

Glenmark Pharma

Estimate change
TP change
Rating change



Bloomberg	GNP IN
Equity Shares (m)	282
M.Cap.(INRb)/(USDb)	441.9 / 5.3
52-Week Range (INR)	1577 / 702
1, 6, 12 Rel. Per (%)	11/68/70
12M Avg Val (INR M)	1118

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	118.1	135.4	149.4
EBITDA	13.0	25.7	30.4
Adj. PAT	0.7	13.4	16.7
EBIT Margin (%)	6.1	15.3	16.9
Adj EPS (INR)	2.5	47.5	59.2
EPS Gr. (%)	-88.0	NA	24.6
BV/Sh. (INR)	278.1	321.8	381.0
Ratios			
Net D-E	-0.1	0.0	-0.1
RoE (%)	0.8	15.8	16.8
RoCE (%)	-777.3	16.7	17.2
Payout (%)	-5.4	7.6	0.0
Valuations			
P/E (x)	628.7	32.9	26.4
EV/EBITDA (x)	33.3	17.3	14.3
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	12.0	-1.8	2.1
EV/Sales (x)	3.7	3.3	2.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.7	46.6	46.7
DII	14.0	13.4	9.2
FII	21.0	21.4	25.5
Others	18.4	18.6	18.7

FII Includes depository receipts

CMP: INR1,566

TP: INR1,850 (18%)

Upgrade to Buy

Operationally in-line 1Q; DF/EU drive earnings

Growth levers across key markets

- Glenmark Pharma (GNP) delivered an in-line operating performance in 1QFY25. It witnessed robust traction in the domestic formulation (DF) and Europe businesses. However, this was partly offset by muted show in US/ROW markets.
- We raise our earnings estimates by 11%/17% for FY25/FY26, factoring in a) the niche product pipeline in respiratory for US generics, b) outperformance vs. the industry in DF segment, and c) reduced spending on innovative R&D.
- We value GNP at 26x 12M forward earnings (from 21x earlier), considering the significant financial deleverage, superior execution in DF and Europe segments, and the scale-up in the US generics segment, driven by limited competition products. Accordingly, we arrive at a TP of INR1,850.
- From adj. PAT of a meagre INR700m in FY24, we expect GNP to deliver PAT of INR16.7b in FY26. GNP has restructured its business model by focusing on key markets – India, US, EU and ROW, b) hiving off API business, and c) recalibrating spending on innovative R&D. With niche approvals, market expansion for Ryaltris and product additions through in-licensing, we believe GNP is gearing up for a consistent turnaround in its overall performance.

Upgrade to BUY

Product mix and lower R&D expenses drive margins YoY

- Revenue grew 7% YoY to INR32.4b (our estimate of INR33b). India formulations (DF) grew 12.4% YoY to INR12b (37% of sales). Row (Row + LatAm) sales grew 3.6% YoY to INR5.7b (18% of sales). Europe generics revenue grew 21.4% YoY to INR7b (21% of sales). NA revenues declined 3% YoY to INR7.8b (USD94m; 24% of sales).
- Gross margins (GM) expanded 190bp YoY to 65.8% due to lower RM costs and a change in the product mix.
- EBITDA margin grew 25bp YoY to 18.8% due to higher sales, partly offset by higher employee expenses/other expenses (up 50bp/210bp as % of sales).
- PAT surged ~3x to INR3.6b (our est: INR2.9b) due to higher other income, lower extraordinary expenses and lower taxes.

Highlights from the management commentary

- For FY25, GNP projects revenue growth of 14-18% YoY to INR135-INR140b, GM of 65-67% and EBITDA margin of 19%.
- GNP expects India business to grow 10-15% YoY in FY25.
- The company believes that the EU business has much higher potential than the US business over the medium term.
- Ryaltris sales stood at USD20m; GNP expects USD80m sales in FY25.
- GNP filed for g-Flovent in May'24. GNP is working on ANDA filings of the other two strengths of g-Flovent pMD.

Quarterly performance (INRm)												
Y/E March	FY24				FY25E				FY24	FY25E	Estimate	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	% Var.
Net Revenues (Core)	30,361	32,074	25,067	30,630	32,442	33,674	34,178	35,227	1,18,131	1,35,409	32,950	-1.5
YoY Change (%)	9.3	6.3	-19.1	2.1	6.9	5.0	36.3	15.0	2.0	14.6	8.5	
EBITDA	4,374	5,053	-1,444	5,043	6,102	6,499	6,665	6,414	13,025	25,659	6,129	-0.4
YoY Change (%)	-7.5	-3.2	-130.5	26.7	39.5	28.6	-561.4	27.2	-20.3	97.0	40.1	
Margins (%)	14.4	15.8	-5.8	16.5	18.8	19.3	19.5	18.2	11.0	18.9	18.6	
Depreciation	1,420	1,415	1,471	1,513	1,178	1,210	1,250	1,300	5,819	4,938	1,525	
EBIT	2,953	3,638	-2,915	3,530	4,924	5,289	5,415	5,115	7,206	20,722	4,604	
YoY Change (%)	-9.4	-3.3	-190.4	34.3	66.7	45.4	-285.7	44.9	-32.4	187.5	55.9	
Margins (%)	9.7	11.3	-11.6	11.5	15.2	15.7	15.8	14.5	6.1	15.3	14.0	
Interest	1,116	1,215	1,343	1,486	396	200	100	-29	5,160	666	300	
Other Income	197	17	454	7,732	315	100	90	-155	8,400	350	80	
PBT before EO Expense	2,034	2,441	-3,805	9,776	4,843	5,189	5,405	4,989	10,447	20,405	4,384	10.5
One-off loss/(gain)	520	3,684	1,409	4,468	220	0	0	0	10,082	220	0	
PBT after EO Expense	1,514	-1,244	-5,214	5,308	4,623	5,189	5,405	4,989	364	20,185	4,384	5.5
Tax	1,137	559	-718	17,695	1,221	1,718	1,794	1,976	18,673	6,701	1,447	
Rate (%)	75.1	-45.0	13.8	333.3	26.4	33.1	33.2	39.6	5,123.0	33.2	33.0	
Reported PAT	377	-1,803	-4,496	-12,386	3,402	3,472	3,610	3,013	-18,309	13,484	2,937	15.8
Minority Interest	232	204	206	40	0	10	15	50	681	75	20	
Reported PAT after Min. Int	145	-2,007	-4,701	-12,427	3,403	3,462	3,595	2,963	-18,990	13,409	2,917	
Adj PAT	1,111	1,397	-3,486	1,680	3,565	3,462	3,595	2,963	701	13,351	2,917	22.2
YoY Change (%)	-34.0	-39.9	-368.6	247.6	220.9	147.8	-203.1	76.4	-81.2	NA	162.6	
Margins (%)	3.7	4.4	-13.9	5.5	11.0	10.3	10.5	8.4	0.6	9.9	8.9	
Adj. PAT (disc ops)	1,355	1,187	1,188	244	0	0	0	-3,973	-	0	NA	
YoY Change (%)												
Overall Adj. PAT	2,465	2,584	(2,299)	1923	3,565	3,462	3,595	2963	4674	13351	2917	22.2

E: MOFSL Estimates

Key performance Indicators

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	1QE
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
India formulations	10,643	11,217	2,622	9,391	11,962	12,451	11,799	11,380	33,994	47,592	11,814	
YoY Change (%)	2.8	2.8	-75.6	13.4	12.4	11.0	350.0	21.2	-15.6	40.0	11.0	
US	8,085	7,392	7,629	7,557	7,808	7,802	7,927	6,574	30,943	30,111	7,553	
YoY Change (%)	22.0	-1.9	-8.9	-11.2	-3.4	5.5	3.9	-13.0	-0.3	-2.7	-6.6	
ROW+LatAm	5,512	7,324	7,250	7,528	5,708	6,185	6,965	9,545	27,666	28,404	7,433	
YoY Change (%)	30.4	19.0	10.8	9.8	3.6	-15.6	-3.9	26.8	16.4	2.7	34.9	
Europe	5,732	5,997	6,357	6,118	6,957	7,016	7,247	7,099	24,205	28,320	5,904	
YoY Change (%)	73.7	58.4	28.9	0.7	21.4	17.0	14.0	16.0	33.8	17.0	3.0	
Cost Break-up												
RM Cost (% of Sales)	39.1	37.3	41.2	32.5	34.2	33.9	33.8	33.6	37.4	33.9	32.8	
Staff Cost (% of Sales)	22.4	22.8	30.0	22.9	21.9	21.7	21.6	21.2	24.3	21.6	23.1	
R&D Expenses(% of Sales)	9.3	10.1	12.3	10.0	7.4	7.2	7.1	7.1	10.3	7.2	7.4	
Other Cost (% of Sales)	14.7	13.9	22.2	18.2	17.6	17.9	18.0	19.9	17.0	18.4	18.1	
Gross Margins(%)	60.9	62.7	58.8	67.5	65.8	66.1	66.2	66.4	62.6	66.1	67.2	
EBITDA Margins(%)	14.4	15.8	-5.8	16.5	18.8	19.3	19.5	18.2	11.0	18.9	18.6	
EBIT Margins(%)	9.7	11.3	-11.6	11.5	15.2	15.7	15.8	14.5	6.1	15.3	14.0	

E: MOFSL Estimates



Highlights from the management commentary

- GNP is awaiting approvals for WINLEVI from EU agencies and expects to launch it in select markets in Europe in FY26.
- It partnered with Beigene for the marketing and distribution of Tislelizumab and Zanubrutinib in India; this will be the second differentiated launch in Oncology.
- The company filed one ANDA in 1Q and plans to file two in 2Q.
- GNP expects the Monroe plant to be inspected by the USFDA in 2HFY25.
- Spending on innovation R&D would be USD55m in FY25 (USD13.8m in 1Q) and would reduce in FY26. Overall R&D spending would be 7.0-7.25% of sales.
- GNP recorded 11% YoY growth in the consumer care segment in 1Q.

Key exhibits (including GLS revenue)

Exhibit 1: DF sales grew 13.4% YoY in 1QFY25

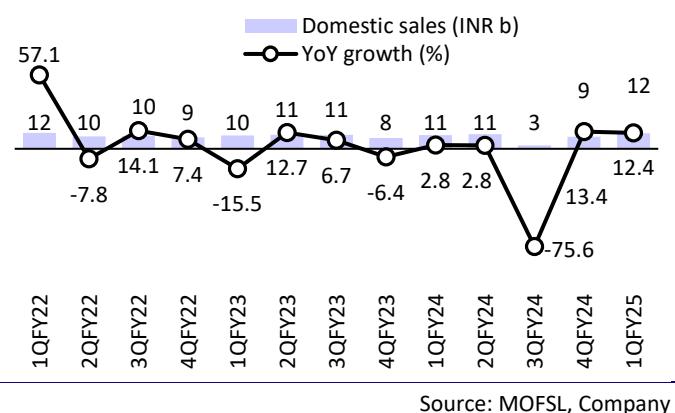


Exhibit 2: NA sales declined 3.4% YoY in 1QFY25

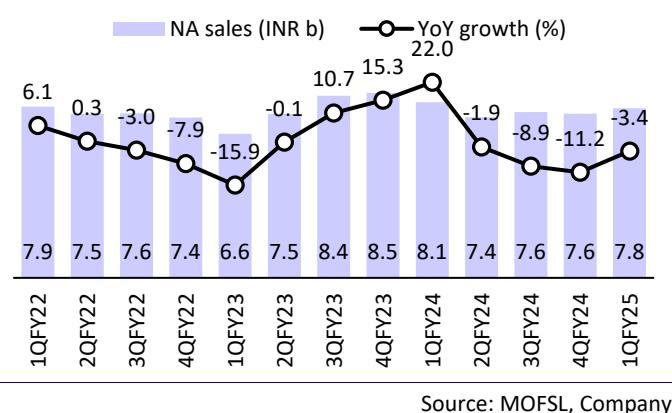
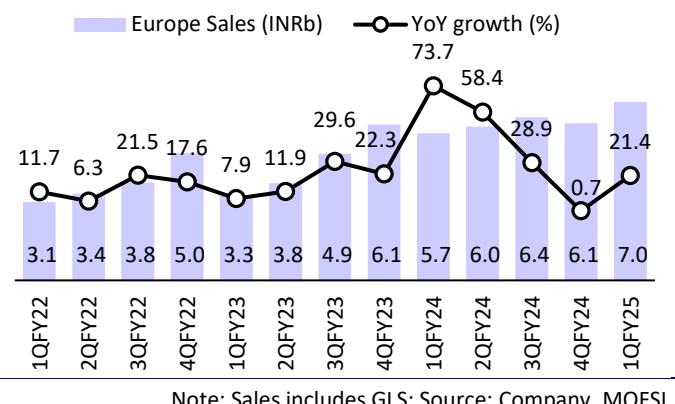
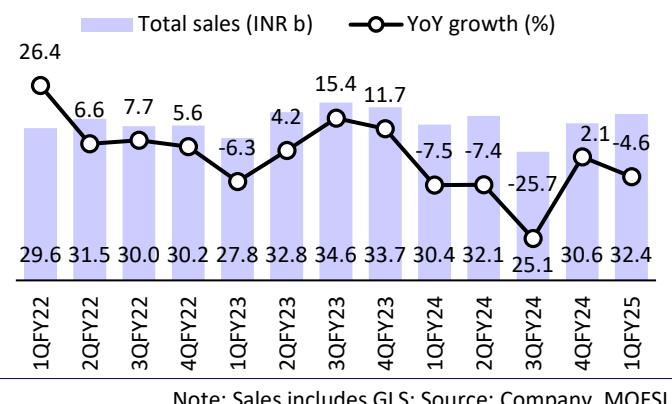


Exhibit 3: EU sales up 21.4% YoY



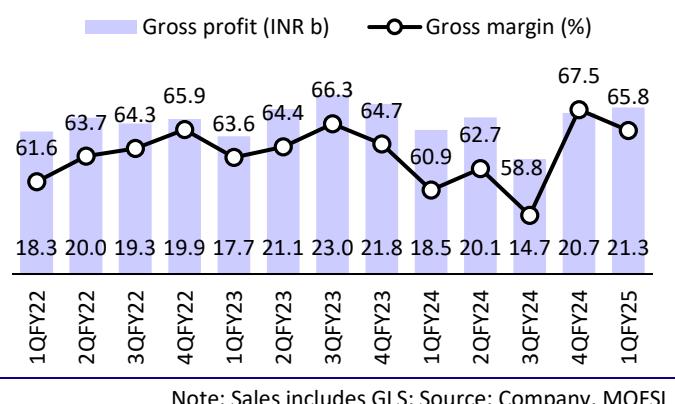
Note: Sales includes GLS; Source: Company, MOFSL

Exhibit 4: Total revenue declined 4.6% YoY in 1QFY25



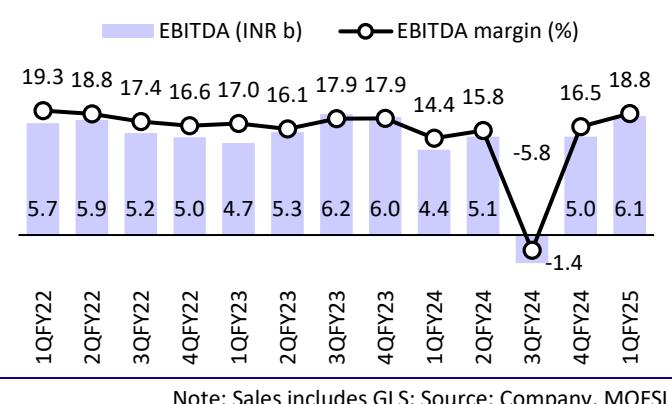
Note: Sales includes GLS; Source: Company, MOFSL

Exhibit 5: Gross margin expanded 490bp in 1QFY25



Note: Sales includes GLS; Source: Company, MOFSL

Exhibit 6: GNP reported 18.8% margin in 1QFY25



Note: Sales includes GLS; Source: Company, MOFSL

Valuation and view

DF: Re-modeled distribution/in-licensing/new launches to aid growth

- GNP's DF sales grew 12.4% YoY to INR12b in 1Q due to 380bp YoY outperformance over IPM and market share gains in cardiac, dermatology and respiratory therapeutic areas.
- GCC's primary sales grew 11% YoY in 1Q, driven largely by core brands such as Candid powder, La Shield and Scalpe.
- We expect a 26% CAGR in DF sales to INR53.8b over FY24-26, led by niche launches, market share gains, inflation-linked price increases and the low base of FY24.

US: Addressing regulatory issues, niche pipeline vital for growth

- In 1Q, US sales declined 4.6% YoY to INR7.8b (CC: down 4.5% to USD94m) due to the lack of new product launches and a delay in the scale-up of recent launches.
- GNP has completed the remediation process at its Monroe plant and anticipates further dialogue with the USFDA over the near term.
- We expect US sales to clock a 3% CAGR to reach USD400m over FY24-26.

EU: Market share gains, expansion in new geographies driving growth

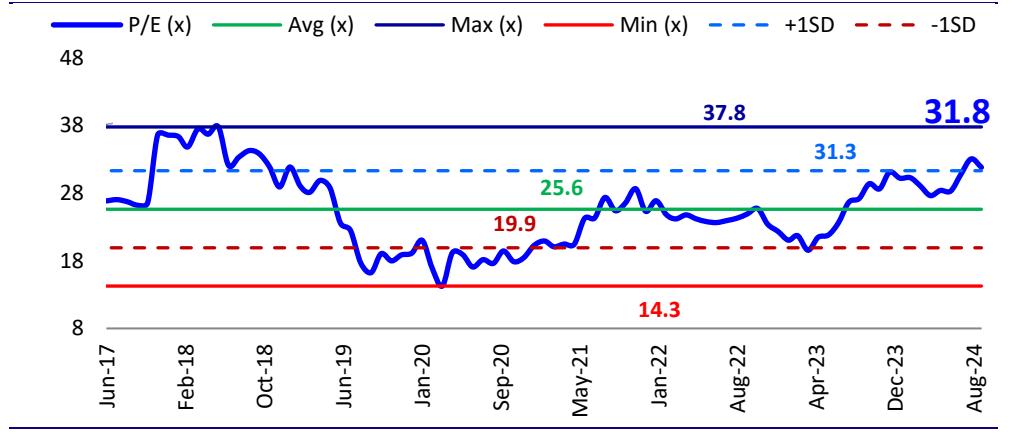
- In 1Q, GNP's EU sales jumped 21.4% YoY to INR7b, driven by steady expansion in the generics market and strong growth in the branded market.
- The key markets in the CEE region, including Czech and Poland, recorded 20%+ growth in 1Q.
- Across the CEE markets, key brands such as Ryaltris sustained their market share, both in terms of volume as well as value.
- GNP is waiting for approvals of four respiratory brands and is planning to launch Winlevi in select markets in EU in FY26.
- Consequently, we expect a 15% sales CAGR to INR32b over FY24-26.

RoW – Robust performance across regions

- In FY24, RoW sales grew 3.3% to INR5.7b. The slower growth was due to subdued growth in secondary sales in key APAC markets.
- Further, Ryaltris is a leading nasal spray in markets like South Africa and is now launched in Kenya and Saudi Arabia.
- In LATAM, respiratory is the key contributor to growth. GNP launched Ryaltris in Mexico and launched the first generic Salmeterol + Fluticasone MDI in the Brazilian market.
- While the potential for new launches is high, considering the higher base of FY24, we expect a 3% sales CAGR to INR29.6b over FY24-FY26.

Upgrade to BUY

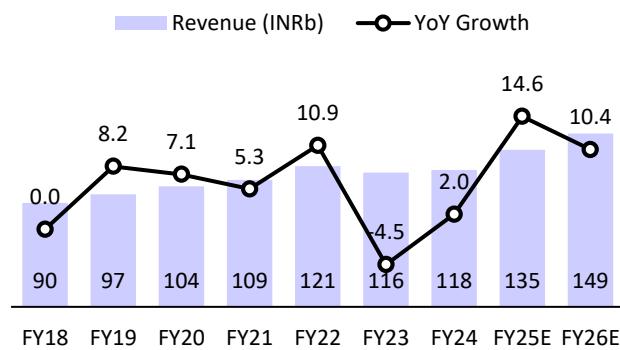
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- We value GNP at 26x 12M forward earnings (from 21x earlier), considering the significant financial deleverage, superior execution in DF and Europe segment, and the scale-up in the US generics segment, driven by limited competition products. Accordingly, we arrive at a TP of INR1,850
- From adj. PAT of meagre INR700m in FY24, we expect GNP to deliver PAT of INR16.7b in FY26. GNP has restructured its business model by a) focusing on key markets – India, US, EU and ROW, b) hiving off-API business, and c) recalibrating spending on innovative R&D. With niche approvals, market expansion for Ryaltris and product additions through in-licensing, we believe that GNP is gearing up for a consistent turnaround in overall performance. **Upgrade to BUY**

Exhibit 7: P/E chart

Source: MOFSL, Company, Bloomberg

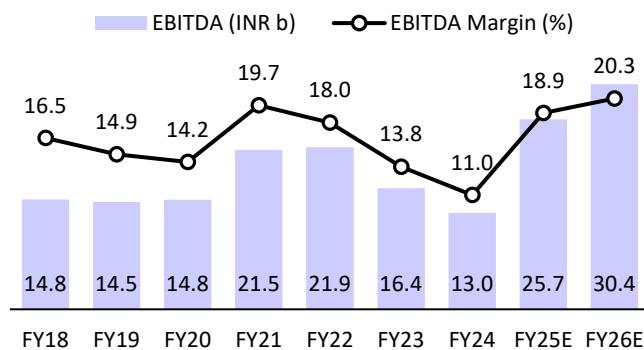
Story in charts

Exhibit 8: Expect sales CAGR of 12.5% over FY24–26



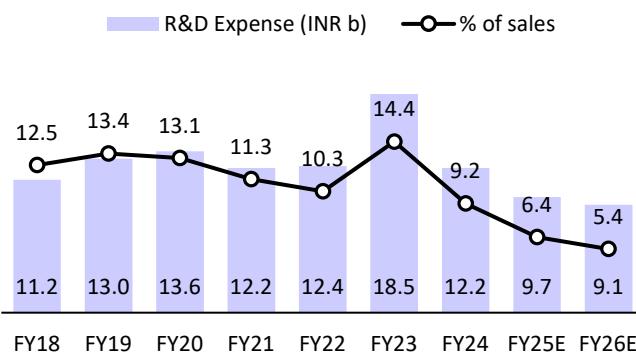
Source: Company, MOFSL

Exhibit 9: EBITDA margin to expand 930bp over FY24–26



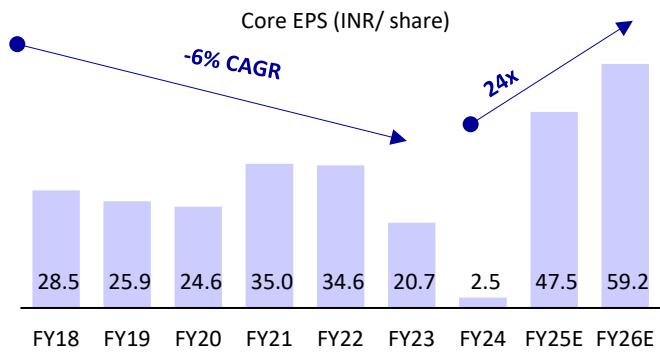
Source: Company, MOFSL

Exhibit 10: R&D spending as a percentage of sales to decline over FY24–26



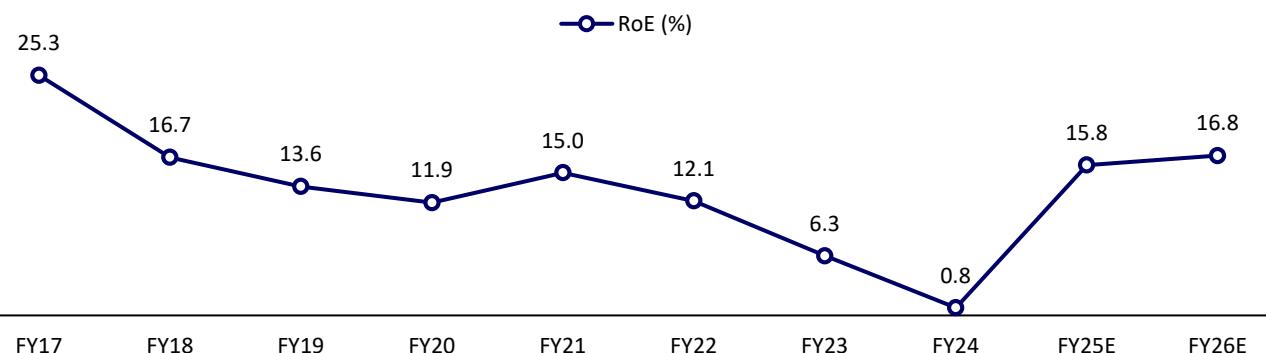
Source: Company, MOFSL

Exhibit 11: Low base to drive strong EPS growth over FY24–26



Source: Company, MOFSL

Exhibit 12: ROE to improve over FY24–26

Source: Company, MOFSL
Note: Above Charts excludes GLS consolidation

Financials and valuations

Income Statement								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	97,051	1,03,972	1,09,439	1,21,339	1,15,832	1,18,131	1,35,409	1,49,429
Change (%)	8.2	7.1	5.3	10.9	-4.5	2.0	14.6	10.4
EBITDA	14,504	14,793	21,544	21,881	16,350	13,025	25,659	30,401
Change (%)	-2.3	2.0	45.6	1.6	-25.3	-20.3	97.0	18.5
Margin (%)	14.9	14.2	19.7	18.0	14.1	11.0	18.9	20.3
Depreciation	3,259	4,172	4,436	4,867	5,692	5,819	4,938	5,091
EBIT	11,245	10,622	17,108	17,014	10,658	7,206	20,722	25,310
Interest	3,346	3,773	3,531	2,981	3,490	5,160	666	396
OI & forex gains/losses	2,105	2,623	501	617	2,889	8,400	350	390
PBT before EO Expense	10,004	9,472	14,078	14,650	10,057	10,447	20,405	25,304
Change (%)	-10.6	-5.3	48.6	4.1	-31.3	3.9	95.3	24.0
Extra Ordinary Expense	-3,002	-1,489	255	237	7,659	10,082	220	0
PBT after EO Exp.	13,006	10,961	13,824	14,412	2,398	364	20,185	25,304
Tax	3,756	3,201	4,124	4,476	3,294	18,673	6,701	8,603
Tax Rate (%)	28.9	29.2	29.8	31.1	137.3	5123.0	33.2	34.0
Reported PAT	9,250	7,760	9,700	9,417	-1,697	-18,990	13,484	16,700
Minority Interest	0	0	0	519	802	681	75	0
Adj PAT from continuing ops.	7,312	6,938	9,871	9,752	5,836	701	13,409	16,700
Change (%)	-9.0	-5.1	42.3	-1.2	-40.2	-88.0	NA	24.6
Margin (%)	7.5	6.7	9.0	8.0	5.0	0.6	9.9	11.2
Adj. PAT from discontinuing ops					4,670	3,973		
Overall PAT	7,312	6,938	9,871	9,752	10,506	4,674	13,409	16,700
Change (%)	-9.0	-5.1	42.3	-1.2	7.7	-55.5	186.9	24.6

Balance Sheet								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	282	282	282	282	282	282	282	282
Reserves	55,770	60,423	70,364	90,584	94,457	78,197	90,528	1,07,228
Net Worth	56,052	60,705	70,646	90,866	94,739	78,479	90,810	1,07,510
Minority Interest	-4	-4	-4	3,515	3,653	-4	-4	-4
Loans	38,768	44,856	44,018	36,703	43,477	9,906	9,906	9,906
Deferred liabilities	-13830	-14393	-15059	-16546	-18054	-10494	-10493	-10492
Capital Employed	80,986	91,164	99,602	1,14,538	1,23,816	77,887	90,219	1,06,920
Gross Block	59,080	76,501	82,266	93,966	94,115	87,819	93,819	99,819
Less: Accum. Deprn.	20,732	24,903	29,339	34,206	39,898	45,717	50,655	55,745
Net Fixed Assets	38,348	51,598	52,927	59,760	54,217	42,102	43,164	44,073
Capital WIP	12,344	10,906	12,178	9,211	11,896	6,619	6,619	6,619
Investments	297	246	246	496	446	7,897	7,897	7,897
Intangibles (net)	17,370	21,821	23,349	22,854	22,925	10,920	10,920	10,920
Curr. Assets	68,070	69,541	75,338	84,504	1,03,507	76,472	78,305	94,829
Inventory	22,521	21,356	22,768	24,998	23,736	25,131	27,082	29,886
Account Receivables	21,946	24,090	25,721	31,011	36,652	18,584	28,195	31,523
Cash and Bank Balance	9,378	11,112	11,392	14,115	11,603	16,595	6,982	15,711
Others	14,226	12,982	15,457	14,379	31,516	16,163	16,047	17,708
Curr. Liability & Prov.	38,072	41,127	41,087	39,433	46,251	55,202	45,765	46,498
Account Payables	33,689	35,975	35,944	34,519	41,331	48,791	42,663	43,396
Provisions	4,384	5,152	5,143	4,914	4,920	6,411	3,102	3,102
Net Current Assets	29,998	28,414	34,250	45,071	57,256	21,270	32,540	48,331
Appl. of Funds	80,986	91,164	99,602	1,14,538	1,23,816	77,887	90,219	1,06,920

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS (Fully diluted)*	25.9	24.6	35.0	34.6	20.7	2.5	47.5	59.2
Cash EPS	37.5	39.4	50.7	51.8	40.9	23.1	65.0	77.2
BV/Share	198.6	215.1	250.4	322.0	335.8	278.1	321.8	381.0
DPS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Payout (%)	11.0	9.0	7.3	10.8	60.0	-5.4	7.6	0.0
Valuation (x)								
P/E (Fully diluted)	60.3	63.5	44.6	45.2	75.5	628.7	32.9	26.4
Cash P/E	41.7	39.7	30.8	30.1	38.2	67.6	24.0	20.2
P/BV	7.9	7.3	6.2	4.9	4.7	5.6	4.9	4.1
EV/Sales	4.8	4.6	4.3	3.8	4.1	3.7	3.3	2.9
EV/EBITDA	32.4	32.1	22.0	21.2	28.9	33.3	17.3	14.3
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Return Ratios (%)								
RoE	13.6	11.9	15.0	12.1	6.3	0.8	15.8	16.8
RoCE	11.6	10.9	13.0	11.4	-4.2	-777.3	16.7	17.2
RoIC	17.3	15.3	17.8	15.3	2.2	-512.6	19.4	17.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.8	2.3	2.1	2.2	2.0	2.5	3.2	3.4
Debtor (Days)	83	85	86	93	115	57	76	77
Inventory (Days)	85	75	76	75	75	78	73	73
Working Capital (Days)	78	61	76	93	144	14	69	80
Leverage Ratio (x)								
Current Ratio	1.8	1.7	1.8	2.1	2.2	1.4	1.7	2.0
Net Debt/Equity	0.5	0.6	0.5	0.2	0.3	-0.1	0.0	-0.1

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	(INRm) FY26E
Op. Profit/(Loss) before Tax	14,504	14,793	21,544	21,881	16,350	13,025	25,659	30,401
Interest/Dividends Recd.	2,105	2,623	501	617	2,889	8,400	350	390
Direct Taxes Paid	-4,383	-3,764	-4,791	-5,963	-4,802	-11,114	-6,700	-8,602
(Inc)/Dec in WC	8,169	3,318	-5,557	-8,097	-14,698	40,978	-20,883	-7,061
CF from Operations	20,395	16,971	11,697	8,438	-260	51,290	-1,574	15,127
EO Expense	-3,002	-1,489	255	237	7,659	10,082	220	0
CF frm Op.incl EO Exp.	13,242	13,242	13,242	8,201	-7,919	41,208	-1,794	15,127
(Inc)/Dec in FA	-12,437	-15,984	-7,036	-8,733	-2,834	11,574	-6,000	-6,000
Free Cash Flow	805	-2,742	6,205	-533	-10,753	52,781	-7,794	9,127
(Pur)/Sale of Investments	-150	51	0	-250	50	-7,450	0	0
CF from Investments	-6,990	-6,990	-6,990	-8,983	-2,784	4,123	-6,000	-6,000
Change in Networth	-3,814	-2,409	952	11,822	6,589	3,749	-134	-1
Inc/(Dec) in Debt	-5,601	6,088	-837	-3,797	6,912	-37,228	0	0
Interest Paid	-3,346	-3,773	-3,531	-2,981	-3,490	-5,160	-666	-396
Dividend Paid	-1,019	-698	-710	-1,019	-1,019	-1,019	-1,019	0
CF from Fin. Activity	-7,387	-7,387	-7,387	3,516	8,992	-39,658	-1,819	-397
Inc/Dec of Cash	-1,136	-1,136	-1,136	2,733	-1,711	5,673	-9,613	8,730
Add: Beginning Balance	12,347	9,378	11,112	11,392	14,115	11,603	16,595	6,982
Effect of exchange rate	-1,833	2,871	1,415	0	-802	-681	0	0
Closing Balance	9,378	11,113	11,392	14,115	11,603	16,595	6,982	15,711

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