Glenmark Pharmaceuticals Ltd
Q2FY25

Result update **18th Nov, 2024**

Glenmark Pharmaceuticals Ltd

Key therapy areas continue to perform aid profitability

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,486	**INR 1,894**	**27.5%**	**INR 4,17,949**	**BUY**	**Pharmaceuticals**

Result Highlights of Q2FY25:

- Glenmark Pharma's revenue was largely in-line with our estimates due to strong growth in India and Europe. However, EBITDA missed our estimates due to higher-than-expected employee expenses and other expenses.
- Adj. Net profit beat our estimates (+5.3%) due to lower-than-expected depreciation expense and tax expense. We expect the revenue to grow at 6.7% CAGR and Adj. PAT to grow at 42.5% CAGR over FY24-FY26E, respectively.
- We maintain FY26E EPS estimates at INR 61.1 and PE multiple of 31.0x (unchanged) reflecting our confidence in the company's ability to leverage its branded product portfolio, expand its oncology offerings with planned drug launches in India, and strengthen the market position in Europe through the introduction of RYALTRIS in new regions. Therefore, we arrive at a target price of INR 1,894 (unchanged) and maintain our "BUY" rating.

MARKET DATA

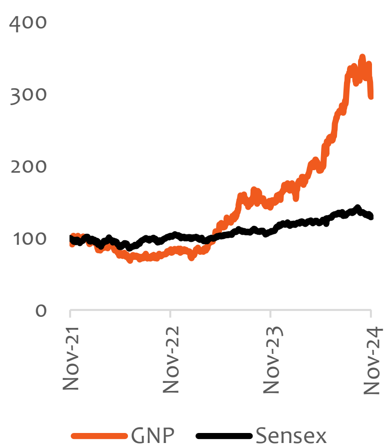
Shares outs (Mn)	282
Mkt Cap (INR Mn)	4,17,949
52 Wk H/L (INR)	1,830/730
Volume Avg (3m K)	1,007
Face Value (INR)	1
Bloomberg Code	GNP IN Equity

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	115,832	118,131	128,758	140,656	154,378
EBITDA	16,350	11,953	23,324	28,132	30,876
Adj PAT*	5,961	(9,980)	13,474	17,236	19,199
Adj. EPS* (INR)	21.1	(35.4)	47.8	61.1	68.0
EBITDA Margin (%)	14.1%	10.1%	18.1%	20.0%	20.0%
Adj. PAT margin	5.1%	-8.4%	10.5%	12.3%	12.4%

Source: Company, DevenChoksey Research *Adj PAT, Adj EPS is calculated for continuing operations

SHARE PRICE PERFORMANCE



Growth in India and Europe boosted top-line

- For Q2FY25, the revenue increased by 7.1% YoY (5.8% QoQ) to INR 34,338 Mn. The YoY growth was driven by robust growth in India, and Europe which was partially offset by subdued growth in the US, and RoW segments.
- India (37.5% of revenue) grew by 13.9% YoY (+7.1% QoQ) to INR 12,817 Mn, as the company exceeded the overall market growth in both Dermatology and Cardiac therapeutic areas. Additionally, Liraglutide has achieved significant traction, and JABRYUS has received positive feedback from dermatologists.
- Europe (20.1% of revenue) grew by 14.6% YoY (-1.2% QoQ) to INR 6,874 Mn led by respiratory product portfolio, including key products like RYALTRIS and Salmex, continued to maintain strong market share across the region.
- US (21.7% of revenue) declined by 1.2% YoY (-5.2% QoQ) to INR 7,405 Mn. RoW (Rest of the World, 23.4% of revenue) declined by 4.1% YoY (+23.4% QoQ) to INR 7,041 Mn.

Higher contribution from branded products led to margin expansion

- Gross margins improved 618 bps YoY (+312 bps QoQ) to 68.8% driven by growth in higher-margin branded products in India and European market, contributed to a favourable product mix.
- EBITDA increased 30.2% YoY (2.3% QoQ) to INR 6,019 Mn. EBITDA margin expanded 312 bps YoY (-60 bps QoQ) to 17.5% primarily driven by improvement in gross margins which was partially offset by higher sales and marketing expenses especially in branded business markets.
- Adj. Net profit increased 184.0% YoY (4.1% QoQ) to INR 3,542 Mn.

MARKET INFO

SENSEX	77,339
NIFTY	23,454

SHARE HOLDING PATTERN (%)

Particulars	Sept-24	Jun-24	Mar-24
Promoters	46.7	46.7	46.6
FIIs	23.1	21.0	21.4
DIIs	13.2	13.9	13.4
Others	17.1	18.4	18.6
Total	100	100	100

*Based on the Today's closing
Note: All the market data is as of Today's closing

6.7%

Revenue CAGR between FY23 and FY26E

42.5%

Adj. PAT CAGR between FY23 and FY26E

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Glenmark Pharmaceuticals Ltd

Key Concall Highlights:

- Glenmark Pharma launched **JABRYUS Abrocitinib**, a first-of-its-kind oral advanced systemic treatment for moderate to severe atopic dermatitis in India in **partnership with Pfizer** in January 2024.
- **RYALTRIS** has achieved **high double-digit market share** in **Australia, Czech Republic, South Africa, Italy**.
- **Menarini**, the **company's partner in the EU**, has witnessed a **steady increase in market share across its licensed markets**.
- **R&D** expenditure in Q2FY25 was around **INR 2,280 Mn**, which was **6.6%** of Q2FY25 revenue.
- The company does not expect further price erosion in the US market due to pressures.
- Glenmark launched **LIRAFIT**, a **biosimilar of Liraglutide**, in India and **plans to launch other GLP-1 agonists** in the near future.
- The company will launch **Tislelizumabo and Zanubrutinib**, two **oncology** products, in India within the next **six to nine months** where the regulatory approvals are pending.
- **Envafolimab**, under the brand name ENWEIDA, has already been **approved in China** and is **expected to be filed in more than 20 markets in FY25E**, with the first market **launch expected in FY26E**.
- The company has filed **two ANDAs for generic nasal sprays** and is awaiting approval. Additionally, they plan to file **two more ANDAs in the upcoming quarter** and plans to launch three to four products in Q3FY25E.
- Glenmark pharma launched the first generic **Salmeterol** sotegas in **India** and in the **Brazilian** market in Q1FY25 where the **product has done well post-launch**.
- **RYALTRIS** was launched in the **Mexican market in Q2FY25** and is **expected** to be launched in **one or two other markets in the region over the next six months**.

Valuation and view:

Glenmark Pharma reported robust growth in Q2FY25, driven by strong performance in India and Europe, despite challenges in the US and RoW markets. India outperformed in dermatology and cardiac segments, bolstered by successful launches like Liraglutide and JABRYUS. Europe's double-digit growth was led by respiratory products such as RYALTRIS and Salmex. Improved gross margins from a favourable product mix and branded product strength which was partially offset by increased sales and marketing expenses.

We expect the revenue to grow at 6.7% CAGR and Adj. PAT to grow at 42.5% CAGR over FY24-FY26E, respectively. Currently, the stock is trading at a PE multiple of 32.2x/25.2x based on FY25E/FY26E EPS, respectively. We maintain FY26E EPS estimates at INR 61.1 and PE multiple of 31.0x (unchanged), reflecting our confidence in the company's ability to leverage its branded product portfolio, expand its oncology offerings with planned drug launches in India, and strengthen the market position in Europe through the introduction of RYALTRIS in new regions. Therefore, we arrive at a target price of INR 1,894 (unchanged) and maintain our "BUY" rating on the stock which will have an upside potential of 27.5%.

Revenue segments

Segments Result (INR Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
India	11,252	2,622	9,391	11,962	12,817
US	7,498	7,629	7,557	7,808	7,405
ROW	7,339	7,250	7,528	5,708	7,041
EU	5,997	6,357	6,118	6,957	6,874
Revenue from operations	**32,074**	**24,967**	**32,647**	**35,432**	**34,338**

Segments Result (% YoY)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
India	3.1%	-75.6%	12.9%	12.4%	13.9%
US	-0.5%	-8.9%	-12.4%	-3.4%	-1.2%
ROW	19.3%	10.8%	9.7%	3.6%	-4.1%
EU	58.4%	28.9%	0.7%	21.4%	14.6%
Revenue from operations	**-5.0%**	**-19.1%**	**2.1%**	**6.9%**	**7.1%**

Revenue Mix (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
India	35.1%	11.0%	30.7%	36.9%	37.5%
US	23.4%	32.0%	24.7%	24.1%	21.7%
ROW	22.9%	30.4%	24.6%	17.6%	20.6%
EU	18.7%	26.6%	20.0%	21.4%	20.1%
Revenue from operations	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company, DevenChoksey Research

Glenmark Pharmaceuticals Ltd

Result Snapshot

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	**34,338**	**32,442**	**32,074**	**5.8%**	**7.1%**
Total Expenditure	**28,319**	**26,560**	**27,451**	**6.6%**	**3.2%**
Cost of Raw Materials	7,744	6,858	9,158	12.9%	-15.4%
Purchase of Stock	4,431	3,600	4,088	23.1%	8.4%
Changes in Inventories	-1,474	643	-1,268	-329.2%	NM
Employee Cost	7,866	7,104	7,329	10.7%	7.3%
Other Expenses	9,752	8,355	8,144	16.7%	19.7%
EBITDA	**6,019**	**5,882**	**4,623**	**2.3%**	**30.2%**
EBITDA Margins (%)	**17.5%**	**18.1%**	**14.4%**	**-60 bps**	**312 bps**
Depreciation	1,203	1,178	1,415	2.1%	-15.0%
EBIT	**4,816**	**4,704**	**3,208**	**2.4%**	**50.1%**
Other Income	394	315	17	25.2%	2222.7%
Interest Expense	485	396	1,215	22.5%	-60.1%
Net (gain) /loss on FX	0	0	0	NM	NM
Exceptional Items	0	0	3,254	NM	NM
PBT	**4,726**	**4,623**	**-1,244**	**2.2%**	**NM**
Tax	1,181	1,221	559	-3.3%	111.1%
Share of Associates	0	0	0	NM	NM
Minority Interest	3	0	204	NM	-98.7%
Discontinued Operations	0	0	1,187	NM	NM
PAT	**3,542**	**3,403**	**-819**	**4.1%**	**NM**
PAT Margin	**10.3%**	**10.5%**	**-2.6%**	**-17 bps**	**NM**
Adj PAT (Continuing Operation)	**3,542**	**3,403**	**1,247**	**4.1%**	**184.0%**
Adj PAT Margin	**10.3%**	**10.5%**	**3.9%**	**-17 bps**	**643 bps**
EPS	**12.6**	**12.1**	**-2.9**	**4.1%**	**NM**
Adj EPS (Continuing Operation)	**12.6**	**12.1**	**4.4**	**4.1%**	**184.0%**

Source: Company, DevenChoksey Research

Glenmark Pharmaceuticals Ltd

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**115,832**	**118,131**	**128,758**	**140,656**	**154,378**
COGS	42,575	44,134	41,116	42,984	47,177
Gross profit	**73,257**	**73,997**	**87,642**	**97,672**	**107,201**
Employee cost	26,008	28,681	29,167	32,070	35,198
Other expenses	30,899	33,363	35,151	37,471	41,126
EBITDA	**16,350**	**11,953**	**23,324**	**28,132**	**30,876**
Depreciation	5,692	5,819	5,198	5,354	5,360
EBIT	**10,658**	**6,134**	**18,126**	**22,777**	**25,516**
Finance Costs	3,490	5,160	1,486	1,189	792
Other Income	2,889	8,400	1,421	1,407	1,235
PBT	**2,398**	**365**	**18,061**	**22,995**	**25,959**
Tax	3,294	18,673	4,579	5,749	6,749
PAT	**(1,697)**	**(18,990)**	**13,474**	**17,236**	**19,199**
EPS (INR)	(6.0)	(67.3)	47.8	61.1	68.0
Adj. PAT	**5,961**	**(9,980)**	**13,474**	**17,236**	**19,199**
Adj. EPS (INR)	21.1	(35.4)	47.8	61.1	68.0

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	282	282	282	282	282
Other Equity					
Total Equity	**98,393**	**78,475**	**90,947**	**106,901**	**124,671**
Non-Current Liabilities					
Other financial liabilities	5,905	6,905	6,905	6,905	6,905
Provisions	429	3	3	3	3
Other Non-Current Liabilities					
Total Non-Current Liabilities	**44,869**	**6,925**	**6,925**	**6,926**	**6,926**
Current Liabilities					
Borrowings	5,809	9,906	9,906	9,906	9,906
Trade Paybles	23,919	25,359	22,529	23,553	25,851
Other current liabilities					
Total Current Liabilities	**50,455**	**58,186**	**54,426**	**56,025**	**59,615**
Total Liabilities	**95,324**	**65,111**	**61,351**	**62,950**	**66,541**
Non-Current Assets					
Property Plants and Equipments	36,673	29,191	30,536	31,600	32,574
Capital work-in-progress	11,152	4,193	4,193	4,193	4,193
Other Non-current assets					
Total Non-Current Assets	**94,980**	**69,305**	**71,115**	**72,877**	**74,788**
Current Assets					
Inventories	29,778	25,131	29,985	36,609	40,181
Trade Receivables	40,986	18,584	21,166	25,048	31,722
Cash and Bank	14,697	16,595	16,061	21,346	30,549
Oher current assets					
Total Current Assets	**98,737**	**74,281**	**81,183**	**96,975**	**116,423**
Total Assets	**193,717**	**143,586**	**152,298**	**169,851**	**191,211**

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	6,254	(2,654)	7,405	13,351	17,365
CFFI	(5,285)	45,609	(5,442)	(5,585)	(5,930)
CFFF	(775)	(39,061)	(2,496)	(2,481)	(2,232)
Net Inc/Dec in cash	**325**	**3,893**	**(534)**	**5,285**	**9,203**
Opening Cash	14,105	14,430	16,583	16,049	21,333
Adjustment	0	(1,741)	(0)	0	0
Closing Cash	**14,430**	**16,583**	**16,049**	**21,333**	**30,537**

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin	14.1%	10.1%	18.1%	20.0%	20.0%
Tax rate (%)	5.1%	(8.4%)	10.5%	12.3%	12.4%
Adj Net Profit Margin (%)	3.0%	(19.1%)	14.8%	16.1%	15.4%
RoE (%)	9.5%	16.4%	19.4%	20.7%	19.9%
RoCE (%)	10.5	-53.2	47.8	61.1	68.0
Current Ratio (x)	2.0	1.3	1.5	1.7	2.0
P/E (x)	72.8	-43.5	32.2	25.2	22.6

Source: Company, DevenChoksey Research

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Glenmark Pharmaceuticals Ltd

Glenmark Pharmaceuticals			
Date	CMP (INR)	TP (INR)	Recommendation
18-Nov-24	1,486	1,894	BUY
20-Aug-24	1,632	1,894	BUY
01-Jun-24	1,160	1,403	BUY
05-Apr-24	1,017	1,266	BUY
22-Feb-24	901	984	ACCUMULATE
23-Nov-23	776	816	ACCUMULATE
27-Sept-23	776	905	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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