

Retail Equity Research

Glenmark Pharmaceuticals Limited

Pharmaceuticals

BSE CODE: 532296

NSE CODE: GLENMARK

Bloomberg CODE: GNP:IN

SENSEX: 60,008

ACCUMULATE

12 Months Investment period Rating as per Mid Cap

 CMP Rs. 502 TARGET Rs. 575 RETURN 14% 
 (Closing: 17-11-21)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

Glenmark reports steady results in Q2

Glenmark Pharma Ltd (GNP) is an India-based pharmaceutical company with commercial presence in more than 80 countries across the globe. GNP is primarily focused on generics, specialty and OTC businesses. The company has strong regional/country-specific presence in diabetes, cardiovascular and oral contraceptives.

- Q2FY22 revenue up 7.5% YoY (+6.1% QoQ) primarily owing to strong performance in the Africa, Asia, and CIS regions (ROW), and Europe.
- EBITDA grew 6.8% YoY, though margin saw a negligible contraction of 10bps YoY at 18.9% owing to higher operating costs.
- During the quarter, company paid off a substantial portion of debt on its books using internal accruals and IPO proceeds.
- We remain cautious of near term performance, esp. in the domestic India business and Americas, as margins may come under stress in the coming quarters with further rise in input costs. Company's long-term potential however remains positive. We revise our rating down to ACCUMULATE with a revised TP of Rs. 575 based on 13x FY23E adj. EPS.

ROW and Europe drive topline growth

During Q2FY22, consolidated revenue grew 7.5% YoY to Rs. 3,125cr (+6.1% QoQ). Company recorded a strong 71.5% YoY growth in the Africa, Asia (excl. India) and CIS regions (ROW) at Rs. 653cr. Revenue from Europe went up 6.4% YoY to Rs. 338cr, while USA sales remained largely flat at Rs. 754cr (+0.3% YoY). On the other hand, India business recorded a 7.8% YoY degrowth in revenue to Rs. 969cr. Similarly, Latin America sales declined 2.4% YoY to Rs. 96cr. EBITDA grew 6.8% YoY to Rs. 590cr. while EBITDA margin came in at 18.9% (-10bps YoY) owing to higher operating costs. Adj. PAT increased by 11.6% YoY to Rs. 258cr, however was down 16.0% sequentially owing to non-operating losses of 13cr as against an income of 59cr during Q1FY22.

Key highlights

- As per IQVIA MAT Sep-21, company further strengthened its market share in its core therapy area in the domestic business to 5.32% (vs. 5.17% in Q2FY21).
- Company launched 10 new products during the quarter. Its market share in the domestic cardiology market improved to 4.75% (as against 4.72% in prior year).

Innovative world-first products launched during the quarter

During Q2FY22, company introduced Remogliflozin + Vildagliptin + Metformin fixed dose combination at affordable price for treatment of Type 2 diabetes in adults in India. The product will be marketed under two brand names, viz. Remo MV and Remozen MV. Separately, it launched Tavulus for treatment of chronic obstructive pulmonary disease in Spain, which is world's first bioequivalent version of Boehringer Ingelheim's Spiriva Handihaler which is a dry power inhaler under an in-licensing agreement.

Valuation

New product launches and formulations should aid topline and margin growth over the long term. In the near term however, company's margins may remain under pressure as input costs continue to rise further. It remains to be seen how the company manages to improve its sales realisations in its two major markets, i.e., India, and the US. Factoring in further debt reductions expected in the coming quarters and steady improvement in free cash flows, we estimate PAT to grow at 16.1% FY21-23E CAGR. In the interim however taking a cautious view of potential impact on margins in the near term, we downgrade our rating to ACCUMULATE on the stock with a revised target price of Rs. 575 based on 13x FY23E Adj. EPS.

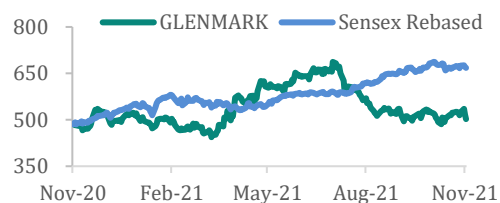
Company Data

Market Cap (cr)	Rs. 14,172
Enterprise Value (cr)	Rs. 16,812
Outstanding Shares (cr)	28.2
Free Float	53.0%
Dividend Yield	0.5%
52 week high	Rs. 691
52 week low	Rs. 442
6m average volume (lacs)	1.1
Beta	0.8
Face value	Rs. 1

Shareholding %	Q4FY21	Q1FY22	Q2FY22
Promoters	46.6	46.6	46.7
FII's	25.8	26.8	25.9
MFs/Insti	9.2	9.7	9.0
Public	15.9	14.4	16.0
Others	2.5	2.4	2.4
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-9.3%	-16.9%	3.1%
Absolute Sensex	7.6%	21.0%	36.5%
Relative Return*	-16.9%	-37.9%	-33.4%

*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	10,944	12,148	13,108
Growth (%)	2.8	11.0	7.9
EBITDA	2,084	2,331	2,525
EBITDA Margin (%)	19.0	19.2	19.3
Adj. PAT	925	1,080	1,248
Growth (%)	24.5	16.7	15.5
Adj. EPS	32.8	38.3	44.2
Growth (%)	24.5	16.7	15.5
P/E	14.2	13.1	11.4
P/B	1.9	1.8	1.5
EV/EBITDA	8.1	7.2	6.4
ROE (%)	13.7	13.4	13.5
D/E	0.7	0.5	0.4

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q2FY22	Q2FY21	YoY Growth %	Q1FY22	QoQ Growth %	H1FY22	H1FY21	YoY Growth %
Revenue	3,125	2,908	7.5	2,946	6.1	6,072	5,217	16.4
EBITDA	590	553	6.8	574	2.9	1,164	1,031	12.9
EBITDA margins	18.9	19.0	(10bps)	19.5	(60bps)	19.2	19.8	(60bps)
Depreciation	123	104	18.4	113	8.9	236	217	8.7
EBIT	467	449	4.1	461	1.4	927	814	14.0
Interest	69	81	(14.5)	76	(8.8)	145	174	(17.1)
Other Income	(13)	(32)	59.0	59	n.m.	46	27	71.1
Exceptional Items	-	3	n.m.	-	-	-	31	n.m.
PBT	385	339	13.4	444	(13.2)	829	697	18.9
Tax	110	105	4.5	137	(19.6)	247	209	18.3
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	17	(0)	n.m.	(0)	n.m.	17	0	n.m.
Reported PAT	258	234	10.1	307	(16.0)	564	488	15.6
Adjustments	-	(3)	n.m.	-	-	-	(31)	n.m.
Adj. PAT	258	231	11.6	307	(16.0)	564	457	23.5
No. of shares	28.2	28.2	-	28.2	-	28.2	28.2	-
Adj. EPS (Rs.)	9.1	8.2	11.6	10.9	(16.0)	20.0	16.2	23.5

Segment Revenue

Segments (Cr)	Q2FY22	Q2FY21	YoY Growth %	Q1FY22	QoQ Growth %	H1FY22	H1FY21	YoY Growth %
India	969	1,051	(7.8)	1,225	(20.9)	2,194	1,831	19.9
US	754	752	0.3	788	(4.2)	1,542	1,495	3.2
RoW	653	381	71.5	269	143.0	921	593	55.5
Europe	338	318	6.4	306	10.6	644	592	8.8
Latin America	96	98	(2.4)	67	42.4	163	164	(0.5)
API	335	321	4.4	304	10.3	639	556	15.0
Others	2	31	n.m.	6	(69.4)	8	67	n.m.
Total Sales	3,147	2,953	6.6	2,965	6.2	6,112	5,297	15.4

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	12,093	13,299	12,148	13,108	0.4	(1.4)
EBITDA	2,308	2,547	2,331	2,525	1.0	(0.9)
Margins (%)	19.1	19.2	19.2	19.3	10bps	10bps
Adj. PAT	1,052	1,189	1,080	1,248	2.7	4.9
Adj. EPS	37.3	42.2	38.3	44.2	2.7	4.9

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	9,865	10,641	10,944	12,148	13,108
% change	8.4	7.9	2.8	11.0	7.9
EBITDA	1,586	1,698	2,084	2,331	2,525
% change	(1.8)	7.1	22.7	11.8	8.3
Depreciation	326	417	444	484	500
EBIT	1,260	1,281	1,641	1,847	2,025
Interest	335	377	353	277	193
Other Income	375	192	95	75	68
PBT	1,301	1,096	1,382	1,645	1,900
% change	16.2	(15.7)	26.1	19.0	15.5
Tax	376	320	412	494	570
Tax Rate (%)	28.9	29.2	29.8	30.0	30.0
Reported PAT	925	776	970	1,080	1,248
Adj*	(167)	(33)	(45)	-	-
Adj PAT	758	743	925	1,080	1,248
% change	(5.8)	(1.9)	24.5	16.7	15.5
No. of shares (cr)	28.2	28.2	28.2	28.2	28.2
Adj EPS (Rs.)	26.9	26.3	32.8	38.3	44.2
% change	(5.8)	(1.9)	24.5	16.7	15.5
DPS (Rs.)	2.0	2.5	2.5	2.5	2.5
CEPS (Rs.)	38.4	41.1	48.5	55.4	61.9

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	1,251	1,193	1,414	1,564	1,747
Non-cash adj.	8	242	(191)	660	167
Changes in W.C	65	(43)	(91)	95	(245)
C.F. Operation	1,324	1,392	1,131	2,319	1,669
Capital exp.	(1,232)	(775)	(675)	(693)	(748)
Change in inv.	(15)	5	-	-	-
Other invest.CF	548	(13)	0	(1)	-
C.F - Investment	(699)	(784)	(675)	(694)	(748)
Issue of equity	-	-	-	-	-
Issue/repay debt	(369)	(75)	(78)	(1,234)	(460)
Dividends paid	(68)	(69)	(70)	(71)	(71)
Other finance.CF	(302)	(301)	(294)	(277)	(193)
C.F - Finance	(739)	(445)	(442)	(1,581)	(723)
Chg. in cash	(114)	164	14	44	199
Closing cash	938	1,111	1,139	1,183	1,382

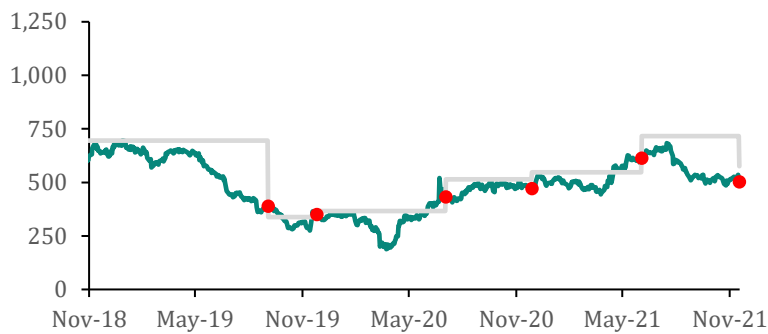
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	938	1,111	1,139	1,183	1,382
Accounts Receivable	2,195	2,409	2,572	2,687	2,966
Inventories	2,252	2,136	2,277	2,471	2,621
Other Cur. Assets	1,312	1,148	1,372	1,218	1,117
Investments	30	25	25	25	25
Gross Fixed Assets	2,817	3,592	4,267	4,960	5,708
Net Fixed Assets	2,098	2,978	2,851	2,826	2,840
CWIP	1,234	1,091	1,325	1,559	1,793
Intangible Assets	1,737	2,182	2,335	2,336	2,336
Def. Tax (Net)	1,383	1,456	1,535	1,481	1,710
Other Assets	110	150	174	169	163
Total Assets	13,289	14,685	15,604	15,953	16,953
Current Liabilities	3,718	3,683	3,328	3,810	4,015
Provisions	-	-	-	-	-
Debt Funds	3,877	4,486	4,986	3,752	3,292
Other Liabilities	89	446	225	246	241
Equity Capital	28	28	28	28	28
Reserves & Surplus	5,577	6,042	7,036	8,046	9,224
Shareholder's Fund	5,605	6,071	7,065	8,075	9,252
Minority Interest	(0)	(0)	(0)	71	154
Total Liabilities	13,289	14,685	15,604	15,953	16,953
BVPS (Rs.)	199	215	250	286	328

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	16.1	16.0	19.0	19.2	19.3
EBIT margin (%)	12.8	12.0	15.0	15.2	15.5
Net profit mgn.(%)	9.4	7.3	8.9	8.9	9.5
ROE (%)	16.5	12.8	13.7	13.4	13.5
ROCE (%)	13.3	12.1	13.6	15.5	16.0
W.C & Liquidity					
Receivables (days)	81.2	82.6	85.8	80.7	82.6
Inventory (days)	244.5	210.8	224.7	211.7	209.9
Payables (days)	241.1	209.8	220.8	226.3	226.3
Current ratio (x)	1.7	1.6	1.8	1.5	1.6
Quick ratio (x)	0.8	0.9	0.9	0.8	0.9
Turnover & Leverage					
Gross asset T.O (x)	3.7	3.3	2.8	2.6	2.5
Total asset T.O (x)	0.8	0.8	0.7	0.8	0.8
Int. coverage ratio (x)	3.8	3.4	4.6	6.7	10.5
Adj. debt/equity (x)	0.7	0.7	0.7	0.5	0.4
Valuation					
EV/Sales (x)	2.2	0.9	1.5	1.4	1.2
EV/EBITDA (x)	13.4	5.4	8.1	7.2	6.4
P/E (x)	24.2	7.8	14.2	13.1	11.4
P/BV (x)	3.3	1.0	1.9	1.8	1.5

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
3-Sep-19	SELL	338
25-Nov-19	HOLD	366
3-Jul-20	BUY	515
27-Nov-20	BUY	548
3-Jun-21	BUY	717
18-Nov-21	ACCUMULATE	575

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider

whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: GEOJIT's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, His associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev T, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226