

Retail Equity Research

Glenmark Pharmaceuticals Limited

Pharmaceuticals

BSE CODE: 532296

NSE CODE: GLENMARK

Bloomberg CODE: GNP:IN

SENSEX: 76,993

HOLD

12 Months Investment Period Rating as per Mid Cap
CMP Rs. 1,236 TARGET Rs. 1,319 RETURN 7% 
(Closing: 14-06-24)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Near-term challenges; maintain HOLD

Glenmark Pharmaceuticals Ltd (GNP) is an Indian pharmaceuticals company with a presence in more than 80 countries. It focuses on the generics, specialty and over-the-counter businesses, and has a strong presence in diabetes, cardiovascular and oral contraceptives.

- GNP reported revenue growth of 2.1% YoY to Rs. 3,063cr in Q4FY24. Growth in the Indian and rest of world (ROW) businesses was partially offset by a decline in the North America segment.
- In Q4FY24, EBITDA stood at Rs. 504cr (+26.7% YoY). EBITDA margin expanded 320bps YoY to 16.5%, mainly on account of lower cost of sales. Reported loss after tax rose 125.4% YoY to Rs. 1,238cr in Q4FY24.
- Topline was subdued due to poor performance of the North America region. However, continued market share gains by RYALTRIS, pending launches and reduction in debt are key positives for the company. Though GNP has launched injectables and filed a New Drug Application (NDA) for the respiratory category in the US, we are cautious on account of regulatory challenges. Therefore, we retain our HOLD rating on the stock with a revised target price of Rs. 1,319, based on 23x FY26E adjusted EPS.

Indian and ROW markets drive topline growth

In Q4FY24, revenue grew a mere 2.1% YoY to Rs. 3,063cr. The Indian segment expanded 12.9% YoY to Rs. 939cr, driven by high growth and market share gain in the cardiac and dermatology therapeutic portfolio. Rest of world (ROW) revenue grew 9.7% YoY to Rs. 752cr in Q4FY24. Strong secondary sales, market share gains, introduction of RYALTRIS in new markets and growth in the respiratory segment supported the expansion in Russia, Latin America, Middle East and Asia. Revenue in Europe remained flat at Rs. 612cr due to the impact of slow growth in the tender market. Branded markets across Poland and Slovakia registered double-digit growth in Q4FY24. Growth declined in the North America market to Rs. 758cr (-12.4% YoY) due to lack of new product launches and delay in scale-up of recent injectable launches. The company guided FY25 revenue in the range of Rs. 135-140bn.

Margins expands on lower input costs

GNP reported earnings before interest, tax, depreciation, and amortisation (EBITDA) of Rs. 504cr (up 26.7% YoY). The EBITDA margin increased 320bps YoY to 16.5%, led by lower cost of sales. During the quarter, the cost of sales dropped 13.9% YoY to Rs. 996cr. The company expects EBITDA margin to be close to 19% in FY25.

Key concall highlights

- The management plans to launch Winlevi, a prescription acne cream, in some markets of Europe from FY26.
- As planned, GNP has divested 75% of its stake in Glenmark Life Sciences to Nirma Ltd and has turned net cash positive.
- The company has filed the NDA for generic fluent 44 MCG PMDI (pressured metered dose inhaler) in May 2024 and plans to file for another respiratory PMDI in FY25 in the US.

Valuation

Challenges in the North America region weakened topline growth. RYALTRIS market share gains in Europe and ROW, upcoming launches and positive net cash are expected to aid performance in the medium-to-long term. However, overall growth in the US market is expected to remain challenging owing to the lack of new product launches, delay in scale-up of recent launches and regulatory hurdles. Therefore, we cautiously retain our HOLD rating on the stock with a revised target price of Rs.1,319, based on 23x FY26E adjusted EPS.

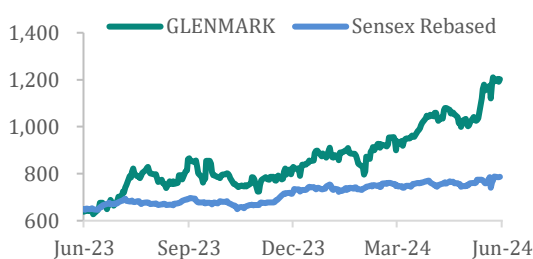
Company Data

Market Cap (cr)	Rs. 34,883
Enterprise Value (cr)	Rs. 26,221
Outstanding Shares (cr)	28.2
Free Float	53.0%
Dividend Yield	0.2%
52 week high	Rs. 1,265
52 week low	Rs. 620
6m average volume (lacs)	12.5
Beta	0.8
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	46.7	46.7	46.6
FII's	24.8	23.7	21.4
MFs/Insti	10.4	11.0	13.4
Public	17.9	18.4	18.3
Others	0.3	0.3	0.3
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	36.3%	51.0%	88.9%
Absolute Sensex	5.6%	10.4%	21.6%
Relative Return*	30.7%	40.6%	67.2%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	11,813	13,693	15,062
Growth (%)	2.0	15.9	10.0
EBITDA	1,195	2,570	2,907
EBITDA Margin (%)	10.1	18.8	19.3
Adj. PAT	(998)	1,299	1,619
Growth (%)	(267.4)	n.m.	24.6
Adj. EPS	(35.4)	46.0	57.4
Growth (%)	(267.4)	n.m.	24.6
P/E	n.m.	20.8	16.7
P/B	3.4	3.0	2.5
EV/EBITDA	22.2	10.2	8.9
ROE (%)	(23.3)	15.6	16.3
D/E	0.2	0.1	0.1

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24*	Q4FY23*	YoY Growth (%)	Q3FY24*	QoQ Growth (%)	FY24*	FY23*	YoY Growth (%)
Revenue	3,063	3,001	2.1	2,507	22.2	11,813	11,583	2.0
EBITDA	504	398	26.7	(209)	<i>n.m.</i>	1,195	1,635	(26.9)
EBITDA margins	16.5	13.3	320bps	(8.3)	2480bps	10.1	14.1	(400bps)
Depreciation	151	135	12.1	147	2.9	582	569	2.2
EBIT	353	263	34.3	(356)	<i>n.m.</i>	613	1,066	(42.4)
Interest	149	109	36.1	134	10.6	516	349	47.8
Other Income	773	(42)	<i>n.m.</i>	45	1,602.6	1,398	1,082	29.2
Exceptional Items	(447)	(800)	44.1	(77)	(482.3)	(901)	(766)	(17.6)
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	531	(688)	<i>n.m.</i>	(521)	<i>n.m.</i>	594	1,033	(42.5)
Tax	1,769	(139)	<i>n.m.</i>	(72)	<i>n.m.</i>	119	303	(60.7)
Reported PAT	(1,239)	(549)	(125.4)	(450)	(175.5)	475	730	(34.9)
Minority Interest	4	25	(84.1)	21	(80.5)	68	80	(15.0)
PAT att. to shareholders	(1,242)	(575)	(116.2)	(470)	(164.3)	(1,899)	(170)	(1,018.9)
Adjustments	447	800	(44.1)	77	482.3	901	766	17.6
Adj. PAT	(796)	225	<i>n.m.</i>	(393)	(102.2)	(998)	596	<i>n.m.</i>
No. of shares	28.2	28.2	0.0	28.2	0.0	28.2	28.2	0.0
Adj. EPS (Rs.)	(28.2)	8.0	<i>n.m.</i>	(13.9)	(102.2)	(35.4)	21.1	<i>n.m.</i>

*Only include operations of continuing operations.

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	15,168	-	13,693	15,062	(9.7)	-
EBITDA	2,894	-	2,570	2,907	(11.2)	-
Margins (%)	19.1	-	18.8	19.3	(30bps)	-
Adj. PAT	1,312	-	1,299	1,619	(1)	-
Adj. EPS	46.5	-	46.0	57.4	(1)	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A*	FY24A*	FY25E	FY26E
Revenue	12,305	11,583	11,813	13,693	15,062
% change	12.4	(5.9)	2.0	15.9	10.0
EBITDA	2,320	1,635	1,195	2,570	2,907
% change	11.3	(29.5)	(26.9)	115.0	13.1
Depreciation	487	611	631	645	647
EBIT	1,834	1,066	613	1,925	2,260
Interest	298	349	516	526	537
Other Income	(94)	(477)	(61)	546	655
PBT	1,441	240	36	1,945	2,378
% change	4.3	(83.4)	(84.8)	5,228.1	22.3
Tax	448	329	1,867	525	642
Tax Rate (%)	31.1	137.3	5116.7	27.0	27.0
Reported PAT	994	(90)	(1,831)	1,419	1,736
PAT att. to common shareholders	942	(170)	(1,899)	1,299	1,619
Adj*	261	766	901	-	-
Adj PAT	1,203	596	(998)	1,299	1,619
% change	29.9	(50.4)	n.m.	n.m.	24.6
No. of shares (cr)	28.2	28.2	28.2	28.2	28.2
Adj EPS (Rs.)	42.6	21.1	(35.4)	46.0	57.4
% change	29.9	(50.4)	n.m.	n.m.	24.6
DPS (Rs.)	2.5	2.5	2.5	2.5	2.5

*Only include operations of continuing operations

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,412	1,160	1,659	2,199	2,602
Accounts Receivable	3,101	3,665	1,858	2,160	2,672
Inventories	2,500	2,374	2,513	2,775	3,234
Other Cur. Assets	1,270	3,526	1,397	1,616	1,777
Investments	299	261	989	989	989
Gross Fixed Assets	6,128	6,909	7,805	8,548	9,364
Net Fixed Assets	3,442	2,913	2,919	2,783	2,719
CWIP	921	1,066	419	653	887
Intangible Assets	2,285	2,416	1,335	1,335	1,335
Def. Tax (Net)	1,686	1,806	1,050	1,260	1,734
Other Assets	168	184	219	219	219
Total Assets	17,083	19,372	14,359	15,988	18,168
Current Liabilities	3,499	4,526	4,739	4,970	5,431
Provisions	-	-	-	-	-
Debt Funds	3,962	4,608	1,231	1,280	1,334
Other Liabilities	184	398	541	541	541
Equity Capital	28	28	28	28	28
Reserves & Surplus	9,058	9,446	7,820	9,048	10,596
Shareholder's Fund	9,087	9,474	7,848	9,076	10,625
Minority Interest	351	365	(0)	120	237
Total Liabilities	17,083	19,372	14,359	15,988	18,168
BVPS (Rs.)	322	336	278	322	377

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,480	522	(1,200)	2,064	2,383
Non-cash adj.	296	1,161	1,213	137	4
Changes in W.C	(668)	(1,058)	(279)	(372)	(613)
C.F. Operation	1,109	625	(265)	1,829	1,774
Capital exp.	(789)	(551)	(896)	(742)	(817)
Change in inv.	-	-	5,450	-	-
Other invest.CF	455	22	8	-	-
C.F - Investment	(333)	(528)	4,561	(742)	(817)
Issue of equity	-	-	1	-	-
Issue/repay debt	(1,132)	523	(3,273)	50	54
Dividends paid	(93)	(137)	(118)	(71)	(71)
Other finance.CF	704	(464)	(517)	(526)	(537)
C.F - Finance	(520)	(77)	(3,906)	(547)	(554)
Chg. in cash	255	19	389	540	403
Closing cash	1,412	1,160	1,659	2,199	2,602

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	18.9	14.1	10.1	18.8	19.3
EBIT margin (%)	14.9	9.2	5.2	14.1	15.0
Net profit mgn.(%)	7.7	(1.5)	(16.1)	9.5	10.7
ROE (%)	10.9	(0.9)	(23.3)	15.6	16.3
ROCE (%)	13.7	7.4	6.8	18.4	18.5
W.C & Liquidity					
Receivables (days)	92.0	115.5	57.4	57.6	64.8
Inventory (days)	208.1	203.5	207.8	211.7	219.0
Payables (days)	190.5	171.5	209.7	208.1	209.0
Current ratio (x)	1.8	2.1	1.3	1.4	1.6
Quick ratio (x)	1.0	0.9	0.6	0.7	0.8
Turnover & Leverage					
Gross asset T.O (x)	2.1	1.8	1.6	1.7	1.7
Total asset T.O (x)	0.8	0.6	0.7	0.9	0.9
Int. coverage ratio (x)	6.2	3.1	1.2	3.7	4.2
Adj. debt/equity (x)	0.4	0.5	0.2	0.1	0.1
Valuation					
EV/Sales (x)	1.2	1.5	2.3	1.9	1.7
EV/EBITDA (x)	6.6	10.4	22.2	10.2	8.9
P/E (x)	10.4	22.0	n.m.	20.8	16.7
P/BV (x)	1.4	1.4	3.4	3.0	2.5

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
27-Nov-20	BUY	548
3-Jun-21	BUY	717
17-Nov-21	ACCUMULATE	575
7-Jun-22	BUY	485
26-May-23	HOLD	638
24-Aug-23	HOLD	815
17-Nov-23	HOLD	837
18-Jun-24	HOLD	1,319

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/Neutral

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/Neutral:** The analyst has no investment opinion on the stock.

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

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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