

Glenmark is an India-based pharmaceutical company with commercial presence in more than 60 countries across the globe. It manufactures and markets generic formulation products & active pharmaceutical ingredients (API). Glenmark is one of the leading players in the discovery of new molecules both NCEs (New Chemical Entity) and NBEs (New Biological Entity). The company has been focussing on key areas including inflammation (asthma/COPD, rheumatoid arthritis etc.) and pain (neuropathic pain and inflammatory pain). Further, several molecules of the company are in various stages of clinical development.

Key Developments

US market remains the major market for Glenmark:

US is the most important market for the company as it contributes 32% to total revenues. The current portfolio of the company consists of 112 products (approved in US) and 59 ANDAs. Out of 59, 23 para IV ANDAs with more focus on oral solids and Dermatology are pending for approval. The US pipeline presents a mix of high value products such as Crestor, Zetia, Welchol and Renvela. Of late, the company has received approvals for Raloxifene Hydrochloride, 60 mg (therapeutic equivalent to Evista of Eli Lilly), Norgestimate & Ethinyl Estradiol (generic version of Ortho Tri-clen), Frovatriptan Succinate (therapeutic equivalent to Frova of Endo Pharmaceuticals).

Performance of the Indian market:

The India formulations business contributed 29% to total revenues in FY16 and grew at a CAGR of 20.4% over FY12-16. During FY16, the domestic business gained market share across various therapeutic segments. While market share in Cardiac segment increased from 3.72% to 3.97%, Respiratory segment witnessed improvement from 3.80% to 4.12%. Similarly, the market share in Anti-infective segment rose from 1.78% to 1.81%. Likewise, the market share in Anti-diabetic & Derma segment rose 33 bps (from 2.03% to 2.19%) & 43 bps (from 7.92% to 8.59%) respectively. As per IMS MAT March 2016, Glenmark Pharmaceuticals Ltd. maintained its rank at 17 as compared to MAT March 2015 with increase in market share by 0.12%, exhibiting value growth of 20% vis-à-vis IPM growth of 14%. Glenmark presently has 9 brands in the Top 300 Brands in the Indian Pharmaceutical Market.

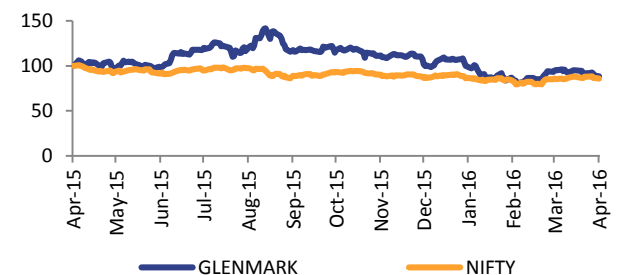
Market Data

CMP (Rs.)	851
Face Value	1.0
52 week H/L (Rs.)	1,262/672
Adj. all time High (Rs.)	1,262
Decline from 52WH (%)	32.6
Rise from 52WL (%)	26.6
Beta	0.9
Mkt. Cap (Rs.Cr)	24,012
Enterprise Value(Rs. Cr)	26,851

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs.cr)	6,005	6,630	7,650
Net Profit (Rs.cr)	546	475	702
Share Capital (Rs.Cr)	27	27	28
EPS (Rs.)	20.1	17.5	24.9
P/E (x)	28.1	44.9	31.6
P/BV (x)	5.1	7.1	5.2
ROE (%)	19.0	15.9	19.3

One year Price Chart



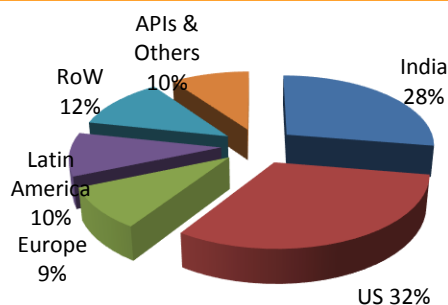
Shareholding	Mar16	Dec15	Diff.
Promoters (%)	46.5	46.5	-
FII (%)	36.9	36.8	0.1
DII (%)	5.6	6.0	(0.4)
Others (%)	11.1	10.8	0.3

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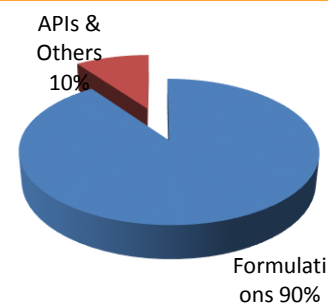
Glenmark Pharmaceuticals Limited : Business overview

Glenmark is an India-based pharmaceutical company with commercial presence in more than 60 countries across the globe. It manufactures and markets generic formulation products & active pharmaceutical ingredients (API). The company derives more than 60% of its revenues from international operations. Further, it owns a network of 18 manufacturing facilities (12 formulations plants in five countries, 5 API plants in India & 1 biologics manufacturing site in Switzerland). Glenmark is one of the leading players in the discovery of new molecules both NCEs (New Chemical Entity) and NBEs (New Biological Entity). The company has been focussing on key areas including inflammation (asthma/COPD, rheumatoid arthritis etc.) and pain (neuropathic pain and inflammatory pain). Further, several molecules of the company are in various stages of clinical development.

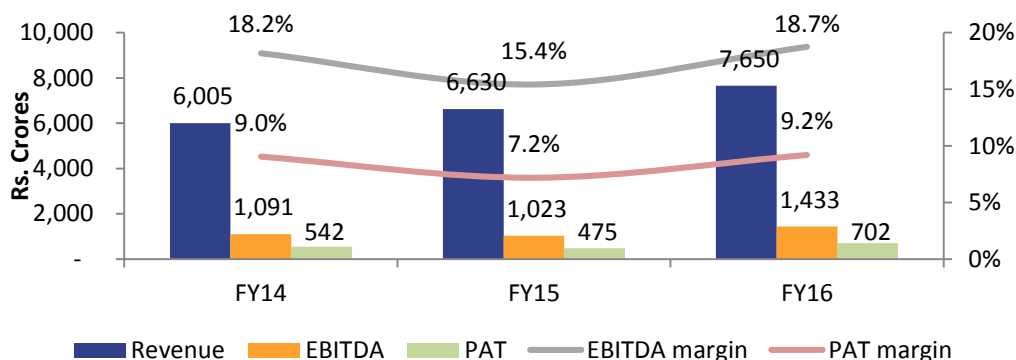
Geography wise revenue breakup (FY16)



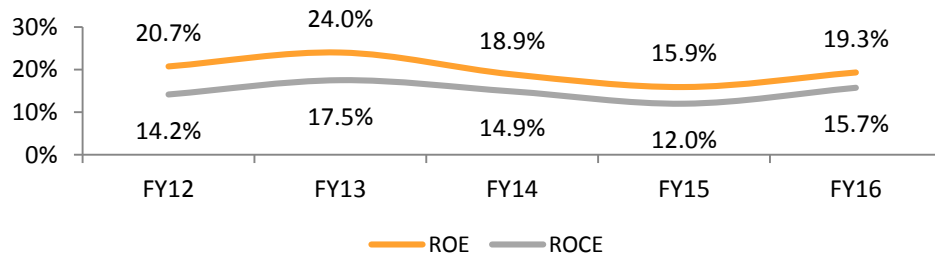
Business break-up (FY16)



Financial snapshot of Glenmark Pharmaceuticals Ltd.



Return Ratios Trend



Source: Company, In-house research

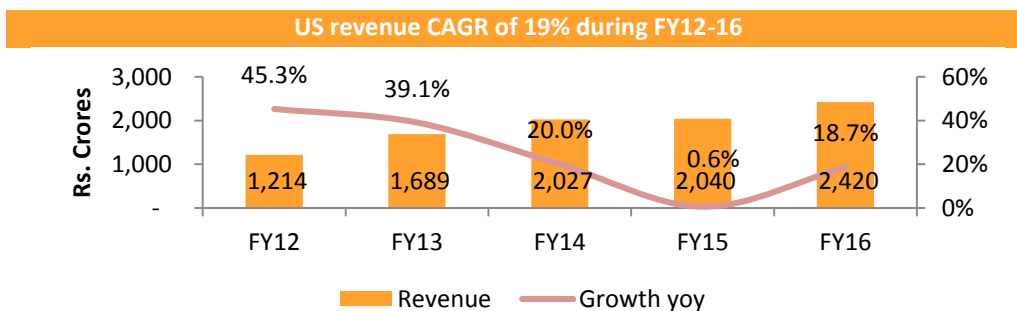
US contributes 32% to total revenues of Glenmark.

The company continues to invest in R&D (11% of sales).

US: Major market for Glenmark

US is the most important market for the company as it contributes 33% to total revenues. The company continues to invest in R&D significantly (11% of sales). In US, company has achieved scale by launching products in niche therapies like hormones, controlled substances and derma.

The current portfolio of the company consists of 112 products (approved in US) and 59 ANDAs. Out of 59, 23 para IV ANDAs with more focus on oral solids and Dermatology are pending for approval. The US pipeline presents a mix of high value products such as Crestor, Zetia, Welchol and Renvela. Of late, the company has received approvals for Raloxifene Hydrochloride, 60 mg (therapeutic equivalent to Evista of Eli Lilly), Norgestimate & Ethinyl Estradoil (generic version of Ortho Tri-clen), Frovatriptan Succinate (therapeutic equivalent to Frova of Endo Pharmaceuticals). Besides, it received approval for its first injectable Bendamustine Hydrochloride (therapeutic equivalent to Treanda). Glenmark was one of the first ANDA applicant to submit complete ANDA with para IV certification.



Source: Company, In-house research

Indian business: Another major market for Glenmark

The India formulations business contributed 29% to total revenues in FY15 and grew at a CAGR of 20.4% over FY12-16. As per IMS MAT March 2016, Glenmark Pharmaceuticals Ltd. maintained its rank at 17 as compared to MAT March 2015 with increase in market share by 0.12%, exhibiting value growth of 20% vis-à-vis IPM growth of 14%. Glenmark presently has 9 brands in the Top 300 Brands in the Indian Pharmaceutical Market. Sartans, Gliptins, cough & cold preparations and derma contribute two-thirds of the sales (recorded a double-digit growth and gained share over the years). During CY16, the domestic business gained market share across various therapeutic segments. While market share in Cardiac segment increased from 3.72% to 3.97%, Respiratory segment witnessed improvement from 3.80% to 4.12%. Similarly, the market share in Anti-infective segment rose from 1.78% to 1.81%. Likewise, the market share in Anti-diabetic & Derma segment rose 16 bps (from 2.03% to 2.19%) & 67 bps (from 7.92% to 8.59%) respectively.

Further in FY16, the company launched Teneligliptin, a DPP-4 Inhibitor, for the first time in India under the brand names Ziten and Zita Plus.

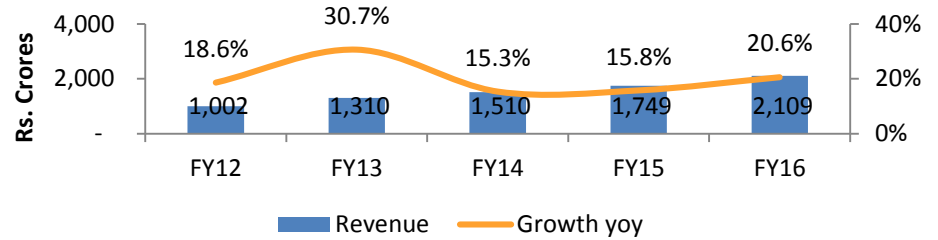
Glenmark Pharmaceuticals Ltd. maintained its rank at 17 as compared to MAT March 2015 with increase in market share by 0.12%, exhibiting value growth of 20% vis-à-vis IPM growth of 14%.

The company launched Teneligliptin, a DPP-4 Inhibitor, for the first time in India under the brand names Ziten and Zita Plus.

The formulation business of Western Europe continues to expand through product sales and licensing income.

LATAM business is witnessing weak growth on account of Venezuela business discontinuation coupled with Brazilian currency turmoil.

Indian business growth trend

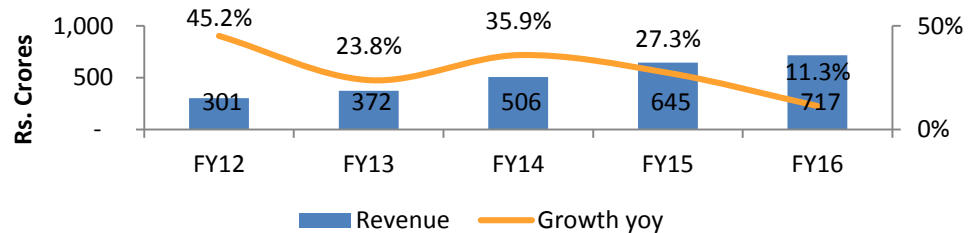


Source: Company, In-house research

European business of the company

Europe contributed 10% to total revenues in FY16 and grew at a CAGR of 24.3% over FY12-16. The formulation business of Western Europe continues to expand through product sales and licensing income. Besides, it has enhanced its presence through distribution partners in the European countries. Glenmark entered into a Strategic Development & Licensing Agreement with Celon Pharma S.A. (Celon) to develop and market a generic version of GlaxoSmithKline's Seretide product - Fluticasone/Salmeterol dry powder Inhaler in Europe upon commercialization. As per the terms of the agreement, Glenmark has obtained semi-exclusive marketing & distribution rights of the product across 15 European countries including Great Britain, Germany, Belgium, Netherlands, Italy, Sweden, Norway and Romania among others. During the last few months, Glenmark has filed the product in 7 European countries namely Nordic countries and Germany.

European business growth trend



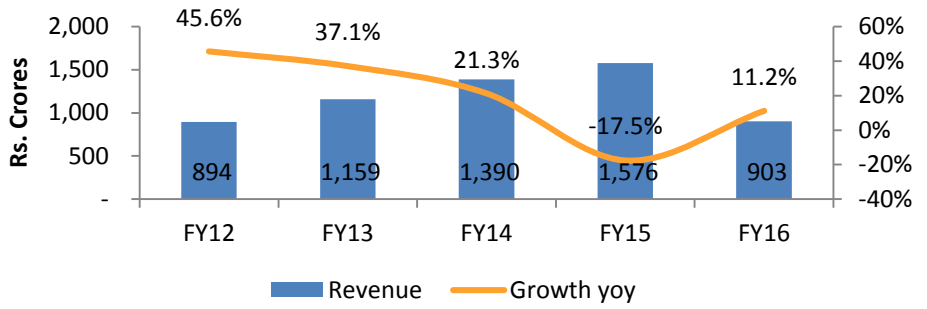
Source: Company, In-house research

Emerging Markets: LATAM market is the concern

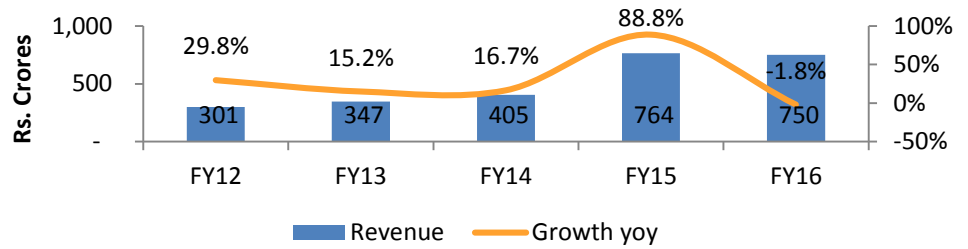
Glenmark has discontinued supplies to Venezuela from the month of November, 2015 (continue to sell our existing inventory present in the Venezuela subsidiary in that market) owing to the weak economic position of the country and uncertainty regarding repatriation of sale proceeds (USD 45mn). While Venezuela accounts for nearly one third of LATAM revenues, Brazil & Mexico (witnessed currency turmoil) account for the rest of the revenues.

Russia business continues to face challenges as demand condition still remains weak. Further, the currency continues to create turbulence for the business.

RoW revenue CAGR of 0.3% during FY11-15



LATAM business growth over the years

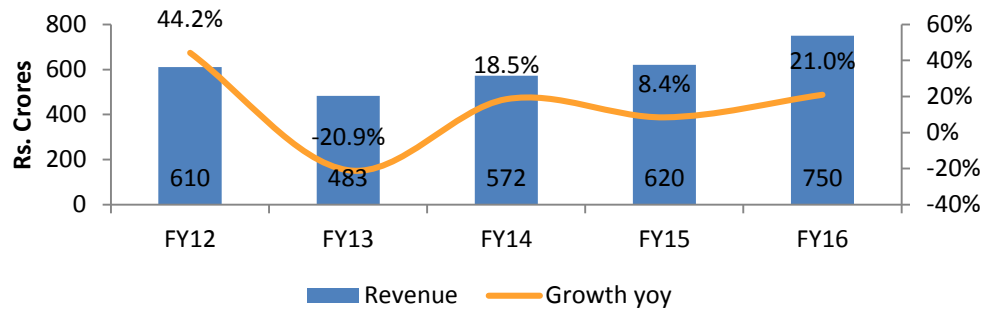


Source: Company, In-house research

APIs & Others

APIs and out licensing income accounted for 10% of overall revenues and reported a growth of 21.0% in FY16. The two API plants in Gujarat, India i.e. Ankleshwar and Dahej completed successful inspections from USFDA in FY15. It received acceptable status for all API facilities. The sales of APIs have been driven by leadership position in Lercanidipine, Amiodarone and Perindopril.

API revenue CAGR of 5% during FY12-16



Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	27	27	28
Reserve and surplus	2,956	2,973	4,242
Net Worth	2,983	3,000	4,270
Minority Interest	13	(0)	(0)
Total Debt	3,267	3,800	3,988
Other non-current liabilities	52	122	128
Total Equity & Liabilities	6,316	6,922	7,374
Net Fixed Assets	3,036	3,270	3,626
Goodwill	60	58	58
Net current assets	2,654	2,845	2,941
Deferred tax assets (net)	514	693	693
Other non-current assets	52	55	57
Total Assets	6,316	6,922	7,374

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax& extraordinary items	739	697	594
Net cashflow from operating activities	648	854	482
Net cash used in investing activities	(558)	(566)	(712)
Net cash used from financing activities	195	(98)	199
Net inc/dec in cash and cash equivalents	285	190	(31)

Financial performance snapshot

Net sales of the company stood at Rs. 7,650 Crores in FY16, a growth of 15.4% as compared to Rs. 6,630 Crores in FY15. The operating expenses of the company increased by 10.8% YoY to Rs. 6,217 Crores from Rs. 5,607 Crores during the year. The company's EBITDA grew by 40.0% YoY to Rs. 1,433 Crores in FY16 from Rs. 1,023 Crores in FY15. EBITDA margins expanded by 330 bps to 18.7% in FY16 from 15.4% in FY15. Net profit increased by 47.7% to Rs. 702 Crores in FY16 from Rs. 475 Crores in FY15. The NPM increased by 200 bps to 9.2% from 7.2% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Net revenue	6,005	6,630	7,650
Expenses	4,914	5,607	6,217
EBITDA	1,091	1,023	1,433
Depreciation	217	260	269
EBIT	874	763	1,164
Interest cost	182	189	179
Other Income	5	20	20
Profit Before Tax	697	594	1,005
Tax	151	119	303
Profit After Tax	546	475	702
Minority Interest	3	-	-
P/L from Associates	-	-	-
Adjusted PAT	543	475	702
E/o expense / (income)	-	-	-
Reported Profit	546	475	702

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	18.2	15.4	18.7
EBIT Margin (%)	14.6	11.5	15.2
NPM (%)	9.1	7.2	9.2
ROCE (%)	14.9	12.0	15.7
ROE (%)	19.0	15.9	19.3
EPS (Rs.)	20.1	17.5	24.9
P/E (x)	28.1	44.9	31.6
BVPS(Rs.)	110.0	110.6	151.3
P/BVPS (x)	5.1	7.1	5.2
EV/EBITDA (x)	16.3	23.8	17.7



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