Pick of the Week

Glenmark Pharmaceuticals Ltd.

Jan 13, 2025

Glenmark Pharmaceuticals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 1541.7	Buy in the band of Rs 1530-1558 and add more on dips to Rs 1363	Rs 1697	Rs 1838	2-3 quarters

HDFC Scrip Code	GLEPHAEQNR
BSE Code	532296
NSE Code	GLENMARK
Bloomberg	GNP: IN
CMP Jan 10, 2025	1541.7
Equity Capital (Rs Cr)	28.22
Face Value (Rs)	1
Equity Share O/S (Cr)	28.22
Market Cap (Rs Cr)	43508
Book Value (Rs)	278
Avg. 52 Wk Volumes	1341150
52 Week High	1830.9
52 Week Low	771

Share holding Pattern % (Sep, 2024)	
Promoters	46.65
Institutions	36.30
Non Institutions	17.05
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

Glenmark Pharmaceuticals has outpaced IPM (Indian Pharmaceuticals Market) with continuous launch of new products and successful brand building efforts. Company is ranked no.2 in Dermatology, no.3 in Respiratory and at no.5 in Cardiac. Its nine brands appear in Top-300 in the IPM. It has 5 brands amongst Top-300 from respiratory portfolio. Company derived 29% of revenue from domestic formulation business. Domestic business is expected to grow at a strong pace led by strong growth in key products and new launches in the medium term. In India, the company is the market leader in dermatology and improved its rank in Respiratory, Cardiac, anti-infective etc. It also has presence in the consumer health segment focusing on Rx-OTC such as Candid and Scalpe+. Consumer Health business registered 14% YoY growth and stood at Rs 257cr in FY24.

Europe sales registered remarkable growth in the last two years and contributed to ~21% of sales in FY24. Management has guided for 15-17% growth on back of geographical expansion in new markets and expansion of its product portfolio to leverage launches in key therapeutic segments like respiratory and dermatology. Operating margin to be around 18-19% and PAT margin to be in low double digit in FY25.

Glenmark filed for 6 products with US FDA during the year. Company has approval for 193 products in the US while 52 applications are pending in various stages of approval with US FDA, of which 21 are Para IV filings. It plans to file around 10 ANDAs per year. As of March 2024, Glenmark has submitted marketing applications for RYALTRIS in more than 80 countries across the world and the product has been commercialized in 34 markets. Key launches in FY24 included Canada, Saudi Arabia, Slovakia, and Kenya. Further, the product is planned to be launched in 14 other markets over the next 12 months. Earlier, the company used to spend 11-13% of revenue on R&D. Management has guided to cut R&D significantly (7-8% of sales) as compared to last three years, which would also lead to margin improvement. Company continues to make in-roads into new markets for Ryaltris, in addition to improved traction in 40 markets. Compared to earnings decline over FY22-24, it has made a strong comeback in FY25, on the back of improved execution, curtailment in R&D & Capex and sale of its API business. The stock has witnessed significant re-rating due to curtailment of R&D and Capex and strong guidance for FY25. If the company delivers lower numbers and/or faces business risk (NCE development), it could suppress valuation multiples.

On Jun 18, 2024, we had recommended a buy on Glenmark Pharma in the band of Rs 1230-1252 and add on dips to Rs 1116 for base case target of Rs 1366.5 and bull case target of Rs 1478.5 over the next 2-3 quarters. The stock had achieved both targets in just about 1.5 months. (Link)

Valuation & Recommendation:

Domestic business reported weak performance in FY24 due to one-time exercise in Q3FY24. We expect the company to register around 13% CAGR in the domestic formulation business in the medium term. US and EU business to see strong growth led by inhalation portfolio in the next 2 years. Management has guided for about 15-18% growth in revenue along with operating margin of around 18-19% for FY25. With niche approvals, market expansion for Ryaltris and product additions through in-licensing, the company is gearing up for a consistent turnaround in overall performance.

Earlier, the company used to spend 11-13% of sales in R&D and the high debt on books remained a concern. Now, the issues seem behind the company given that Glenmark had sold majority stake in GLS and also reduced R&D spending to ~8% of sales. We estimate 11.8% CAGR in revenue led by 13% growth from domestic formulations, 8.5% growth in the US sales and 17% CAGR from Europe Business over FY24-27E. We expect margin of around 17-19.5% over the next two years. Strong improvement in operating margin along with lower interest expenses would drive 58% CAGR in Adj. PAT over the same period. Earlier, Glenmark used to trade at a discount to its peers, due to high R&D spends, and a leveraged balance sheet. Now, those concerns are behind and even management commentary sounds positive for the medium term. We feel investors can buy in the band of Rs 1530-1558 and add more on declines to Rs 1363 (19.25x FY27E EPS) for base case target of Rs 1697 (24x FY27E EPS) and bull case target of Rs 1838 (26x FY27E EPS) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Revenues	3434	3207	7.1	3244	5.8	12,305	12,990	11,813	13,384	14,926	16,463
EBITDA	602	462	30.3	588	2.3	2320	2278	1195	2286	2794	3257
Depreciation	120	141	-14.9	118	2.1	487	611	582	513	583	627
Other Income	39	2	2217.6	32	25.1	167	317	840	185	212	249
Interest Cost	49	122	-60.1	40	22.8	298	350	516	175	126	107
Tax	118	56	111.3	122	-3.4	448	491	1867	456	592	716
RPAT	354	-201	-276.6	340	4.1	942	297	-1899	1270	1658	1996
EPS (Rs)						33.4	10.5	-67.3	45.0	58.8	70.7
RoE (%)						11.7	9.6	5.8	15.0	17.0	17.5
P/E (x)						46.1	146.3	-22.9	34.2	26.2	21.8
EV/EBITDA (x)						20.0	20.3	38.8	20.3	16.6	14.2

(Source: Company, HDFC sec)

Q2FY25 Result Update

Revenue for the quarter grew 7% YoY at Rs 3434cr. Operating margin expanded 310bps YoY at 17.5%. Gross margin expanded 610bps YoY and 300bps QoQ at 68.8%.

Net profit stood at Rs 354.2cr as compared to net loss of Rs 201cr, a year ago. Other Income stood at Rs 39.4cr as against Rs 1.7cr, a year ago. PBT before exceptional items increased 135% YoY at Rs 472.5cr. Company had reported one-off exceptional loss of Rs 325.4cr in Q2FY24.

R&D expenses were at Rs 228cr or 6.6% of sales in the quarter. Finance costs were down 59.8% YoY at Rs 48.4cr.

India formulation sales grew 13.9% YoY at Rs 1282cr. US sales declined 1.2% YoY at Rs 740.5cr. Europe business increased 14.6% YoY at Rs 687cr. RoW sales declined 4% YoY at Rs 704cr.

The marketing portfolio consists of 193 generic products authorized for distribution in the US market. Company has 50 applications pending in various stages of the approval process with the US FDA, of which 21 are Para-IV applications.

Company filed for 1 product in the US market in Q2FY25. It plans to file 2 ANDAs and likely to launch 3-4 products in Q3FY25. Company plans to launch Winlevi in the select markets of Europe in FY26.

EPS for the quarter stood at Rs 12.55 and it stood at Rs 24.6 for H1FY25.

We feel that H2FY25 overall numbers to be far better than H2FY24. Given, the company had few write offs in Q3FY24 and Q4FY24.

Domestic formulation (DF) maintained robust growth, partly supported by a low base of past year. Company delivered superior execution in Europe markets as well, which was offset to some extent by muted performance in the US and RoW markets.

Glenmark is expanding its product pipeline in the US markets in the respiratory and injectable segments. Further, it is also enhancing its differentiated offering in the branded generic space. It has re-calibrated its spending on innovative R&D as already visible in the last 2-3 quarters.

H2FY25 is likely to see a recovery as respiratory products start getting approvals and Goa plant returns on track, given remediation is complete and inspection is awaited.

Management guides for revenue of Rs 13,500-14,000cr for FY25, indicating a growth of ~18%. EBITDA margin is likely to be around 19% and R&D expenses at 7-7.5% of sales for FY25. Capex is expected around Rs 600-700cr for the year.

Glenmark 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.

Company awaits US FDA inspection at its two sites, which are key for its US business to overcome a key challenge. Other triggers for Glenmark would be Ryaltris launch in new markets, Winlevi launch, liraglutide performance in India and trial data readout for key Ichnos assets.

In the fourth quarter, Glenmark gained twp positions to be ranked as the 3rd largest company in the Cardiac segment of the Indian Pharmaceutical Market. India business is ranked at 14th with a market share of 2.16% (IQVIA MAT March 2024). Glenmark has improved its market share in the key therapy areas on the back of higher growth compared to the overall industry.

US business remains challenging on account of lack of new product launches and delay in scale-up of recent launches. Company filed a total of six ANDA applications with the US FDA throughout the year.

In Q2FY24, Cosmo Pharmaceuticals N.V. and Glenmark had announced the signing of distribution and license agreements for WINLEVI (clascoterone cream 1%) in 15 European countries as well as the UK and South Africa. The company plans to launch WINLEVI in its licensed markets starting FY26.

Concall Highlights

- Capex for FY25 to be around Rs 600-700 crore. It would be required for in-licensing products, addition of new lines and prepare for FY26.
- India will grow at 10-12% annually on sustainable basis. It will continue to outperform market.
- Reason to do restructuring in the India business: there were certain inefficiencies in distribution channel. Company has now consolidated all stock points (earlier had 3 tier system) which has reduced inventory substantially in channel. This would help in working capital management and margin. It will be very close to what IQVIA reports as secondary sales.
- Injectable and respiratory pipeline in the US holds promise; however, regulatory challenges and asset write offs need to be seen.
- Tax rate for FY25 to be at 25-27%. Cash tax would be close to that only. Depreciation, interest, and tax would be almost similar to Q2 for the entire FY25. Gross margin guidance to be at 65-67% (+/-1%).
- It plans to file two ANDAs in the upcoming quarter and launch 3-4 products in the upcoming quarter in the US.
- Company said that commercial production to be initiated at Monroe plant before end-FY25.
- Its first respiratory product will be launched in 6-9 months; It also plans to launch more injectable products in the next 6-7 months in US.
- Company plans to launch WINLEVI in select markets of Europe in FY26. It is awaiting approval of four respiratory products, which were filed in 4QFY23 in EU market.
- In FY25, Glenmark expects RoW market to clock high single-digit YoY growth in CC.
- Ryaltris was launched in the Mexican market in 2QFY25, and is expected to be launched in another 1-2 markets in the region over the next six months, along with multiple other device-based respiratory products.

- All respiratory filings of Glenmark are from the Aurangabad facility and there are another 2-3 respiratory products in development with market size for each being US$ 250mn.
- All injectable filings are from the Monroe facility, and 8 commercialised injectable products in the US are in-licensed from partners.
- Currently, it has 5,000 MRs in India and plans to add about 250 MRs every year.
- There were API supply issues for Liraglutide in the domestic India market, but these issues are resolved now and Glenmark has started supplying the product in Q3FY25.
- Consumer Care/OTC business in India is entirely focused on Derma and has become about Rs 550 crore franchise growing at 15-20% with a decent margin profile (due to lower marketing spends as these products are largely Rx to OTC switches).
- Glenmark had a meeting with US FDA on remediation measures related to Monroe. It expects inspection and subsequent commercial production by 4QFY25.
- Further, the company plans to launch more respiratory and injectable products in US market. It plans to file two ANDA and launch three-four products in the coming quarters. Company plans to launch WINLEVI in its licensed markets starting FY26.

EU Markets

- Market share gains, expansion in new geographies driving growth. In H1FY25, EU sales reported 18% growth at Rs 1383cr, driven by steady expansion in the generics market and strong growth in the branded market. Western European business clocked double-digit growth in 2Q, led by strong growth in branded respiratory portfolio. The company is waiting for approvals of four respiratory brands and is planning to launch Winlevi in select markets in EU in FY26.
- Company is awaiting approval for four respiratory products, which were filed in Q4FY23.
- Glenmark continues to be among top-15 companies in the generic market of Germany. Europe business would be as big as the US business by Q2FY26.

RoW Markets

- In H1FY25, RoW sales declined 1% to Rs 1270 crore. Slower growth was due to ongoing political and economic challenges. Further, Ryaltris is a leading nasal spray in markets like South Africa and is witnessing strong pickup after the launch in key markets in the region. In Latin America, respiratory is the key growth contributor. The company plans to launch Ryaltris in 2 key markets in LatAm over the next six months, along with other respiratory products.
- LatAm region continued strong growth with respiratory portfolio being the key contributor. Glenmark remained in the top-10 among the top companies in the covered market of the chronic respiratory segment in Brazil. Glenmark launched the first generic Salmeterol + Fluticasone MDI in the Brazilian market.
- Glenmark is ranked third in the overall pharmaceutical market in Kenya. Ryaltris continues to be the leading nasal spray for allergic rhinitis in South Africa, and the product was launched in key markets such as Kenya and Saudi Arabia in the last two quarters.
- Asia-Pacific region recorded subdued growth in secondary sales across key markets. It had received approvals for multiple new products

in the region, mainly in dermatology and respiratory segments. Ryaltris continues to do well across the Asia region.

US Business

- Glenmark's marketing portfolio consists of 198 generic products as on Sep-2024. Currently, it has 50 applications pending in various stages of the approval process with US FDA, of which 21 are Para-IV applications. US business continues to remain challenging as of now. However, once respiratory products are approved, H2FY25 should see a strong recovery.
- Goa remediation has been completed and is awaiting US FDA inspection. Focus is reduced for US markets from the Baddi site. Four major sites for the US market are Goa, Monroe, Indore and Aurangabad. Two–three years would be driven by Monroe injectables and respiratory.
- gFlovent- believe first filer for this product. Expect to launch in FY26. More than US$ 400mn market size just 1 SKU. Working on other SKUs – collectively is US$ 1bn drug.

India/Consumer

- India business outperformed IPM as per IQVIA data. Glenmark had double the industry growth in cardiac and dermatology. In May-24, Glenmark and BeiGene entered into an agreement for marketing and distribution of Tislelizumab and Zanubrutinib in India. Company would be responsible for locally required development, registration and distribution providing access to BeiGene's oncology medicines.
- India business ranks 14th with a market share of ~2.2%. Nine brands are in the IPM top-300 brands.
- Liraglutide – Challenged with supply issues as of now. Pre-generic market size is ~Rs 1000cr as per IQVIA but it is not a good reference point as this is an underpenetrated market. Liraglutide is a daily dosage drug unlike semaglutide. There is scope to gain market share in H2FY25. However, some shift would also happen between liraglutide and semaglutide in FY26.

Ryaltris/Winlevi/Ichnos

- Ryaltris sales stood at ~US$ 20mn in Q2FY25. Company is likely to post US$ 80mn+ sales in FY25. Three–four markets are still to be launched – China, Brazil and a couple of other major markets. Winlevi – Waiting for Europe approval and pre-launch activities pending. It may launch in FY25-end in some markets but FY26 guidance being given on a conservative business.
- Ichnos – ISB2001 is doing well. ASH Conference presentation in Dec-24, which should generate excitement in the community due to clinical data being presented. Later, partnerships could be done for ISB2001. ISB1442 is taking longer to readout but ISB2001 will be first for readouts. ISB1342 – no more clinical work being done but partnerships being done.

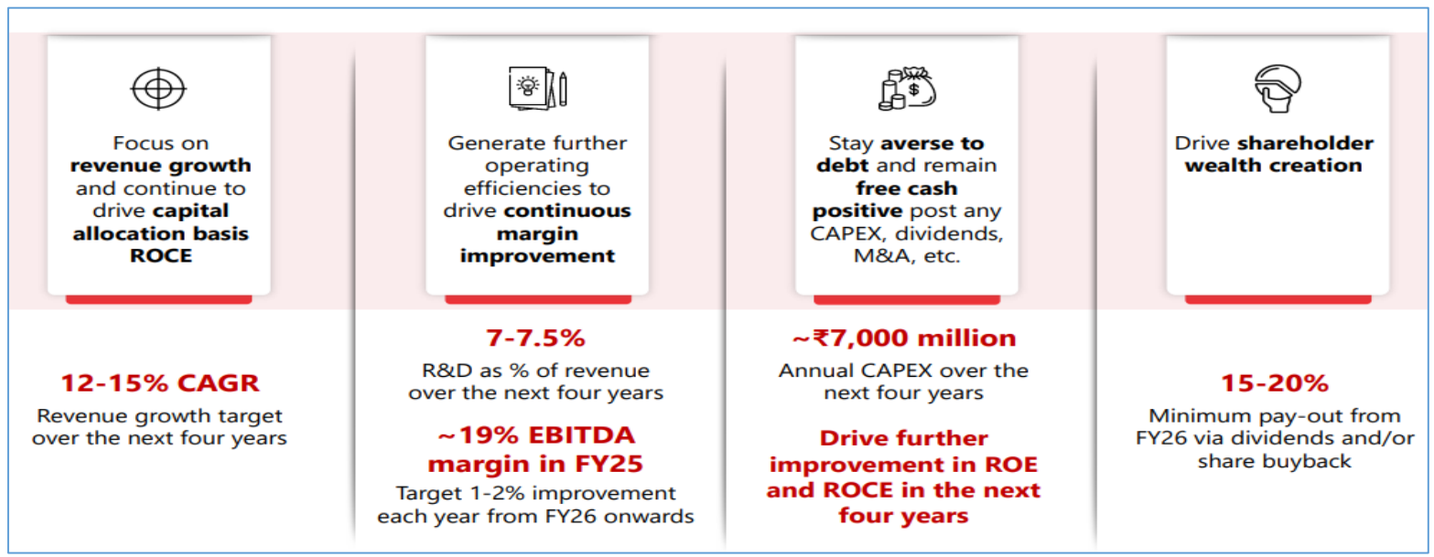
Global Brands

RYALTRIS

- As of March-2024, marketing applications for Ryaltris have been submitted in more than 80 countries across the world. The product has been commercialized in 34 markets, including major markets like the USA, Europe (the UK and multiple markets across the EU),

Australia, Russia, South Africa, and South Korea.

- Peak sales of US$ 200-300mn likely over the next 5 years. In a host of big markets Glenmark does not have a presence such as Mexico, Brazil (hoping approval in FY25/26), and China (FY26). Recently launched markets are yet to scale up. RYALTRIS continues to scale up to increase share across markets in RoW.
- It expects a better performance from Hikma in the US. In the US, Hikma recorded a substantial increase QoQ backed by strong demand and increasing coverage across major pharmacy chains and online platforms.
- In Mainland China, Grand Pharmaceuticals received acceptance of NDA in Feb-24. Company expects approval in FY26.
- In January-2024, the company announced the signing of a license agreement with Jiangsu Alphamab Biopharmaceuticals Co., Ltd (Jiangsu Alphamab) and 3D Medicines (Beijing) Co., Ltd. (3DMed) for Envafolimab for India, Asia Pacific, Middle East and Africa, Russia, CIS, and Latin America.



(Source: Company, HDFC sec)

Key Triggers

India formulation on strong footing

India business declined in FY24 on account of the one-time distribution restructuring. However, domestic formulation should grow 10-12% YoY over the medium term. Glenmark generates around one-third of its total sales from its India formulations business, which fell 1.4% YoY

to Rs 4030 crore in FY23, due to a higher base in FY22. Company has been recording a steady revenue growth (CAGR of around 11.5% over FY15-23 against around 10% of the Indian pharmaceuticals market) while maintaining a strong competitive position in cash flow sticky chronic therapies (57% of India sales), which offers higher profitability.

During FY24, India business revenue declined 15.5% YoY due to one-time restructuring of Glenmark's distribution network in Q3FY24 (down 75% YoY). Glenmark's India business ranks at no. 14 with a market share of ~2.2% (IQVIA MAT Mar-2024). Glenmark continues to have nine brands in the Indian pharmaceuticals market top 300 brands based on IQVIA MAT Mar-2024. In terms of key therapeutic areas, Glenmark holds the second position in both respiratory and dermatology segments, fifth in the cardiac segment and 17th in the diabetes segment. Contribution of the domestic market to overall sales has been increasing over the past few years and accounted for 29% of total revenue in FY24. Domestic formulation business declined significantly, in Q3FY24 on account of the one-time restructuring of the company's distribution network. While domestic business remained subdued in FY24 due to this, growth is expected at 10-12% over the medium term, led by the strong market position in the chronic therapeutic segments such as antivirals, dermatology, respiratory and cardiac therapy.

Company remains a strong and consistent player in the domestic formulation business, with higher sales contribution from the chronic segment (50-55% of India business), which offers stickiness and better margin. Following the GLS stake sale, Glenmark is now the pure play in the formulations segment. Company generated 47% of consolidated sales from the regulated market, while 23% of sales from semi-regulated markets in FY24. In terms of geography, India and the US are the largest markets for the company, accounting for 29% and 26%, respectively, of its sales, followed by Europe (21%) and rest of the world (24%). In the US business, the top 20 products contribute 40-50% of sales. Glenmark has a large pipeline for the US market, with 245 abbreviated new drug application filings, of which 193 have been approved by the US FDA. Glenmark has significant presence in the US and Europe, which together accounted for about 47% of the total revenue in FY24. Revenue from the US market has remained impacted over the past few fiscals due to pricing pressure and lower contribution from certain top products.

Sales for consumer healthcare for FY24 recorded sales of Rs 257 crore with a growth of 14% on YoY. La Shield portfolio delivered growth of 8% for the year, while Scalpe portfolio witnessed YoY revenue growth of 23%. During the year, various line extensions of the core brands performed well, particularly La Shield Expert Urban Protect and Scalpe Pro.

Headwinds in US Business

US business contributed about 26% to consolidated sales in FY24. However, the company reported flat revenue in FY24 (FY23: up 2.2% YoY; FY22: down 1.3% YoY) due to higher price erosion, volume impact due to supply-chain disruptions and increased competition in the base business. Management plans to launch about 8-10 products from its Monroe injectable portfolio over FY24-27. Management also expects the pricing pressure to continue in the US business in the near term, but the impact of the same could be partially offset by its new launches. The marketing portfolio consists of 198 generic products as on Sep-2024. Currently, it has 50 applications pending in various stages of the

approval process with US FDA, of which 21 are Para-IV applications. As per the management, once respiratory products are approved, H2FY25 should see a strong recovery.

Better growth in India & EU business and lower R&D to drive profitability

Glenmark's India business has underperformed IPM growth by ~170bps over FY21-24, however in the first six months of FY25, India business has outperformed IPM by 600bps, and the management expects its India business to grow 1.3-1.4x of IPM growth going ahead.

Glenmark has seen strong growth in the Cardiac/Derma/Respiratory/Onco therapies in India, but has struggled in the Diabetic segment as its two large brands (Teneligliptin and Remogliflozin) lost exclusivity. Despite Telma brand being a franchise of Rs 1300cr, it is still growing at ~15% for Glenmark. Glenmark will also launch 2 oncology in-licensed products (Tislelizumab, Zanubrutinib) over the next 6 months. We expect ~12% revenue CAGR for India business over FY24-27E.

Management expects Ichnos' operating spends in FY26 to remain similar to FY25 levels of US$ 60-70mn.

EU business to grow at mid to-high-teens, driven by scale-up of recently launched branded products and new launches. 70% of the EU business for Glenmark is generic and the balance 30% is the branded business. Glenmark has already commercialised 4 respiratory products viz. Ryaltris, Spiriva, Advair, Beclomethasone in EU and 4 more respiratory products are already filed in EU whose launches should happen over the next 12 months. Winlevi launch will happen in FY26 in EU and SA markets. RoW business for Glenmark is largely branded generic business and there are 10 big markets for the company, including Russia, CIS, Middle East and Africa. Respiratory and Dermatology are the key focus areas for RoW markets, with Oncology segment being targeted to scale up. While FY25 growth in RoW markets will only be 8-10% owing to muted 1HFY25. Company targets RoW business to grow at 13-15% going ahead in FY26/27. We feel that better growth in India business & EU business coupled with lower R&D to drive profitability in the medium term.

Ryaltris could achieve peak annualised sales of US$ 200mn in 3-4 years

Ryaltris' annualised sales run-rate improved from US$ 40mn in FY24 to US$ 80mn in 1HFY25. Branded products typically take 3-5 years to achieve peak sales, and management expects Ryaltris to scale-up in recently launched markets like Mexico, the UAE and Saudi Arabia, where launches happened in H1FY25. Ramp-up within existing markets, scale-up in new markets like Mexico/UAE/Saudi Arabia, and potential launches in large markets like Brazil (1HFY26 launch) and China (2HFY26 launch) will drive growth for Ryaltris over the next 3-4 years.

Glenmark Pharmaceuticals Ltd.

HDFC securities
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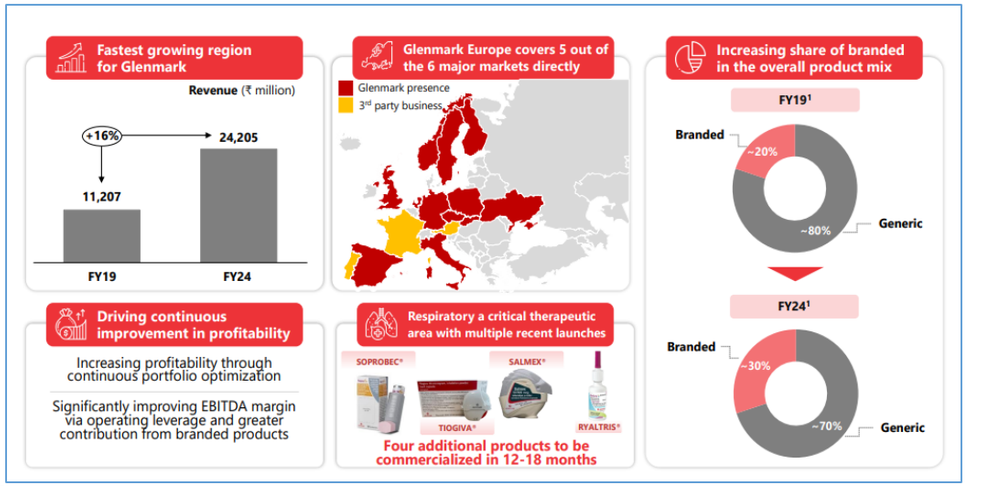
20 YEARS

Niche products

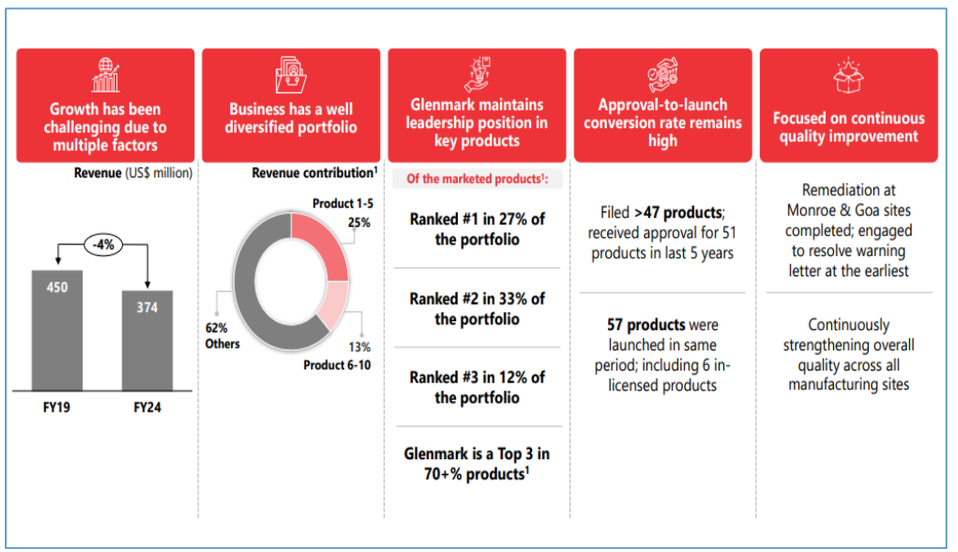
	Ryaltris® (665 mcg / 25 mcg) (olopatadine hydrochloride and mometasone furoate monohydrate nasal spray)	Envafolimab	Winlevi® (clascoterone) cream 1%
Therapeutic area	Respiratory	Oncology	Dermatology
Key regions	Global	India ROW markets	Europe[1], the UK South Africa
Launch calendar	Launched	First market launch in FY26	First market launch in FY26
Expected sales	Estimated total annual global sales of US$ 300 – 400 million over the next five years		

Europe Business



(Source: Company, HDFC sec)

US Business



Ichnos Pipeline

Oncology Pipeline

The Company's pipeline houses an exciting platform of novel biologics and small molecules targeting the spectrum of hematological cancers and solid tumors.

Molecule Mechanism / Class	Description	Indication	Pre-Clinical	Phase 1	Phase 2	Phase 3
ISB 2001*	(BCMA x CD38 x CD3) TREAT™ trispecific antibody	Relapsed / Refractory Multiple Myeloma				
ISB 1442**	(CD38 x CD47) BEAT® biparatopic bispecific antibody	Relapsed / Refractory Multiple Myeloma Acute Myeloid Leukemia				
GRC 65327	Cbl-b Inhibitor	Solid Tumors				

ISB 1342* – Phase 1 clinical study is currently suspended; future strategy is to out-license the asset and allow a potential partner to continue further development.
**Orphan drug

Autoimmune Disease Pipeline

The autoimmune disease assets were out licensed to enable greater focus on Oncology.

Molecule Mechanism / Class	Description	Indication	Alliance Partner	Pre-Clinical	Phase 1	Phase 2	Phase 3
ISB 880 (ALM 27134)	IL-1RAP Antagonist Monoclonal Antibody	Autoimmune Diseases	Almirall S.A.				
ISB 830[1]	Telazorlimab OX40 Antagonist Antibody	Atopic Dermatitis	Astria Therapeutics, Inc.				

(Source: Company, HDFC sec)

Annual Report FY24 Update

Domestic Formulations

India Formulations business recorded revenue of Rs 3399.4 crore as against Rs 4030 crore in the previous financial year, declined 16%. During the third quarter of FY24, the company implemented changes in its overall distribution model, through consolidation of stock points and rationalization of channel inventories. This led to a one-time impact in sales for the India business in FY24. However, this would help the company in improving operating margin and overall working capital. India business continues to be ranked 14th with a market share of 2.16% (IQVIA MAT March 2024). Company continues to have 9 brands in the IPM Top 300 Brands on the basis of IQVIA MAT March 2024. In terms of key therapeutic areas, Glenmark is ranked 2nd in both the Respiratory and Dermatology segments. In addition, it is now ranked 3rd in the Cardiac segment. In terms of secondary sales, Glenmark's India business continued to outperform the overall industry in terms of growth. As per IQVIA March 2024 data, India formulation business recorded growth of 9.9% growth as compared to IPM growth of 7.8% as of MAT March 2024. We expect ~13% CAGR in sales on the back of new launches and market share gain in existing products over FY24-27E.

For FY24, Glenmark Consumer Care (GCC) sales stood at Rs 257 crore with a YoY growth of 14%. The Company's flagship brand, Candid Powder delivered revenue growth of 15% while La Shield portfolio delivered YoY revenue growth of 8% and Scalpe portfolio witnessed a growth of 23% in FY24.

Oncology

Company introduced few oncology products in the past year. Among these advancements, Abiratone launched in the European region the US and Argentina stands out as a prominent addition. Abiratone, a targeted therapy, exhibits potential in the treatment of prostate cancer by inhibiting key enzymes involved in hormone production, thereby suppressing cancer growth. Additionally, Sunitinib and Pazopanib, both launched in the European region are multi-targeted tyrosine kinase inhibitors, and have emerged as noteworthy offerings in the fight against various solid tumors. Moreover, the portfolio expansion includes Capecitabine, introduced in the European region. The introduction of Azacitidine reinforces focus on haematological malignancies, as this medication offers potential benefits for patients with myelodysplastic syndromes and acute myeloid leukaemia. Company also introduced Lenalidomide, in the Europe region.

Cardiac

The company has done extremely well in cardiac segment with a range of products, along with existing flagship brand TELMA. TELMA, a brand of Telmisartan, an Angiotensin Receptor Blocker (ARB), effectively manages essential hypertension as a first-line treatment. It has achieved impressive milestones: becoming Rs 100 crore brand in 2013, reached Rs 200 crore in 2019, and Rs 300 crore mark in 2021, and now it is valued at Rs 450 crore+. It has also introduced advanced therapies to enhance hypertension treatment options, including double combinations and triple combinations (TELMA AMH, TELMA ACT), catering to patients who have uncontrolled hypertension and are on multiple drugs.

North America

North America business registered revenue of Rs 3094 crore (US$ 374mn) in FY24 as against revenue of Rs 3104 crore (US$ 387mn) for FY23, recording a decline of 1.7%. In FY24, Glenmark was granted final approval of three ANDAs: Saxagliptin Tablets, Apremilast Tablets, and Tacrolimus Ointment, 0.03%. Company filed a total of 6 ANDA applications with the US FDA throughout the year. During the year, the company has expanded injectable portfolio through exclusive product partnerships. Some of the notable launches in the injectable segment include Fosphenytoin Sodium Injection USP, Octreotide Acetate Injection, Posaconazole Injection, 300 mg/16.7 mL (18 mg/mL), and Ketorolac Tromethamine Injection USP, 15 mg/ mL and 30 mg/mL. Company has 5 injectable products commercialized in the market. Glenmark expects to re-start commercialization of further injectable products from the Monroe manufacturing site from FY25 onwards. It has filed two ANDAs for generic nasal sprays and is awaiting approval for the same. In addition, the company filed the ANDA for gFlovent 44mcg pMDI in May 2024. Glenmark plans to file at least one more generic Respiratory pMDI in the US in FY25.
Glenmark's marketing portfolio consists of 193 generic products authorized for distribution in the US market. Company has 52 applications pending in various stages of the approval process with the US FDA, of which 21 are Paragraph IV applications.

Glenmark Canada filed three ANDS applications with the Canadian Health Authorities this quarter and plan to file 2 additional ANDS next quarter. For FY24, Glenmark Canada filed four ANDS applications. In August 2023, Glenmark Pharmaceuticals Inc., USA announced that it has entered into an agreement with the U.S. Department of Justice, Antitrust Division (DOJ) to resolve all of its court proceedings with the DOJ involving historical pricing practices by former employees relating to the generic drug Pravastatin between 2013 and 2015. Company has entered into a three-year Deferred Prosecution Agreement, and if it adheres to the terms of the agreement, including the payment of US$ 30 million, payable in six instalments, the DOJ will dismiss the pending Superseding Indictment.

Europe

European operations continued to remain strong in terms of overall business performance. Company recorded a YoY growth of 33.7% and registered sales of Rs 2421 crore in FY24. The growth was led by healthy performance in both markets of Western Europe (WEU) and Central and Eastern Europe (CEE), with most markets recording robust double-digit growth. Throughout the year, almost all the key markets in Europe recorded strong growth. The branded markets in the region have performed well with key markets across the CEE region such as Poland and Slovakia recording double-digit growth in the year. Western European business clocked high double-digit growth with markets like the United Kingdom and Spain growing substantially. The Respiratory portfolio continues to do well in Europe. Key brands such as RYALTRIS and SALMEX/ASTHMEX continue to sustain their 15%+ market share, both, in terms of volume as well as value. Company focuses on sustaining the increasing contribution from the branded markets / portfolio in Europe. It is awaiting approval of four Respiratory products which were filed in Q4 FY23. Company would leverage key growth drivers such as sustained growth in base business, continued market share gains in the key branded Respiratory products, new launches in the Respiratory segment and venturing into untapped markets. It has already established presence in the Italian market and will be further widening its reach across the region in the upcoming quarters. We expect ~17% CAGR in sales on the back of niche offerings and market share gain in existing products over FY24-27E.

RoW Region (RCIS, LatAm, MEA & Asia-Pacific)

In FY24, total revenue increased 16% YoY and stood at Rs 2767 crore. Company witnessed healthy growth in the base business across all the sub-regions of RoW.

As per IQVIA data, Glenmark Russia secondary sales recorded growth of 20% in per IQVIA MAT March 2024. In terms of key therapeutic areas, Glenmark recorded growth of 25% in value in the Dermatology segment versus the overall Dermatology market growth of 11% as per MAT March 2024. Amongst the Dermatology companies in Russia, Glenmark continues to rank 9th as per IQVIA MAT March 2024. In the Respiratory expectorants market, Glenmark grew in line with the overall retail market (8.1% vs. 8.6% respectively) in value as per IQVIA MAT March 2024. Amongst the companies present in the Respiratory expectorants market in Russia, it continues to maintain a strong position, ranking 2nd as per IQVIA MAT March 2024. RYALTRIS continues to gain market share in the allergic rhinitis market.

LatAm Markets

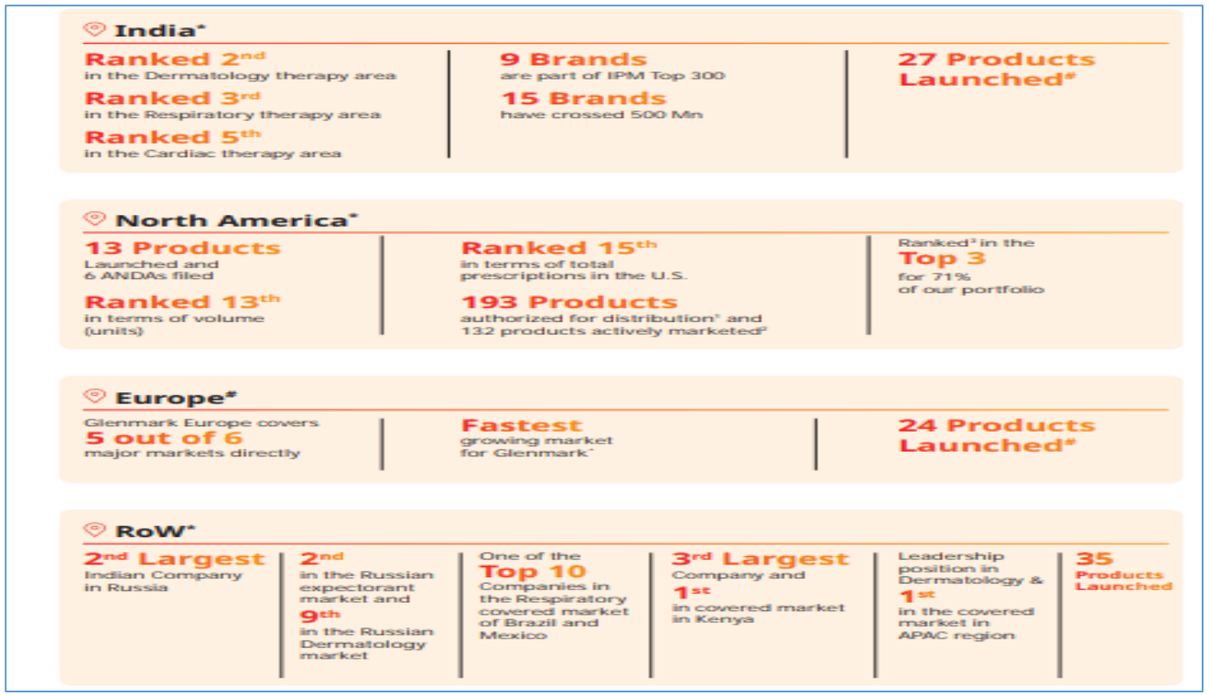
LatAm witnessed strong growth in FY24 with the Respiratory portfolio being the key contributor in this region. Glenmark Brazil achieved high single-digit growth in the covered market as per IQVIA YTD March 2024. Company maintained its rank in the top-10 in the covered market of the chronic Respiratory segment in Brazil as per IQVIA MAT March 2024. It has launched the first generic Salmeterol + Fluticasone MDI in the Brazilian market in Q4 FY24 and full impact of the launch will be visible in FY25. Secondary sales growth continued to be strong in Mexico; within the covered market, Glenmark continues to rank in the top-10 as per IQVIA MAT March 2024 data. RYALTRIS has been approved in Mexico and will be launched soon.

Ryaltris

Ryaltris, a nasal spray with a fixed-dose combination of Mometasone Furoate (25 mcg), a steroid, and Olopatadine Hydrochloride (665 mcg), an anti-histamine, was launched in FY21. This marked a major milestone, as the first branded specialty medicine widely accepted by patients as well as doctors across the world. During FY24, significant developments for RYALTRIS included preparations for its launch in new markets and the management of existing partnerships. Company is focusing on strengthening partnerships with key collaborators such as Bausch, Hikma, and Menarini to commercialize the product in new geographies.

As of March 2024, Glenmark has submitted marketing applications for RYALTRIS in more than 80 countries across the world and the product has been commercialized in 34 markets. Key launches in FY24 included Canada, Saudi Arabia, Slovakia, and Kenya. Further, the product is planned to be launched in 14 other markets over the next 12 months. Company's commercial partner in the USA, Hikma, recorded substantial increase in last quarter performance on a QoQ basis backed by strong demand and increasing coverage across major pharmacy chains and online platforms.

Menarini, the partner in the EU, has witnessed steady increase in market share across all its markets. in Mainland China, Grand Pharmaceutical (China) Co. Ltd., has received acceptance of the NDA in February 2024. Company expects approval to be received in FY26. As per IQVIA March 2024 data across markets, RYALTRIS has seen robust performance in terms of both value and unit market shares.



(Source: Company, HDFC sec)

Glenmark Pharmaceuticals Inc., USA relating to settlement agreement with US Department of Justice

Recently, Glenmark Pharmaceuticals Inc., USA (Glenmark) has agreed to pay US$ 25mn in six installments over five years, with interest on the settlement amount at a rate of 4.25 percent per annum from May, 2024. The settlement amount and interest on the settlement amount constitute restitution. As noted, the settlement does not contain any admission of liability by Glenmark, except to the extent already admitted by Glenmark in the August 2023 Deferred Prosecution Agreement.

Ichnos Glenmark Innovation (IGI) presents First Clinical Data from Phase 1 study of Trispecific TREAT Antibody, ISB 2001

Ichnos Glenmark Innovation (IGI), a global fully integrated clinical-stage biotech company developing multispecifics in oncology, today presented first-time clinical data from the early dose-escalation portion of its Phase 1 study of ISB 2001 for the treatment of relapsed or refractory multiple myeloma (RRMM). ISB 2001 is an investigational trispecific TREAT antibody for the treatment of RRMM that targets BCMA and CD38 on myeloma cells and CD3 on T cells. Initial results from 20 patients treated as of October, 2024, demonstrated an overall response rate (ORR) of 75% (15/20) across all doses tested (0.005 to 1.2 mg/kg), with a stringent complete remission (sCR) and complete

remission (CR) rate of 20%.

Glenmark Lifesciences stake sale led to significant reduction in debt

Nirma Limited acquired 9.2 crore equity shares, constituting 75% of Glenmark Life Sciences' equity share capital, from Glenmark Pharma. This transaction was finalized at Rs 615 per share, amounting to a total consideration of Rs 5651 crore, and was concluded in March 2024. This deal would help Glenmark Pharma to become brand led organization, with continuous focus on the core therapeutic areas of dermatology, respiratory and oncology. Company has repaid almost its long term debt in Mar-2024, this will save significant interest cost and boost earnings in the medium term and that is already visible from numbers in H1FY25. Business transaction between Glenmark and GLS to continue for 5 years The companies have further signed an amended API supply and purchase agreement, pursuant to which Glenmark has agreed to procure APIs for GLS for a period of 5 years (starting Apr, 2024) and an amendment services agreement pursuant to which Glenmark and its subsidiaries will provide support services for a specified period to GLS.

Glenmark struggled with two key issues - high debt and large investments in R&D (11-13% of sales). Both these issues now seem to be behind – the company turned net cash in FY24 (versus FY26 as per earlier guidance) post sale stake in GLS and R&D inching lower (from US$ 75mn to US$ 50mn in FY25). However, ~Rs 1100 crore intangible write offs and Monroe impairment (Rs 2187 crore) reflect negatively on capital allocation strategy. Now, write offs seem to be behind and return ratios should improve significantly.

The first to launch Biosimilar of anti-diabetic drug, Liraglutide

In Jan-2024, Glenmark Pharmaceuticals launched a biosimilar of the popular anti-diabetic drug, Liraglutide, for the first time in India. The drug is being marketed under the brand name Lirafit following the approval from the Drug Controller General of India (DCGI). Priced at around Rs 100 for a standard dose of 1.2 mg (per day), this will lower the cost of therapy by approximately 70%, and will be available only under prescription. Liraglutide belongs to the class of glucagon-like peptide 1 receptor agonist (GLP-1 RA) drugs, which increase glucose-dependent insulin secretion and decrease in appropriate glucagon secretion. It has been approved globally for the management of type 2 diabetes mellitus in adult patients in the US and the European Union.

Glenmark partnered with Pfizer to launch Abrocitinib in India

In Jan-2024, Pfizer and Glenmark Pharma joined hands to launch abrocitinib, a first of its kind oral advanced systemic treatment for moderate-to-severe atopic dermatitis (AD), in India. Developed by Pfizer, abrocitinib has received marketing authorization from the Central Drugs Standard Control Organization (CDSCO) in India and is approved by the US FDA, European Medicines Agency (EMA), and other regulatory agencies. It will be co-marketed under the brand names JABRYUS and CIBINQO by Glenmark and Pfizer respectively.

IPM reported 8% growth for FY24 led by Chronic therapies

As per IQVIA IMS, the Indian Pharmaceutical Market (IPM) reported an ~8% YoY growth for FY24, primarily led by price increases. Acute

therapies underperformed broader market growing at just 6% despite a high single digit price increase. Larger acute therapies, such as Anti-infective grew 5% in value terms supported by price increase. Chronic therapies, remained a key grow driver for the IPM, ~10% value growth supported by healthy high single-digit growth across most therapies. Cardiac and Anti-diabetics grew 10% and 6% respectively. For FY25, IPM is likely to maintain healthy growth trajectory of 8-10%, driven by volume recovery in both Acute and Chronic area.

IPM Nov-2024 update

India pharma market (IPM) grew 10.7% YoY in Nov-24 (vs. 5.2% in Oct-24 and 3.4% in Nov-23). The growth was driven by strong outperformance in Derma/Pain/Cardiac.

Acute therapy growth stood at 11% in Nov-24 (vs. 2% in Oct'24 and Nov'23 each), driven by strong growth in Pain and high-single digit growth in AI and Respiratory.

Glenmark's secondary sales grew 12.4% YoY in Nov-24 vs. 7.8% YoY in Oct-24. Candid/Telma-Am/Ascoril registered double-digit growth in Nov-24. Overall performance was spread across price hike/volume and new launches on MAT basis. Dermatology reported 24% YoY growth while Anti-Infective registered 18.3% growth. Cardiac/Respiratory therapeutic areas registered 10%/7.3% growth in Nov-2024.

Key Concerns:

Regulatory Overhang

- The regulatory risk emanating from the possibility of price control, with around 15% of India sales under drug price control order, and the US FDA's regulatory scrutiny of the company's manufacturing facilities. Three facilities of the company have been under the US FDA scanner: i) the Baddi plant received an import alert in Oct-2022 (warning letter in October 2019), ii) the Goa unit received a warning letter in Nov-2022 (official action indicated); and iii) formulations manufacturing unit in Monroe, North Carolina, received a warning letter in June-2023. This could imply that the US FDA may withhold approval of any pending product applications or supplements filed from this facility till the outstanding observations are resolved.

- Glenmark settled its drug pricing case with the US Department of Justice in August 2023 (US$ 30 million). Glenmark also settled generic Zetia lawsuits for US$ 87.5 million in FY23. Price control in India, regulatory inspection as well as other lawsuits in the US will remain monitorable. The company is working towards remediating these observations.

High R&D expenditure towards new molecule entities and differentiated generics

- R&D expenditure has been higher than peers because of the focus on new molecules and differentiated generics. The company has signed out-licensing deals and received cumulative revenue of more than US$ 200 million since 2004. Also, Ryaltris has been successfully launched in several geographies, including the US and a few countries in Europe. R&D expenses stood at Rs 1,083 crore (9.2% of sales) in FY24 as against 11-13% of sales incurred in the past. The company has re-evaluated its R&D requirement, and R&D spend is expected at 7-9% of sales over the medium term. Uncertainty regarding revenue visibility and R&D leads to investment risk.

However, focus on out-licensing molecules as it reaches advanced stages will help keep the absolute R&D expenditure at similar levels over the medium term. In the year 2020, Glenmark incorporated Ichnos for innovation in medicine through its transformative treatments in the oncology and autoimmune disease segments. The company plans to continue to monetise the pipeline over the medium to long term.

Intense competition

- There is intense competition and pricing pressure in the regulated generics markets because of increasingly aggressive defence tactics of innovator companies through the introduction of authorised generics, especially for blockbuster drugs going off patent. Furthermore, generic players in regulated markets are adversely affected by severe price erosion because of the commoditised products and by intense competition and considerable consolidation in distribution channels.
- Company has not been able to scale up US business over the past five years, postponement of niche launches and higher price erosion in the US market may impact revenue and profitability.
- Slower than expected ramp up in the EU business could impact growth prospects.
- Execution and commercialization capabilities for new as well as existing products could be a risk. With a large NCE pipeline, the company faces a lot of risk in terms of successful trials and marketing.
- The risk of additional drugs coming under price control is a major risk to the India business of Glenmark. The value growth of India business would largely depend on the extent of price control on the drugs.
- About 70% of revenue comes from export markets and hence, the company faces risk of currency fluctuations.
- Company had debt heavy Balance sheet and majority of its debt is in foreign exchange denominated. Company had sold its majority stake in GLS and repaid debt from the proceeds.
- Higher than anticipated Capex & R&D spends could affect profitability and net debt reduction.
- Limited visibility on US generic pipeline, lack of near-term catalysts in NCE/NBE pipeline may remain concerns.
- Anti-trust law suits have also been filed against the company in the US, and any material settlement amount and funding for the same, will also remain a monitorable.

Company Background

Glenmark Pharmaceuticals Ltd. is a research-led, global pharmaceutical company, having a presence across Branded, Generics, and OTC segments; with a focus on therapeutic areas of respiratory, dermatology, cardiac, anti-diabetic and oncology. The company has 10 manufacturing facilities spread across 4 continents, and operations in 80+ countries. Company derived around 70% of its sales from International markets. In the US, the company is 15th largest generic manufacturer by volume in the US. Company has divided its business into 3 separate entities - 1) Glenmark Pharma, 2) Glenmark Life Sciences (API) (sold 75% stake for Rs 5651 crore) and 3) Ichnos, R&D company that focuses on discovering molecules in the field of immunology, oncology and pain. Glenmark has an established position in the semi-regulated markets of Africa, Asia, Commonwealth of Independent States (CIS), Latin America (LatAm), and Central and Eastern Europe. The company's consumer business comprised (Candid, Scalpe+ etc.) contributed to revenue of Rs 179cr/Rs 233cr and Rs 258cr in FY22/FY23 and FY24. Company derived 29% of revenue from domestic formulation segment, 27% from the US, 23% from RoW, and 21% from Europe in FY24.

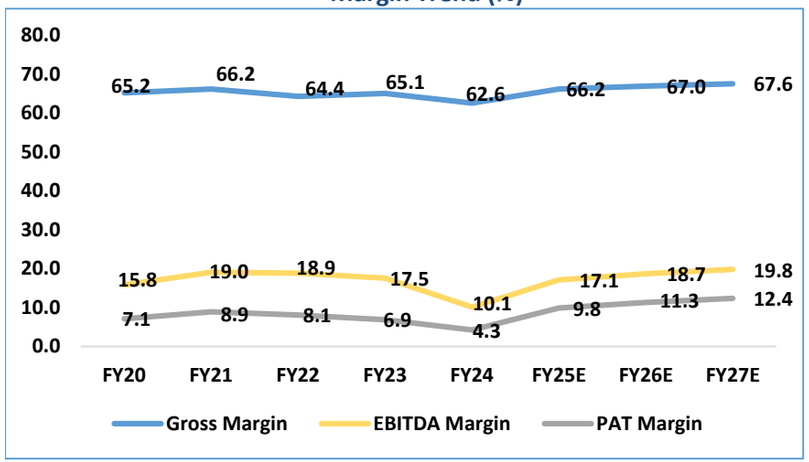
Ichnos Glenmark Innovation (IGI)

Company and its global fully integrated, clinical-stage biotech subsidiary, Ichnos Sciences Inc. (Ichnos), announced the launch of their alliance - Ichnos Glenmark Innovation – to accelerate new drug discovery in cancer treatment. This alliance combines Glenmark's research and development proficiencies in small molecules with those of Ichnos in novel biologics to continue developing cutting edge therapy solutions that treat hematological malignancies and solid tumors. The newly formed IGI features a robust pipeline of three innovative oncology molecules targeting multiple myeloma, acute myeloid leukemia and solid tumors currently undergoing clinical trials. Two of these molecules have received orphan drug designation from the US FDA. Additionally, IGI has two autoimmune disease assets that have been out licensed to leading companies. Going forward, all of Glenmark group's investments on innovative assets will be channelized through the IGI alliance.

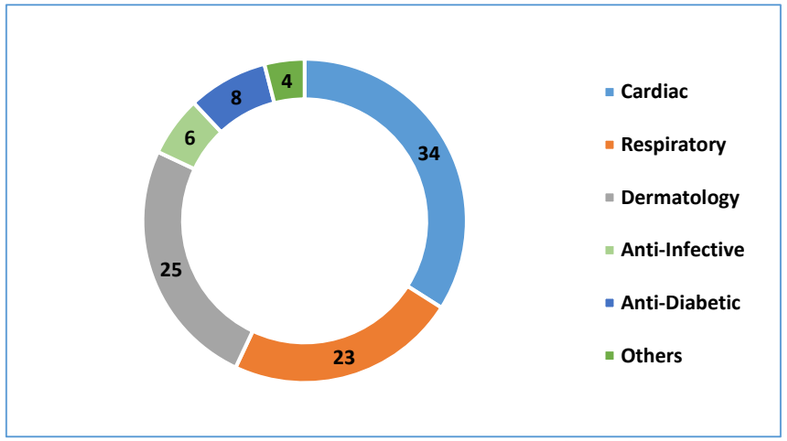
Ichnos Sciences (Ichnos), Glenmark's clinical stage biotechnology company, is mainly into oncology. Its pipeline of bi/multispecific antibody therapeutics for oncology continues to progress, and is now comprised of five programs, including two first-in-class clinical-stage assets, T-cell engager, ISB 1342, which targets CD38 and CD3, and ISB 1442, a CD38 x CD47 immune cell engager that leverages multiple mechanisms of cellular cytotoxicity. Both ISB 1342 and ISB 1442 are enrolling patients in Phase 1/2 dose escalation and expansion studies in relapsed/refractory multiple myeloma. Glenmark is in discussions with big pharma companies, and is hoping to close an out-licensing deal. Ichnos' pipeline also includes two monoclonal antibodies for autoimmune diseases. ISB 830 (telazorlimab), an OX40 antagonist, that successfully completed a Phase 2b study in atopic dermatitis. The other being ISB 880, an IL 1RAP antagonist, that was licensed to Almirall S.A. (a global biopharmaceutical company at Barcelona) in Dec-2021.

Glenmark Pharmaceuticals Ltd.

Margin Trend (%)

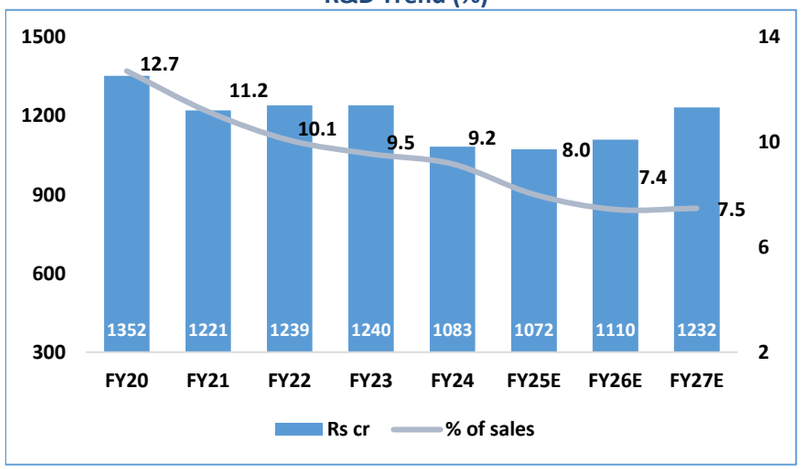


Domestic Formulations FY24 (%)

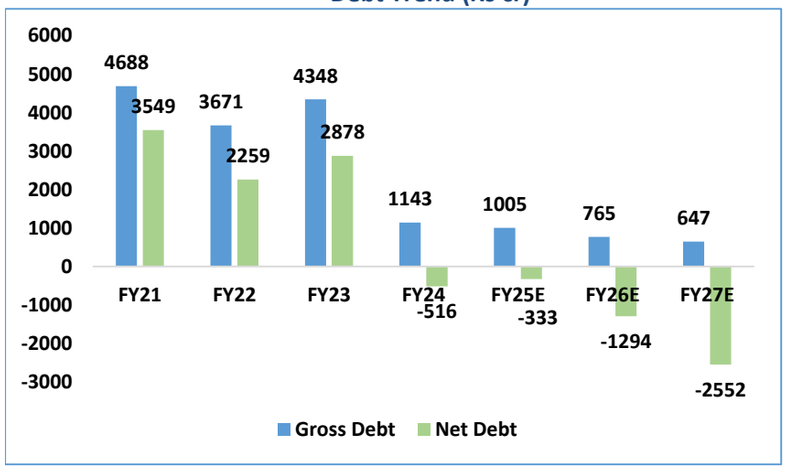


(Source: Company, HDFC sec)

R&D Trend (%)



Debt Trend (Rs cr)



Glenmark Pharmaceuticals Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	**12990**	**11813**	**13384**	**14926**	**16463**
Growth (%)	5.6	-9.1	13.3	11.5	10.3
Operating Expenses	10712	10618	11098	12131	13206
EBITDA	**2278**	**1195**	**2286**	**2794**	**3257**
Growth (%)	-1.8	-47.5	91.3	22.2	16.5
EBITDA Margin (%)	17.5	10.1	17.1	18.7	19.8
Depreciation	611	582	513	583	627
EBIT	1667	613	1774	2211	2630
Other Income	317	840	185	212	249
Interest expenses	350	516	175	126	107
PBT	868	36	1774	2278	2750
Tax	491	1867	456	592	716
RPAT	**297**	**-1899**	**1270**	**1658**	**1996**
Growth (%)	-68.5	-739.3	-166.9	30.5	20.4
EPS	10.5	-67.3	45.0	58.8	70.7
Adj. PAT	895	502	1270	1658	1996
Adj. EPS	31.7	17.8	45	58.7	70.7

Balance Sheet

As at March (Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
SOURCE OF FUNDS					
Share Capital	28.2	28.2	28.2	28.2	28.2
Reserves	9446	7820	9007	10477	12266
Shareholders' Funds	**9474**	**7848**	**9036**	**10505**	**12294**
Long Term Debt	3852	154	105	53	35
Net Deferred Taxes	-1762	-1050	-1050	-1050	-1050
Long Term Provisions & Others	592	538	563	607	652
Minority Interest	365	0	0	0	0
Total Source of Funds	**12521**	**7490**	**8653**	**10115**	**11931**
APPLICATION OF FUNDS					
Net Block	5019	3537	3644	3611	3735
Intangible Assets	2299	1092	1092	1092	1092
Non Current Investments	85	790	853	898	970
Long Term Loans & Advances	290	462	471	481	502
Total Non Current Assets	**7691**	**5881**	**6061**	**6083**	**6299**
Inventories	2978	2513	2868	3128	3438
Trade Receivables	4099	1858	2677	3149	3428
Cash & Equivalents	1470	1660	1338	2058	3199
Other Current Assets	1327	1397	1537	1733	1941
Total Current Assets	**9874**	**7428**	**8419**	**10069**	**12006**
Short-Term Borrowings	496	989	900	711	612
Trade Payables	2392	2535	2484	2695	2900
Other Current Liab & Provisions	1649	1654	1783	1911	2064
Short-Term Provisions	508	641	660	720	799
Total Current Liabilities	**5045**	**5819**	**5827**	**6036**	**6374**
Net Current Assets	4829	1609	2592	4032	5632
Total Application of Funds	**12521**	**7490**	**8653**	**10115**	**11931**

(Source: Company, HDFC sec)

Glenmark Pharmaceuticals Ltd.

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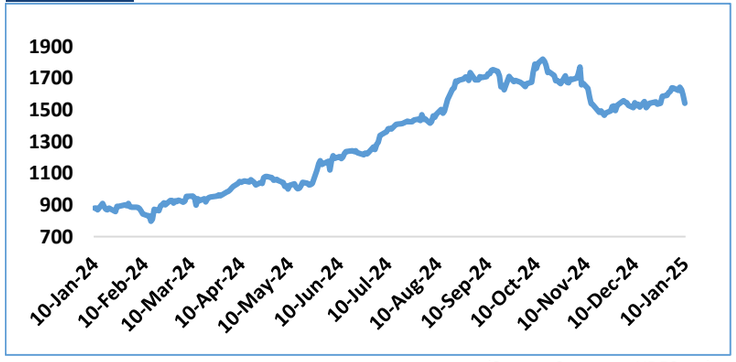
Cash Flow Statement

(Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	868	36	1,774	2,278	2,750
Non-operating & EO items	-317	-840	-185	-212	-249
Interest Expenses	350	516	175	126	107
Depreciation	611	582	513	583	627
Working Capital Change	-247	487	-1,305	-720	-459
Tax Paid	-640	-1,047	-456	-592	-716
OPERATING CASH FLOW (a)	**625**	**-265**	**515**	**1,463**	**2,060**
Capex	-608	-894	-620	-550	-750
Free Cash Flow	17	-1,159	-105	913	1,310
Investments	-237	4,615	-72	-55	-93
Non-operating income	317	840	185	212	249
INVESTING CASH FLOW (b)	**-528**	**4,561**	**-507**	**-394**	**-594**
Debt Issuance / (Repaid)	395	-2,907	-24	-7	26
Interest Expenses	-350	-516	-175	-126	-107
FCFE	63	-4,582	-304	781	1,230
Share Capital	14	-365	0	0	0
Dividend/Buyback	-137	-118	-130	-217	-245
FINANCING CASH FLOW (c)	**-77**	**-3,906**	**-329**	**-349**	**-326**
NET CASH FLOW (a+b+c)	**20**	**389**	**-322**	**721**	**1,140**

Price chart



(Source: Company, HDFC sec)

Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Profitability (%)					
Gross Margin	65.1	62.6	66.2	67.0	67.6
EBITDA Margin	17.5	10.1	17.1	18.7	19.8
EBIT Margin	12.8	5.2	13.3	14.8	16.0
APAT Margin	6.9	4.3	9.8	11.3	12.4
RoE	9.6	5.8	15.0	17.0	17.5
RoCE	11.6	7.2	18.3	19.8	20.3
Solvency Ratio (x)					
Net Debt/EBITDA	1.3	-0.4	-0.1	-0.5	-0.8
D/E	0.5	0.1	0.1	0.1	0.1
Net D/E	0.3	-0.1	0.0	-0.1	-0.2
PER SHARE DATA (Rs)					
EPS	10.5	-67.3	45.0	58.8	70.7
CEPS	32.2	-46.7	63.2	79.4	92.9
BV	336	278	320	372	436
Dividend	2.5	2.5	4.5	7.5	8.5
Turnover Ratio					
Debtor days	115	57	73	77	76
Inventory days	77	85	78	77	76
Creditors days	129	141	135	134	133
VALUATION (x)					
P/E	146.3	-22.9	34.2	26.2	21.8
P/BV	4.6	5.5	4.8	4.1	3.5
EV/EBITDA	20.3	38.8	20.3	16.6	14.2
EV / Revenues	3.6	3.9	3.5	3.1	2.8
Dividend Yield (%)	0.2	0.2	0.3	0.5	0.6
Dividend Payout (%)	23.8	-3.7	10.0	12.8	12.0

(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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PRIME RESEARCH
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HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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