



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Glenmark Pharma Ltd Q3 FY23 consolidated revenues came in at ₹3,464 Cr, up 9.15% YoY and up 2.63% QoQ.
- Op Profit for Q3FY23 stood at ₹620 Cr, down 0.2% QoQ and down 10.53% YoY.
- Op margins for Q3FY23 came at 18% vs 18% in Q2 fy23.
- PAT for Q3FY23 stood at ₹291 Cr, up 21% YoY and up 4.3% QoQ.

### 2. MANAGEMENT COMMENTARY:

- During the Quarter India formulations business recorded sales of Rs.10,745 million, a growth of 6.7% YoY.
- Europe operations revenue for Q3 FY'23 was Rs.4,932 million, recording a growth of 29.5% YoY.
- The ROW region recorded revenue of Rs.6,541 million, a growth of 22.3% YoY
- US revenue grew 7.9% QoQ to US\$102mn, driven by new product launches.
- The company considers the remediation cost of Monroe as an exceptional item.
- Glenmark has invested in Ichnos Sciences and is focused on enhancing its free cash generation and further debt reduction.
- Glenmark Pharmaceuticals aims to achieve zero net debt by FY'26, with a lowering of debt expected in the next quarter.
- The company expects to realize Rs.162 crores from the JB Chem Rosuvastatin divestment and more than half of the Rs.340 crores from the derma brands transaction this quarter
- Glenmark plans to file at least one more generic respiratory PMDI in the US in the calendar year '23.
- Co expects revenue to grow in the range of 6-8% and co is maintaining EBITDA guidance at same levels of FY22.

### 3. CONCALL SUMMARY

- The operating income for the quarter was INR 3464 crore, an increase of 9.15% year-on-year basis. Operating EBITDA was INR 620cr, decrease of 10.53% on year on year and EBITDA margin stood at 18%. Net profit after tax reported was INR 291crore, an increase of 21% year on year while the PAT margin percentage was 8.4%.
- Company has launched multiple new products during the quarter, including Zita-Piomet, Sitagliptin, Lobeglitazone and FDCs of Tenueligliptin which will generate revenue going forward.
- Company will also strengthen its balance sheet by reducing debt with cash infusion from the strategic partner in ICHNOS Sciences.
- Overall capex for the quarter stood at INR1.4b
- Company has maintained EBITDA margins in line of 17-19%.

### 4. OTHER DEVELOPMENTS:

- Co. plans to file 6-8 ANDAs in 4QFY23. It filed one ANDA in 3QFY23. It has 5-6 ANDAs pending for approval from Monroe, once approved will contribute in revenue and Op margins.

### 5. VALUATION AND OUTLOOK:

Company has reported Strong quarter led by growth in Europe and API Segment. Co is expected to maintain revenue growth in the range of 8-10% over Fy 23-25. Co. recently has launched new products and new deals will lead to improve the EBITDA margins in next few quarters.

We initiate a "BUY" rating on the stock and value the stock at 12x FY24E earnings to arrive at the target of ₹560

## RECOMMENDATION - BUY

CMP – 445

TARGET – 560 (25.8%)

Industry	Pharmaceuticals & Drugs
NSE CODE	GLENMARK
BSE CODE	532296
Market Cap (₹ Cr)	12079.62
Shares Outstanding (in Cr)	28.22
52 wk High/Low (₹)	487.55 / 348.5
P/E	13.71
P/BV	1.22
Face Value (₹)	1.00
Book Value (₹)	349.57
EPS (FY21) (₹)	33.37
Dividend Yield (%)	0.57
Total Debt / Equity	0.40
Interest Coverage	5.83

### SHAREHOLDING PATTERN

	Dec 22	Sep 22	Jun 22
Promoters	46.65	46.65	46.65
MF/ DII	5.64	6.26	5.81
FII/FPI	23.19	23.14	24.23
Retail & Others	19.42	19.27	18.63
Promoter Pledging	0.00	0.00	0.00

### FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022A	2023E
<b>Creole</b>			
Sales	10943.93	12304.90	12920.0
Sales Gr. (%)	30.14	12.44	5.00
EBITDA	2084.38	2320.30	2325
EBITDA %	18.46	18.94	18.0
PAT	970.04	941.65	1033.0
EPS (₹)	34.38	33.37	36.9
EPS Gr. (%)	25.01	-2.93	10.57
BV/Sh. (₹)	-	321.45	357.2
<b>Ratios</b>			
RoE (%)	14.81	12.33	14.4
RoCE (%)	15.30	14.19	15.5
<b>Valuation</b>			
P/E (x)	13.51	13.25	12.2
P/BV (x)	1.38	1.38	1.24
EV/EBITDA	5.93	5.93	6.2

### Historical & Industrial Val Ratios

Historical P/E	13.71
Industry P/E	35.27
Historical P/B	1.22
Industry P/B	3.81



## REVENUE SPLIT (Q3 FY23)

### Geographical Mix



### QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22				FY23				FY22	FY23E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
Net sales	2,965	3,147	3,173	3,019	2,777	3,375	3,464	3304	12305	12920
YoY change (%)	27.6%	7.5%	13.9%	4.6%	-7.7%	6.0%	8.0%	9.4%	12.44%	5.0%
Total Expenditures	2391	2557	2480	2556	2346	2754	2844	2709	9978	10594
EBITDA	574	590	693	463	432	622	620	595	2327	2325
Margins (%)	19	19	22	15	16	18	18	18	19%	18%
Depreciation	113	123	119	132	147	156	162	165	487	630
Interest	76	69	67	87	60	83	97	98	298	338
Other income	59	-13	-164	25	183	97	110	125	-101	118
PBT	444	385	343	270	408	480	471	439	1441	1475
Tax	137	110	103	97	197	201	180	132	447	442
Adjusted PAT	307	275	240	173	211	279	291	307	994	1033
EPS in Rs	10.86	9.13	7.86	5.51	6.82	9.23	9.66	10.96	33.37	36.9

#### Key Performance Indicators

Raw Mat cost as % of revenue	38	36	33	34	36	34	33	33	43	43
Employee cost as % of revenue	20	21	18	19	22	21	21	21	20	20
Op profit Margin	19	19	22	15	16	18	18	18	19	18
Net profit margin	10	9	8	6	8	8	8	8	8	8

Source: Company, Hem Securities Research.

#### \*Insights into the assumptions:

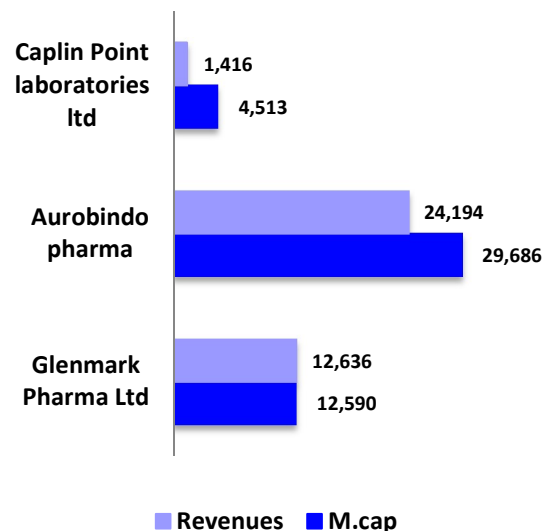
- We expect margins to improve in upcoming quarters on account of new product launches.
- Revenue is expected to grow in the range of 8-10%



## INDUSTRY OVERVIEW

- India is the largest provider of generic medicines globally with 20% share by volume and global vaccine supplier with 62% share. India is home to more than 3,000 pharmaceutical companies with a strong network of over 10,500 manufacturing facilities. The sector is significant contributor to India's economic growth and employs over 2.7 million people
- The Indian pharmaceutical market is currently valued at US\$ 42 billion and expected to grow 3x in the next decade to ~US\$ 120-130 billion by 2030. Exports market stood at US\$ 24.44 billion in FY22. India is the 12th largest exporter of medical goods in the world. The country's pharmaceutical sector contributes 6.6% to the total merchandise exports.
- Medicine spending in India is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medicine spending.
- Indian pharmaceutical companies are expected to play a major role in global market too, being a low cost producer. Rising R&D spend by pharmaceuticals companies, increasing penetration of health insurance,

## Key Players in Plasticware Segment



## PEER PERFORMANCE

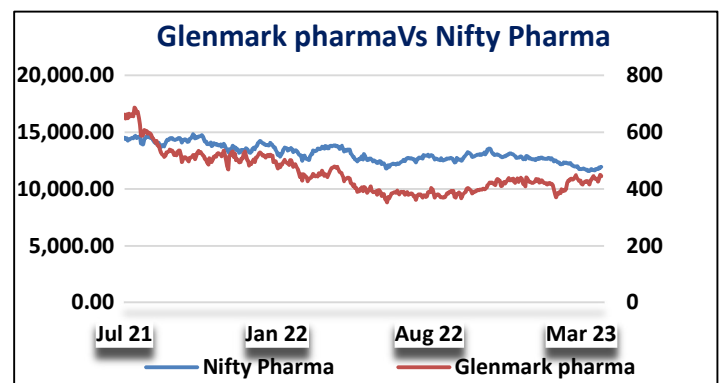
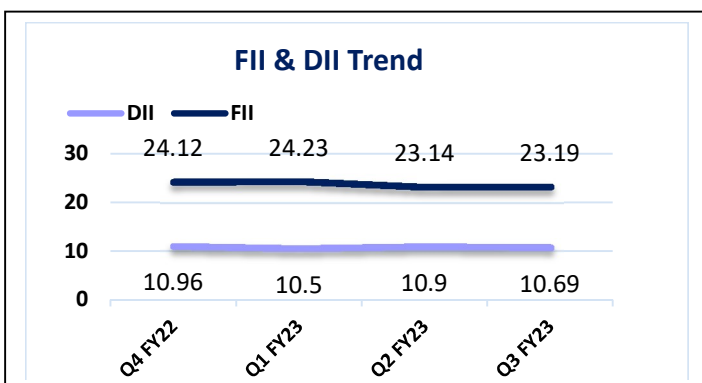
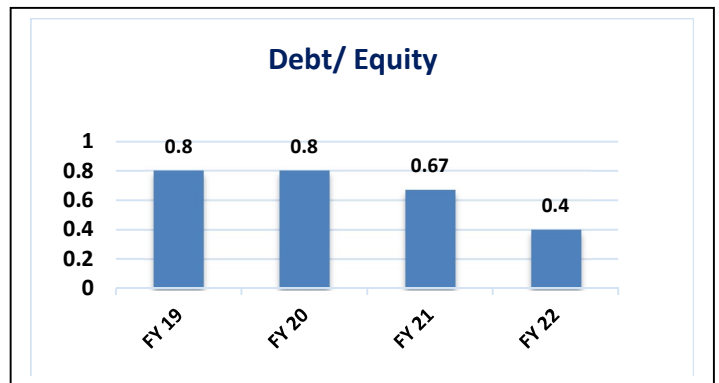
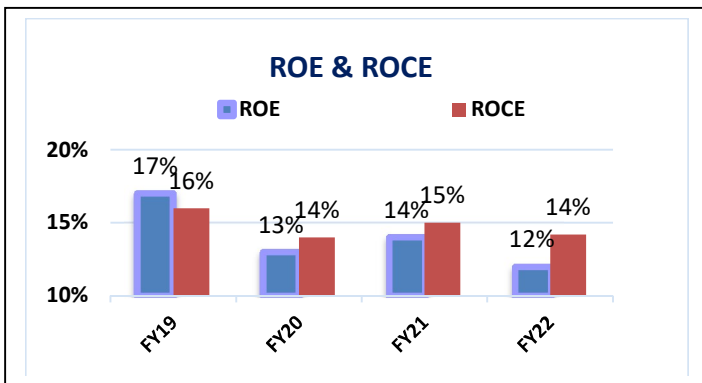
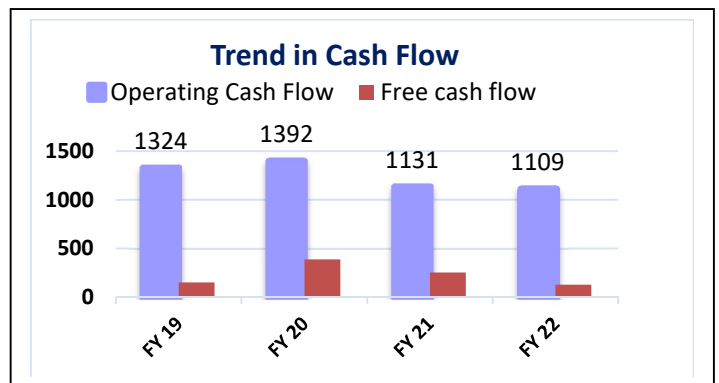
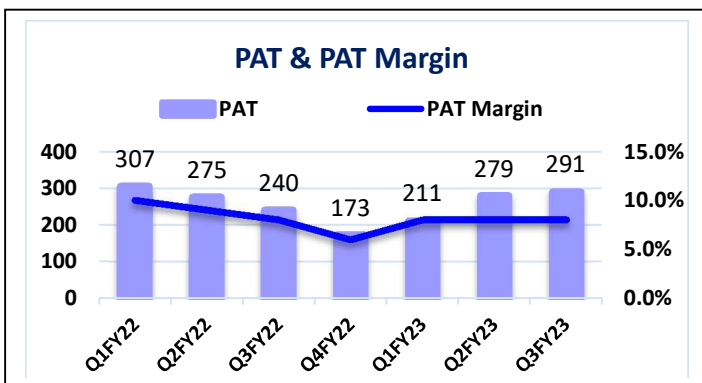
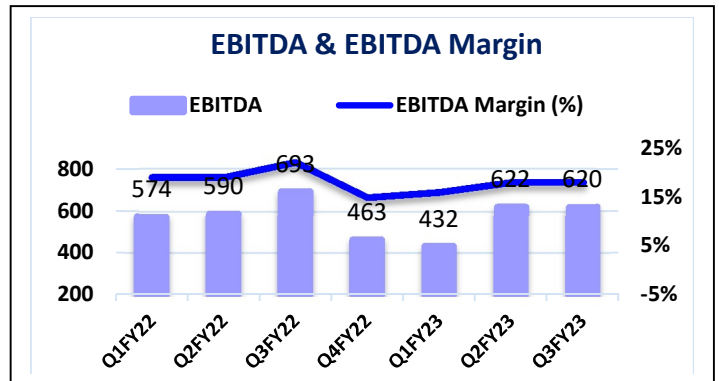
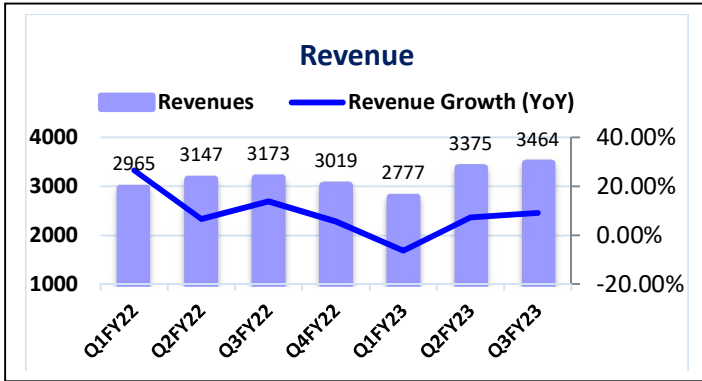
(₹ Cr)

Particulars	Glenmark pharma	Aurobindo Pharma	Caplin point laboratories
Market Cap	12,687.7	29,959.0	4,438.4
Net Sales	12,304.9	23,455.5	1,269.4
EBITDA	2,320.3	4,384.5	394.5
PAT	941.7	2,648.2	299.8
EPS(₹)	33.4	45.2	39.6
EBITDA MARGIN %	8.9	9.8	34.1
PAT MARGIN %	3.6	5.6	24.3
ROCE %	14.2	12.8	28.8
ROE %	12.3	11.5	24.7
P/E TTM	14.4	15.0	12.6
P/B TTM	1.3	1.2	2.5
EV/EBITDA	6.2	7.6	8.54
Dividend Yield %	0.6	1.8	0.7
MCap/ Sales TTM	1.0	1.2	3.1

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Co is delivering decent revenue growth in last few quarters and expected to maintain the same in upcoming quarters
- Co. is witnessing strong demand from Europe markets and co is expected to grow at the CAGR of 10% over FY23-25.
- With the new products launches co can see strong growth in the DF segment
- Op margin are stable from last 2-3 years at 19% and expected to improve margins in near term.
- Co is continuously filing ANDA, currently 6-8 ANDA are pending for approval, once approved will reflect in revenue.
- Co. has planned total Capex of Rs 700-800 cr in near term which will improve their revenue and op margin in next few year.
- Co is currently having ROE of 13.6%, ROCE of 16.0%.
- Glenmark Pharmaceuticals aims to achieve zero net debt by FY'26, with a lowering of debt expected in the next quarter. Current Debt to equity ratio stood at 0.4
- Co. 3y Sales CAGR stood at 8%.
- Co. 3y profit CAGR stood at 10%.
- FII has increase shareholding in Qtr ended dec 2022. FII holding stood at 23.19%.

## RISK / NEGATIVE FACTORS:

- Entry of new player could reduce market share or create pressure on margins or impact growth.
- Regulator actions, audits could adversely impact operations.
- Logistic issues could impact delivery timeline and dent margins.

## COMPANY RECAP

- Glenmark Pharmaceuticals Ltd is a global research-led pharmaceutical company with presence across generics, Specialty and OTC business.
- Company offers a wide range of pharma products/ drugs in the form of oral solids, liquids, topical products, respiratory MDI/DPI and complex injectables & biologics. It is primarily focused on therapy areas of dermatology, respiratory and oncology.
- Glenmark's India business is ranked 14th with a market share of 2.2% as of Dec 2022.
- **9 of its brands are included in top 300 brands in Indian pharma market**
- The company supplies products to major US wholesalers and is amongst the 15 top generic manufacturers in terms of volume. **It has ~170 products authorized for distribution in US market.**
- The company operates 14 facilities across 4 continents. 11 of its facilities are located in India and 8 of its facilities are approved by USFDA.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

Y/E March	2019	2020	2021	2022	2023E	2024E
<b>Revenue from operations</b>	<b>9865</b>	<b>10641</b>	<b>10944</b>	<b>12305</b>	<b>12,920</b>	<b>13,953</b>
Growth YoY (%)	8.72	7.86	2.85	12.44	5.0	8.0
<b>Total Expenditure</b>	<b>8,280</b>	<b>8,942</b>	<b>8,860</b>	<b>9,978</b>	<b>10,594</b>	<b>11,302</b>
(%) of sales	84	84	81	81	82	81
<b>EBITDA</b>	<b>1,586</b>	<b>1,699</b>	<b>2,084</b>	<b>2,327</b>	<b>2,326</b>	<b>2651</b>
EBITDA Growth (%)	5	4	15	17	0.25	13.97
EBITDA Margin (%)	16	16	19	19	18	19
Depreciation	326	417	444	487	630	725
<b>EBIT</b>	<b>1,635</b>	<b>1,473</b>	<b>1,736</b>	<b>1,739</b>	<b>1,696</b>	<b>1,926</b>
EBIT Growth (%)	16	-10	18	0	-2.48	13.56
Net Interest Expenses	335	377	353	298	338	305
Other Income	208	160	50	167	118	100
<b>Earnings before Taxes</b>	<b>1,301</b>	<b>1,096</b>	<b>1,382</b>	<b>1,441</b>	<b>1,476</b>	<b>1,721</b>
EBT Margin (%)	13	10	5	5	11	12
Tax-Total	376	320	412	448	442	516
Rate of tax (%)	29	29	30	31	30	30
<b>Net Profit</b>	<b>925</b>	<b>776</b>	<b>970</b>	<b>994</b>	<b>1,034</b>	<b>1,205</b>
PAT Growth (%)	15	-16	25	2	4	16
PAT Margin (%)	9	7	4	4	8	8
Minority Interest	0	0	0	-52	0	0
<b>Adjusted PAT</b>	<b>925</b>	<b>776</b>	<b>970</b>	<b>942</b>	<b>1,034</b>	<b>1,205</b>
<b>EPS</b>	<b>33</b>	<b>28</b>	<b>34</b>	<b>33</b>	<b>37</b>	<b>43</b>
EPS Growth (%)	15	-16	25	-3	10	16

#### Balance Sheet

Y/E March	2019	2020	2021	2022
Share Capital	28	28	28	28
Reserves	5,566	6,029	7,015	9,042
<b>Net Worth</b>	<b>5,605</b>	<b>6,071</b>	<b>7,065</b>	<b>9,087</b>
Borrowings	4449	4869	4986	3962
Other Liabilities	3235	3729	3524	4003
<b>Total Liabilities &amp; Equity</b>	<b>13289</b>	<b>14668</b>	<b>15575</b>	<b>17052</b>
Fixed Assets	3670	5029	5129	5887
CWIP	1399	1222	1382	1010
Investments	30	25	25	50
Other Assets	8190	8393	9040	10105
<b>Total Assets</b>	<b>13289</b>	<b>14668</b>	<b>15575</b>	<b>17052</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Profitability and return ratios</b>				
Net profit margin (%)	9.38	7.29	9.0	8.0
EBITDA margin (%)	16.0	16.0	19.0	19.0
EBIT margin (%)	13.0	10.0	13.0	9.0
ROE (%)	17.21	13.32	14.81	12.33
ROCE (%)	16.47	14.04	15.3	14.19
<b>Working Capital &amp; liquidity ratios</b>				
Payables (Days)				
Inventory (Days)	244	211	230	212
Receivables (Days)	81	83	86	92
Current Ratio (x)	1.67	1.65	1.75	1.77
<b>Valuations Ratios</b>				
EV/sales (x)	3.0	2.0	2.0	1.0
EV/EBITDA (x)	13.0	11.0	12.0	5.00
P/E (x)	19.6	7.5	13.5	13.25
P/BV (x)	3.26	0.96	1.86	1.38
Dividend Yield (%)	0.30	1.21	0.54	0.57
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.80	0.80	0.67	0.4

<b>Cash Flow Statement</b>				
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>CF from Operating activities (A)</b>	<b>1324.17</b>	<b>1392.41</b>	<b>1131.21</b>	<b>1108.65</b>
<b>CF from Investing Activities (B)</b>	<b>-883</b>	<b>-774</b>	<b>-662</b>	<b>-316</b>
<b>CF from Financing Activities (C)</b>	<b>-738.74</b>	<b>-444.66</b>	<b>-441.78</b>	<b>-520.49</b>
Net Cash Flow	-297	174	28	272
Add: Opening Bal.	1235	938	1111	1139
<b>Closing Balance</b>	<b>938</b>	<b>1111</b>	<b>1139</b>	<b>1412</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
29-03-2022	Buy	560

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Name of the Research Analyst: Chinmay Bhandari

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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