



Glenmark Pharmaceuticals Limited

Techno Funda Stock Idea

## Profile:

**Glenmark** was founded with a vision to emerge as a leading integrated research-based, global pharmaceutical company. Our branded generics business has a significant presence in markets across emerging economies including India. The generics business services the requirements of developed markets like US and Western Europe. Our API business sells products in over 65 countries including the US, various countries in the EU, South America and India. With 15 manufacturing facilities and 3 R&D centers dedicated to the goal of enriching lives across the globe we believe that the real force behind our continued successes are dedicated employees from across 60 nationalities, committed to creating 'A new way for a new world'.

## Key Triggers:

- COVID 19 Opportunity:** Glenmark Pharmaceuticals Ltd, its subsidiary has received approval from the U.S. health regulator to market Chlorzoxazone tablets, used to treat muscle pain, in the American market. Glenmark Pharmaceuticals Inc., USA has been granted final approval by the U.S. Food and Drug Administration for Chlorzoxazone tablets USP, in strength of 375 mg and 750 mg. This marks company's first Abbreviated New Drug Application approval out of its new North American manufacturing facility based in Monroe, North Carolina. According to IQVIATM sales data, for the 12-month period ending March 2020, the Chlorzoxazone had annual sales of around \$20.9 million. Glenmark's current portfolio now consists of 163 products authorised for distribution in the U.S. while 45 ANDAs are pending with the U.S. FDA, the company said. In addition to these internal filings, the company continues to identify and explore external development partnerships to supplement and accelerate the growth of its existing pipeline and portfolio.
- Possibly at peak Debt levels;** The Company is focusing on reducing debt, recently divested V-Wash to HUL (small contribution) and this does not appear it would happen soon. Should be FY22 before we see something meaningful. But for a business of this size, debt (~4600 gross) doesn't look like a worry.

June 1, 2020

## Valuation Metrics

|                           |              |
|---------------------------|--------------|
| CMP (Rs.)                 | 365          |
| <b>Target Price (Rs.)</b> | <b>410</b>   |
| Stop Loss                 | 340          |
| 52 Week H/L               | 557/161      |
| Market Cap (Cr.)          | 10,299       |
| P/E (ttm)                 | 7.78         |
| EPS (ttm)                 | 45.60        |
| P/BV (ttm)                | 1.75         |
| Book Value (ttm)          | 208.93       |
| Industry                  | Private Bank |

## Shareholding Pattern (%)

|              | March '20  | Dec'19     |
|--------------|------------|------------|
| Promoters    | 46.62      | 46.59      |
| Public       | 53.38      | 53.41      |
| Others       | —          | —          |
| <b>Total</b> | <b>100</b> | <b>100</b> |

Source: BSE

## Valuation & View:

At the CMP of Rs 365, the stock is trading at ttm P/E multiple of 7.78 times only which is lower than the 5 years average price to earning multiple.

## Key Risk:

- Any FDA alert would be dampener for the company.

## Technical View:

**Glenmark** has been trading around its 200 DEMA in a congestion range (322-365 zone) for last 2 months. At current juncture, it is trading above its breakout levels i.e. above 365 levels.

Considering its current chart pattern, we expect it to move northwards in near term. Hence, we advocate buying Glenmark at current market price.

## Summary:

Considering both the factors fundamental & technical parameter, we recommend a **'BUY'** in **Glenmark Pharmaceuticals** at current level for the **target price of Rs. 410 with close below stop loss of Rs. 340.**

## Quarterly Financial Performance ( Rs. in Cr. )

| Particulars       | 201912  | 201812  | % YoY    |
|-------------------|---------|---------|----------|
| Net Sales         | 2638.62 | 2509.78 | 5.13     |
| Total Expenditure | 2295.49 | 2120.37 | 8.26     |
| PBIDT (Excl OI)   | 440.08  | 434.68  | 1.24     |
| PAT               | 190.84  | 116.34  | 64.03    |
| PBIDTM% (Excl OI) | 16.09   | 17.01   | (92) bps |
| PBIDTM%           | 17.29   | 12.75   | 454 bps  |
| PATM%             | 6.98    | 4.55    | 243 bps  |
| Adj. EPS(Rs)      | 6.76    | 4.12    | 64.08    |

## Technical Chart



## Techno - Funda Picks –Strategy

- **Nature:** A short-term call for Investor/Trader with time horizon of 2-3 months.
- **Strategy:** Identify fundamentally strong companies which have been mispriced temporarily due to technical selling in the market.
- **Time horizon:** 2-3 months
- **Expected Upside:** ~10-15%
- **Caution:** While the stock fundamentals are sound, stop loss is recommended at the support level indicated in the technical view. The trade should be closed once the target is achieved or eight to twelve weeks, whichever happens earlier. The stop loss should be maintained on a closing basis.

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