move from 20.1% in FY11 to 26.1% in FY12 and 23.8% in FY13. Earnings will grow by 19% CAGR over FY11-13E. We maintain Buy rating on the stock with a target of Rs401 (18x FY12 base business earnings + adjusted NPV of Rs45). At CMP, the stock is trading at 13x FY12E and 14x FY13E earnings.

### Financials

	Rs mn									
YE-	Net	EBITDA		APAT	EPS	EPS	RoE	EV/		
Mar	Sales	(Core)	(%)	(Rs)	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10	24848	6196	24.9	3287	12.2	8.3	15.6	26.3	15.6	3.7
FY11	29491	5923	20.1	4532	16.8	37.9	20.9	19.1	18.2	4.3
FY12E	36475	9520	26.1	6477	24.0	42.9	27.9	13.4	10.5	3.3
FY13E	39323	9437	24.0	6413	23.8	-1.0	22.0	13.5	10.4	2.7

## Key Financials – Quarterly

Rs mn	Q1FY11	Q2FY11	Q1FY12	Q2FY12	YoY %	QoQ %	YTD'12	YTD'11	YoY %
Net Sales	6817.7	7235.8	8682.5	10554.5	45.9%	21.6%	19237.0	14053.5	36.9%
Other operating income	30.8	4.8	2.1	2.1	-55.3%	0.0%	4.3	35.5	-88.0%
<b>Total Sales</b>	<b>6848.5</b>	<b>7240.5</b>	<b>8684.7</b>	<b>10556.6</b>	<b>45.8%</b>	<b>21.6%</b>	<b>19241.3</b>	<b>14089.0</b>	<b>36.6%</b>
One-time licensing Income	900	0	1125	1184.55	-	5.3%	2309.55	900	156.6%
<b>Base Sales</b>	<b>5948.5</b>	<b>7240.5</b>	<b>7559.7</b>	<b>9372.1</b>	<b>29.4%</b>	<b>24.0%</b>	<b>16931.7</b>	<b>13189.0</b>	<b>28.4%</b>
Raw material cost	1905.2	2485.6	2307.8	3334.7	34.2%	44.5%	5642.4	4390.8	28.5%
% to Base Sales	32.0%	34.3%	30.5%	35.6%			33.3%	33.3%	
Staff cost	1054.2	1331.8	1347.0	1575.4	18.3%	17.0%	2922.4	2386.0	22.5%
% to Base Sales	17.7%	18.4%	17.8%	16.8%			17.3%	18.1%	
Other expenses	1565.6	2009.9	2062.0	3390.8	68.7%	64.4%	5452.9	3575.4	52.5%
% to Base Sales	26.3%	27.8%	27.3%	36.2%			32.2%	27.1%	
<b>Total Expenditure</b>	<b>4525.0</b>	<b>5827.2</b>	<b>5716.8</b>	<b>8300.9</b>	<b>42.5%</b>	<b>45.2%</b>	<b>14017.7</b>	<b>10352.2</b>	<b>35.4%</b>
% to Base Sales	76.1%	80.5%	75.6%	88.6%			82.8%	78.5%	
<b>EBITDA</b>	<b>2323.5</b>	<b>1413.3</b>	<b>2967.9</b>	<b>2255.7</b>	<b>59.6%</b>	<b>-24.0%</b>	<b>5223.6</b>	<b>3736.8</b>	<b>39.8%</b>
<b>Adj. EBITDA</b>	<b>1423.5</b>	<b>1413.3</b>	<b>1842.9</b>	<b>1871.1</b>	<b>32.4%</b>	<b>1.5%</b>	<b>3714.0</b>	<b>2836.8</b>	<b>30.9%</b>
Other income	90.6	154.4	123.4	-80.8	-152.3%	-165.5%	42.6	245.1	-82.6%
Interest	360.6	400.3	408.1	290.6	-27.4%	-28.8%	698.7	760.9	-8.2%
Depreciation	230.3	227.8	263.8	247.2	8.5%	-6.3%	511.0	458.1	11.5%
Exceptional Item				1316.8					
<b>PBT</b>	<b>1823.2</b>	<b>939.6</b>	<b>2419.4</b>	<b>320.4</b>	<b>-65.9%</b>	<b>-86.8%</b>	<b>2739.7</b>	<b>2762.9</b>	<b>-0.8%</b>
Tax	117.5	77.9	318.9	-237.9	-405.3%	-174.6%	81.0	195.4	-58.5%
<b>PAT</b>	<b>1705.7</b>	<b>861.7</b>	<b>2100.4</b>	<b>558.3</b>	<b>-35.2%</b>	<b>-73.4%</b>	<b>2658.7</b>	<b>2567.4</b>	<b>3.6%</b>
<b>Exceptional Item</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2116.8</b>	<b>-</b>	<b>-</b>	<b>2116.8</b>	<b>0.0</b>	<b>-</b>
Payment to Paul Capital		0.0		1316.8					
Forex loss		-80.0		800.0					
<b>Adj PAT</b>	<b>863.7</b>	<b>781.7</b>	<b>1123.7</b>	<b>1252.6</b>	<b>60.2%</b>	<b>11.5%</b>	<b>2376.3</b>	<b>1645.4</b>	<b>44.4%</b>
<b>R EPS</b>	<b>6.3</b>	<b>3.2</b>	<b>7.8</b>	<b>2.1</b>	<b>-35.2%</b>	<b>-73.4%</b>	<b>9.8</b>	<b>9.5</b>	<b>3.6%</b>
<b>Adj. EPS</b>	<b>3.2</b>	<b>2.9</b>	<b>4.2</b>	<b>4.6</b>	<b>60.2%</b>	<b>11.5%</b>	<b>8.8</b>	<b>6.1</b>	<b>44.4%</b>

					bps	bps			bps
EBITDA %	33.9%	19.5%	34.2%	21.4%	184.8	-1280.7	27.1%	26.5%	62.5
Adj EBITDA %	23.9%	19.5%	24.4%	20.0%	44.5	-441.3	21.9%	21.5%	42.6
PAT %	24.9%	11.9%	24.2%	5.3%	-661.3	-1889.7	13.8%	18.2%	-440.5
Adj PAT %	14.5%	10.8%	14.9%	13.4%	256.9	-149.9	14.0%	12.5%	155.9
Tax Rate %	6.4%	8.3%	13.2%	-74.3%	-8255.3	-8744.3	3.0%	7.1%	-411.5

Rs mn	Q1FY11	Q2FY11	Q1FY12	Q2FY12	YoY %	QoQ %	YTD'12	YTD'11	YoY %
US	1830	2238	2512	3001	34.1%	19.5%	5512	4068	35.5%
Europe	80	134	175	185	37.9%	5.7%	361	215	67.9%
Latin America (Argentina)	75	115	29	41	-64.1%	42.7%	70	190	-63.1%
API	634	787	646	763	-3.0%	18.2%	1409	1421	-0.8%
<b>Total Generics Business [A]</b>	<b>2620</b>	<b>3274</b>	<b>3362</b>	<b>3990</b>	<b>21.9%</b>	<b>18.7%</b>	<b>7352</b>	<b>5894</b>	<b>24.7%</b>
Latin America (Brazil & Others)	366	493	592	738	49.8%	24.7%	1330	859	54.9%
Semi Regulated Markets [SRM]	733	811	1047	1479	82.4%	41.3%	2526	1544	63.6%
Europe	212	351	215	378	7.4%	75.5%	593	563	5.2%
India	1878	2122	2254	2539	19.7%	12.7%	4793	3999	19.8%
<b>Speciality Formulation [1]</b>	<b>3189</b>	<b>3777</b>	<b>4108</b>	<b>5134</b>	<b>35.9%</b>	<b>25.0%</b>	<b>9242</b>	<b>6966</b>	<b>32.7%</b>
<b>Recurring Revenues</b>	<b>5809</b>	<b>7051</b>	<b>7469</b>	<b>9124</b>	<b>29.4%</b>	<b>22.2%</b>	<b>16593</b>	<b>12860</b>	<b>29.0%</b>
Out-licensing Revenues [2]	895	0	1112	1185	-	-	2297	895	-
<b>Speciality Business (B= 1+2)</b>	<b>4084</b>	<b>3777</b>	<b>5220</b>	<b>6319</b>	<b>67.3%</b>	<b>21.0%</b>	<b>11539</b>	<b>7861</b>	<b>46.8%</b>
Others	114	184	101	246	-	-	347	298	16.2%
<b>Consolidated Revenues</b>	<b>6818</b>	<b>7236</b>	<b>8683</b>	<b>10554</b>	<b>45.9%</b>	<b>21.6%</b>	<b>19237</b>	<b>14053</b>	<b>36.9%</b>

## India business – On a strong footing

India business accounts for 30% of the total sales. Glenmark is gaining market share in the domestic market driven by steady volume growth and new product introductions. Glenmark's focused approach on key specialty segments like dermatology, cardiology, respiratory, analgesics and gynecology has led to improvement in overall margins. Indian operation are cash cow for the company and we expect it to clock revenue CAGR of 15% during FY11-13E contributing 29% to the recurring revenues. Increased field force productivity and new product launches would drive the growth going ahead.

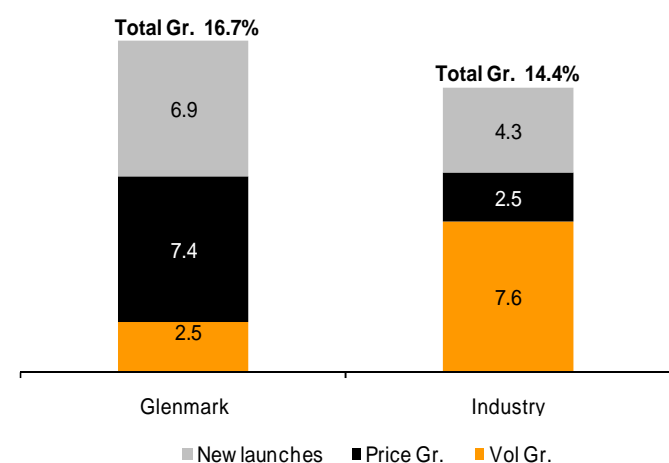
### Glenmark Pharma's - therapeutic growth

Therapies	FY11 % Contribution	MAT Sep'11	MAT Sep'10	YoY Gr. %
Derma	31.0%	316.4	272.7	16.0%
CVS	18.3%	186.6	136.8	36.4%
Anti-infective	15.6%	158.6	145.8	8.8%
Respiratory	15.4%	157.4	135.3	16.3%
Pain	5.1%	51.6	50.8	1.4%
Anti-Daibetic	4.7%	48.4	49.8	-2.8%
Gastro	2.6%	26.1	22.5	15.9%
Gynaec	2.3%	23.5	23.0	1.9%
Ophthalmology	2.2%	22.6	19.6	15.0%
Others	2.8%	28.4	17.4	63.5%
<b>Acute</b>	<b>75.3%</b>	<b>767.6</b>	<b>676.2</b>	<b>13.5%</b>
<b>Chronic</b>	<b>24.7%</b>	<b>251.9</b>	<b>197.6</b>	<b>27.4%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>1019.4</b>	<b>873.9</b>	<b>16.7%</b>

### Sep'11 MAT growth for Glenmark has been strong at 17%

- Acute segment which contributes 75% grew by 14%
- Chronic segment which contributes 25% grew by 27%

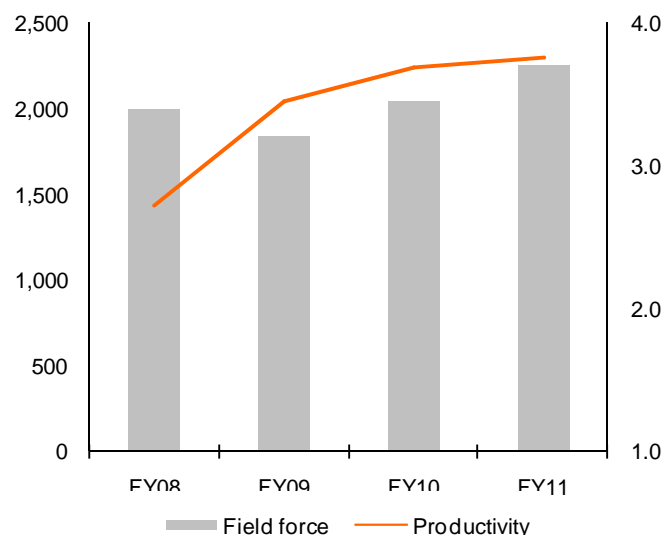
### Growth drivers - Volume/ Price/ New launches



- Glenmark out-performed industry due to healthy increase in price and good growth in new brands during MAT Sep'11

Source: AIOCD, Emkay Research

### Field force productivity



- The company has hired ~300 people during last year. Attrition rate stood at 18-20% for Glenmark
- MR productivity hovers around 3.5 - 3.8x for the last 3 years

### Top 10 brand performance

Rs Cr	Therapy	MAT Sep'11	MAT Sep'10	YoY Gr.
Telma	CVS	63.3	48.0	31.7%
Telma H	CVS	59.3	45.3	30.9%
Candid-B	Derma	52.9	46.6	13.7%
Ascoril Plus	Respiratory	45.1	42.9	5.2%
Candid	Derma	36.7	31.9	15.3%
Ascoril	Resp	31.9	30.5	4.5%
Lizolid	Anti-Infective	23.5	25.8	-8.8%
Alex	Resp	21.9	20.7	5.7%
Altacef	Anti-Infective	21.3	19.4	9.7%
Elovera	Derma	19.1	17.8	7.3%
<b>Total</b>		<b>375.0</b>	<b>328.8</b>	<b>14.0%</b>

- Top 10 brands contribute 37% to the domestic formulation sales
- Telma, Telma-H and the derma brands clocked healthy growth

## Glenmark's strong NCE/ NBE pipeline lends credibility to its research capabilities

Glenmark currently has a pipe-line of 5 NCE and NBE molecules which are under various stages of clinical development. This includes Crofelemer, which has been in-licensed by Glenmark. Glenmark has been successful in monetizing part of its NCE pipeline. While it has suffered a few setbacks in the past, we believe that overall, Glenmark's ability to derive value from the NCE pipeline has been credible.

Compound	Indication	Current Status	Comment	Pre-Clinical	P-I	P-II	P-III
Crofelemer (in-licensed from Napo Pharma)	Anti-diarrheal	Phase III trials complete	Launch in Apr-13	✓	✓	✓	✓
GRC 4039 (Revamilast)	Asthma, COPD, Rheumatoid Arthritis	Phase IIb trials commencing in UK	Trial results in 6-9 months	✓	✓	✓*	
GRC 15300 (out-license to Sanofi)	Osteoarthritis pain, Neuropathic pain	Phase I trials completed in UK	Ph-IIa proof of concept study in Q3FY12	✓	✓		
GRC 17536	Neuropathic pain, Respiratory disorders	Phase I study in Netherlands	Phase II filing for proof-of concept in FY12	✓			
GBR 500 (out-licensed to Sanofi)	Crohn's Disease, Multiple Sclerosis, Inflammatory Disorders	Phase I studies completed in US	Phase II proof-of concept study in 1QFY12	✓	✓		
GBR 401	Lymphomas, Leukemias	pre-clinical trials	GNP file for Phase I trials in Q4FY12	✓*			
GRC 600	Thrombocytopenic purpura	Pre-clinical testing done	Phase I studies to commence in UK	✓			
GBR 900 (In-licensed from Line Genomics)	Pain	In Pre-clinical Phase	-	✓*			

\*Clinical development in progress

### Out-licensing deals

	Indication	Out-licensed	Upfront Payment received (US\$ mn)	Year	Total Potential (US\$ mn)
GBR 500	Crohn's Disease, Multiple Sclerosis, Inflammatory disorders	Sanofi Aventis	50	FY12	613
GRC 15300	Osteoarthritis/ Neuro pain	Sanofi Aventis	25	FY11	325
Specialty topical products	For acne vulgaris, Osteoarthritis pain, Dental pain, Incontinence	Medicis Pharma	5	FY10	NA
GRC 6211	DPPIV Inhibitor for Type II diabetes	Eli Lilly	45	FY08	350
GRC 3886	Asthma, COPD	Tejin Pharma	31	FY07	240
GRC 3886	Asthma, COPD	Forest Labs	15	FY04	190
GRC 3886	Asthma, COPD	Forest Labs	35	FY04	190

## Valuation

We believe, for Glenmark, the changing profile in the US generic space is interesting, while consistent growth in the domestic formulation business provides comfort. Other smaller, but critical, specialty markets of LatAm, the EU and RoW are witnessing gradual traction in revenues. The probability of commercial launch of Chrofelemor has increased significantly. Limited competition launches in the US such as the Malorene, Cutivate and Oxycodone will continue to drive the US growth. In the OC segment, the company has filed 14 ANDAs (5 products have already been launched). Any positive development on NCE pipeline may act as positive catalyst for the stock.

We expect Glenmark Pharma to report 24% revenue growth in FY12E and 8% growth in FY13E. We expect EBIDTA margins to move from 20.1% in FY11 to 26.1% in FY12 and 23.8% in FY13. Earnings will grow by 19% CAGR over FY11-13E. We maintain Buy rating on the stock with a target of Rs401 (18x FY12 base business earnings + adjusted NPV of Rs45). At CMP, the stock is trading at 13x FY12E and 14x FY13E earnings.

### Target Price Calculation

<b>EPS ( FY 12 )</b>	<b>19.8</b>	
Target P/E	18.0x	20% discount to large cap peers
<b>Core business value</b>	<b>356</b>	

### Exclusive opportunity (GGL)

Zetia FTF	8.0	Settled with Merck / Partner Par
Vanos Cream (Fluocinonide)	1.0	
<b>Product specific Opportunity GGL</b>	<b>9.1</b>	

### NCE Valuation

GRC 15300	10	Out licensed to Sanofi (Received US\$25mn payment till date)
Crofelemer	9	In licensed for RoW & API supply for Western mkts (Received US\$15mn till date)
GBR 500	19	Out licensed to Sanofi (Received US\$50mn till date)
<b>NCE value</b>	<b>38</b>	
Less: Tarka Litigation	2	

<b>Target Price</b>	<b>401</b>
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## Financial Snapshot

(Rs mn)	FY10	FY11	YoY %	FY12E	YoY %	FY13E	YoY %
US Base Business	7230	8352	16%	9578	15%	11069	16%
Limited Competition	677	492	-27%	500	2%	1327	165%
Tarka	0	492	-	0	-	0	-
Malorene	0	0	-	500	-	1001	-
Cutivate	0	0	-	0	-	326	-
Europe	299	544	82%	652	20%	783	20%
Latin America (Argentina)	343	401	17%	421	5%	442	5%
API	2627	3337	27%	3683	10%	4039	10%
<b>1. Total Generics Business</b>	<b>10500</b>	<b>12633</b>	<b>20%</b>	<b>14835</b>	<b>17%</b>	<b>17659</b>	<b>19%</b>
Latin America ( Brazil & Others)	1361	1919	41%	2311	20%	2718	18%
Semi Regulated Markets	3864	4070	5%	4878	20%	5622	15%
Europe	1363	1528	12%	1742	14%	2055	18%
India	7529	8447	12%	9784	16%	11268	15%
<b>2. Speciality Business</b>	<b>14116</b>	<b>15963</b>	<b>13%</b>	<b>18716</b>	<b>17%</b>	<b>21663</b>	<b>16%</b>
<b>Recurring Revenues ( 1 + 2 )</b>	<b>24616</b>	<b>28596</b>	<b>16%</b>	<b>33550</b>	<b>17%</b>	<b>39323</b>	<b>17%</b>
<b>3. Out-licensing Revenues</b>	<b>232</b>	<b>895</b>	<b>-</b>	<b>2925</b>	<b>-</b>	<b>0</b>	<b>-</b>
Medicis Pharma	232	0	-	0	-	0	-
GRC 15300 (Sanofi)	0	895	-	0	-	0	-
GBR 500 (Sanofi)	0	0	-	2925	-	0	-
<b>Consolidated Revenues ( 1 + 2 + 3 )</b>	<b>24848</b>	<b>29491</b>	<b>19%</b>	<b>36475</b>	<b>24%</b>	<b>39323</b>	<b>8%</b>
Limited competition	677	492	-	500	-	1327	-
Licensing Revenues	232	895	-	2925	-	0	-
Base (Excl- limited competition)	23939	28103	17%	33050	18%	37996	15%
<b>Reported EBITDA</b>	<b>6,196</b>	<b>5,923</b>	<b>-4%</b>	<b>9,520</b>	<b>61%</b>	<b>9,437</b>	<b>-1%</b>
<b>EBITDA margins %</b>	<b>24.9%</b>	<b>20.1%</b>		<b>26.1%</b>		<b>24.0%</b>	
EBITDA - Limited Competition	542	246	-	350	-	1061	-
EBITDA - Licensing Income	186	448	-	1901	-	0	-
EBITDA - Base business	5468	5229	-4%	7269	39%	8376	15%
EBITDA % - Base Business	22.8%	18.6%		22.0%		22.0%	
<b>Reported PAT</b>	<b>3,287</b>	<b>4,532</b>	<b>38%</b>	<b>6,477</b>	<b>43%</b>	<b>6,413</b>	<b>-1%</b>
<b>PAT margins %</b>	<b>13.2</b>	<b>15.4</b>		<b>17.8</b>		<b>16.3</b>	
PAT - Limited Competition	271	123	-	140	-	424	-
PAT - Licensing Income	74	179	-	1141	-	0	-
PAT - Base business	2942	4230	44%	5197	23%	5989	15%
PAT % - Base Business	12.3%	15.1%		15.7%		15.8%	
<b>EPS</b>	<b>12.2</b>	<b>16.8</b>	<b>38%</b>	<b>24.0</b>	<b>43%</b>	<b>23.8</b>	<b>-1%</b>
- Limited Competition	1.0	0.5	-	0.5	-	1.6	-
- Licensing Income	0.3	0.7	-	4.2	-	0.0	-
- Base business	10.9	15.7	44%	19.2	23%	22.2	15%
<b>Total Base EPS</b>	<b>11.9</b>	<b>16.1</b>	<b>35%</b>	<b>19.8</b>	<b>23%</b>	<b>23.8</b>	<b>20%</b>
<b>PE @ CMP</b>	<b>26.4</b>	<b>19.1</b>		<b>13.4</b>		<b>13.5</b>	
PE - base	27.0	19.9		16.2		13.5	

## Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>24,848</b>	<b>29,491</b>	<b>36,475</b>	<b>39,323</b>
<i>Growth (%)</i>	17.4	18.7	23.7	7.8
<b>Expenditure</b>	<b>18,653</b>	<b>23,568</b>	<b>26,955</b>	<b>29,885</b>
Raw Materials	8,061	9,918	11,782	12,623
SGA	4,583	5,009	6,493	6,999
Employee Cost	3,425	5,103	4,851	5,505
Other Exp	2,583	3,538	3,830	4,758
<b>EBITDA</b>	<b>6,196</b>	<b>5,923</b>	<b>9,520</b>	<b>9,437</b>
<i>Growth (%)</i>	47.3	-11.6	68.7	-0.3
<b>EBITDA margin (%)</b>	<b>24.9</b>	<b>20.1</b>	<b>26.1</b>	<b>24.0</b>
Depreciation	1,206	947	1,015	1,130
<b>EBIT</b>	<b>4,990</b>	<b>4,976</b>	<b>8,505</b>	<b>8,308</b>
<b>EBIT margin (%)</b>	<b>20.1</b>	<b>16.9</b>	<b>23.3</b>	<b>21.1</b>
Other Income	507	1,359	473	529
Interest expenses	1,640	1,566	1,490	1,291
<b>PBT</b>	<b>3,857</b>	<b>4,770</b>	<b>7,488</b>	<b>7,545</b>
Tax	569	237	1,011	1,132
<i>Effective tax rate (%)</i>	14.8	5.0	13.5	15.0
<b>Adjusted PAT</b>	<b>3,287</b>	<b>4,532</b>	<b>6,477</b>	<b>6,413</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0
<b>Adjusted PAT after MI</b>	<b>3,287</b>	<b>4,532</b>	<b>6,477</b>	<b>6,413</b>
<i>Growth (%)</i>	8.3	37.9	42.9	-1.0
<b>Net Margin (%)</b>	<b>13.2</b>	<b>15.4</b>	<b>17.8</b>	<b>16.3</b>
E/O items	-249	0	0	0
<b>Reported PAT</b>	<b>3,038</b>	<b>4,532</b>	<b>6,477</b>	<b>6,413</b>
<i>Growth (%)</i>	58.5	49.2	42.9	-1.0

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	<b>3,059</b>	<b>3,410</b>	<b>7,015</b>	<b>7,016</b>
Depreciation	1,206	947	1,015	1,130
Interest Provided	1,640	1,566	1,490	1,291
Other Non-Cash items	0	0	0	0
Chg in working cap	-2,441	1,670	-2,927	-1,560
Tax paid	-392	-237	-1,123	-1,132
<b>Operating Cashflow</b>	<b>3,073</b>	<b>7,356</b>	<b>5,469</b>	<b>6,746</b>
Capital expenditure	-3,970	-3,000	-2,500	-2,500
<b>Free Cash Flow</b>	<b>-897</b>	<b>4,356</b>	<b>2,969</b>	<b>4,246</b>
Other income	507	1,359	473	529
Investments	0	-138	0	0
<b>Investing Cashflow</b>	<b>-3,463</b>	<b>-1,778</b>	<b>-2,027</b>	<b>-1,971</b>
Equity Capital Raised	4,092	396	0	0
Loans Taken / (Repaid)	-1,985	2,158	-2,500	-2,000
Interest Paid	-1,640	-1,566	-1,490	-1,291
Dividend paid (incl tax)	-126	-158	-474	-474
Income from investments	0	0	0	0
Others	405	-5,529	0	0
<b>Financing Cashflow</b>	<b>745</b>	<b>-4,699</b>	<b>-4,464</b>	<b>-3,766</b>
<b>Net chg in cash</b>	<b>355</b>	<b>879</b>	<b>-1,022</b>	<b>1,009</b>
Opening cash position	715	1,070	1,949	927
<b>Closing cash position</b>	<b>1,070</b>	<b>1,949</b>	<b>927</b>	<b>1,936</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	270	270	270	270
Reserves & surplus	23,018	20,102	26,105	32,044
<b>Net worth</b>	<b>23,288</b>	<b>20,372</b>	<b>26,375</b>	<b>32,314</b>
<b>Minority Interest</b>	<b>130</b>	<b>267</b>	<b>267</b>	<b>267</b>
Secured Loans	14,926	14,802	13,302	12,302
Unsecured Loans	3,768	6,314	5,314	4,314
<b>Loan Funds</b>	<b>18,694</b>	<b>21,116</b>	<b>18,616</b>	<b>16,616</b>
Net deferred tax liability	710	-1,081	-1,081	-1,081
<b>Total Liabilities</b>	<b>42,822</b>	<b>40,674</b>	<b>44,177</b>	<b>48,117</b>
Gross Block	21,755	26,952	29,452	31,952
Less: Depreciation	3,882	4,829	5,844	6,974
<b>Net block</b>	<b>17,873</b>	<b>22,123</b>	<b>23,608</b>	<b>24,978</b>
Capital work in progress	6,008	0	0	0
<b>Investment</b>	<b>181</b>	<b>319</b>	<b>319</b>	<b>319</b>
<b>Current Assets</b>	<b>24,211</b>	<b>25,978</b>	<b>26,443</b>	<b>29,674</b>
Inventories	7,085	8,070	7,886	8,732
Sundry debtors	10,783	11,308	12,706	13,697
Cash & bank balance	1,070	1,949	927	1,936
Loans & advances	5,273	4,651	4,924	5,309
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>5,451</b>	<b>7,746</b>	<b>6,192</b>	<b>6,855</b>
Current liabilities	5,251	7,560	5,827	6,461
Provisions	200	185	365	393
<b>Net current assets</b>	<b>18,760</b>	<b>18,232</b>	<b>20,251</b>	<b>22,820</b>
Misc. exp & Def. Assets	0	0	0	0
<b>Total Assets</b>	<b>42,822</b>	<b>40,674</b>	<b>44,177</b>	<b>48,117</b>

## Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	24.9	20.1	26.1	24.0
Net Margin	13.2	15.4	17.8	16.3
ROCE	13.5	11.5	20.0	18.2
ROE	15.6	20.9	27.9	22.0
RoIC	16.2	12.9	20.9	18.9
<b>Per Share Data (Rs)</b>				
EPS	12.2	16.8	24.0	23.8
CEPS	17.7	20.3	27.8	28.0
BVPS	86.0	74.8	97.0	119.0
DPS	0.4	0.5	1.5	1.5
<b>Valuations (x)</b>				
PER	26.3	19.1	13.4	13.5
P/CEPS	18.1	15.8	11.6	11.5
P/BV	3.7	4.3	3.3	2.7
EV / Sales	4.2	3.7	2.9	2.6
EV / EBITDA	15.6	18.2	10.5	10.4
Dividend Yield (%)	0.1	0.2	0.5	0.5
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.7	0.9	0.7	0.5
Net Debt/EBIDTA	2.4	3.2	1.8	1.5
Working Cap Cycle (days)	267	204	196	196



**Recommendation History: Glenmark Pharma – GNP IN**

Date	Reports	Reco	CMP	Target
26/09/2011	<a href="#">Pharma Sector Report Domestic</a>			
26/07/2011	<a href="#">Glenmark Pharma Q1FY12 Result Update</a>	Buy	338	401
02/02/2011	<a href="#">Glenmark Pharma Q3FY11 Result Update</a>	Accumulate	301	371
15/11/2010	<a href="#">Glenmark Pharma Q2FY11 Result Update</a>	Accumulate	348	381

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
08/11/2011	<a href="#">Aurobindo Pharma Q2FY12 Result Update</a>	Accumulate	123	136
04/11/2011	<a href="#">GSK Pharma Q3CY11 Result Update</a>	Reduce	2,110	1,714
02/11/2011	<a href="#">Pfizer Q2FY12 Result Update</a>	Accumulate	1,325	1,574
01/11/2011	<a href="#">Divis Lab Q2FY12 Result Update</a>	Buy	759	927

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