

Analyst & Advisor: Abhishek Jain
www.stocksidea.com
+91-98260-41144

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Glenmark Pharma. Ltd—STRONG BUY—650—INR

Sector — Pharmaceuticals
Regd.Off. — 22, Bhulabhai Desai Road, Mumbai, 400026
Listed — NSE, BSE.

Company Overview—

Glenmark Pharmaceuticals Limited was incorporated in the year 1977. Glenmark is an India-based one of the fastest growing pharmaceutical company headquartered at Mumbai. Glenmark has built a visible and growing branded generic formulation presence across all its markets in Asia, Africa and CIS countries. A number of its products have emerged as brand leaders in India and these markets. Company is focused on the manufacture and marketing of formulation products and active pharmaceutical ingredients in India as well as globally and enjoys a diversified and growing presence in regulated and developing international markets. Over the past five years, the Company has also catalyzed its growth through investment in dedicated research and development including cutting-edge New Chemical Entity research. Company operates in over 75 markets for formulations and also supplies Active pharmaceutical ingredients to over 50 markets worldwide. Glenmark has strengthened its integration across the pharmaceutical value chain through operations across its various manufacturing plants, i.e. for formulations at Baddi, Goa, Nasik and Sao Paulo (Brazil) for API in Ankleshwar, Kurkumbh and Solapur. The Ankleshwar plant acquired from GlaxoSmithKline has received US FDA acceptance while the API manufacturing facilities at Kurkumbh and Solapur focus on supplying intermediates and APIs to less regulated markets. The Company also acquired an ANVISA approved formulations facility in Brazil.

Products & Services—

Glenmark Pharmaceuticals Limited focuses on manufacturing and marketing formulation products within India. Glenmark made a foray into the bulk drug business in the year 2001. Today, it has generic formulation and API business interests in over 65 countries across the world including the highly regulated markets of USA and Europe. The formulation business spans several product segments such as Dermatology, Internal Medicine, Pediatrics, Gynecology, ENT and Diabetes. The company's business segment portfolio broadly comprises of both formulation and bulk drug sales. The company follows a branded generic model in markets across Asia, Africa, CIS/Russia and Latin America. In contrast, in the highly regulated markets of USA and Europe, the company has adopted a business model of registering and marketing generic drugs. The Bulk Drugs or API business for Glenmark handles the sales and marketing of active pharmaceutical ingredients to customers in many markets across the globe and also serves some of the captive needs of the formulations business within the company.

Formulations: Glenmark's formulation business has invested in building a manufacturing footprint to cater to the demand. The current footprint includes - One WHO-GMP plant at Nasik to cater to semi-regulated markets including India. The plant handles several dosage forms

including liquids, solids, semi-solids and dry powders. A plant at Goa built to USFDA and EU standards. The plant has capabilities to manufacture tablets, capsules and ointments/creams. Another one ANVISA approved manufacturing plant in Brazil to cater to Latin American markets. This plant has capabilities in solids, liquids and semi-solids. In India, the company markets about 100 molecules/combinations spanning a diverse set of therapy segments such as Dermatology, respiratory, gynecology, pain management, diabetes, cardio-vascular, internal medicine etc. Over 50 of these molecules/combinations are also being marketed across the semi-regulated markets of Asia, Africa, Russia/CIS countries; more products are under registration in these markets. The company markets about 24 products in Brazil with several new registrations planned each year. In formulations, Company is focusing working on Anti-diabetics, Respiratory Tract Infections, Cardiovascular, Pain & Anti-Inflammation, Dermatology, Gynecology, Internal medicine, and Paediatrics etc.

Active Pharmaceuticals ingredients— Active pharmaceutical ingredients (API), which are used as raw material in the manufacture of formulations, are the building blocks in the pharmaceutical industry. Company's R&D center in Navi Mumbai employs over 350 scientists who have a vast experience across several disciplines and technology platforms. The research activities encompass process engineering for APIs, new chemical entity research and novel drug delivery systems. The Company also operates a second research facility at Sinnar, near Nasik in India that focuses on developing formulations for India and markets across Asia, Africa, Latin America and CIS/Russia. Glenmark is amongst the few Indian Pharmaceutical Companies to have taken initiative to invest proactively in original drug discovery research.

Recent News—

In June, the Company has received final approval from the U.S. Food and Drug Administration for its Abbreviated New Drug Applications (ANDAs) for Ondansetron Hydrochloride (HCl) tablets, 4 mg (base), 8 mg (base) and 24 mg (base) and Ondansetron Orally Disintegrating Tablets 4 mg & 8 mg.

In July, Company has received a tentative approval from the US FDA for its Abbreviated New Drug Application (ANDA) for Topiramate Tablets in multiple strengths (25 mg, 50 mg, 100 mg & 200 mg). Company has received a final approval from the U.S. Food and Drug Administration for its Abbreviated New Drug Applications (ANDAs) for Terbinafine Hydrochloride Tablets, 250 mg (base). Glenmark Pharmaceuticals S.A., the wholly-owned Swiss subsidiary of the Company and Chromos Molecular Systems Inc. (Chromos) (TSX:CHR) of British Columbia, Canada, has announced that they have completed the purchase by Glenmark of Chromos' two New biological Entities (NBE's) CHR-1103 and CHR-1201. The Two NBE's are humanized monoclonal therapeutic antibodies.

Financials—

Net profit of Glenmark Pharmaceuticals rose 385% to Rs 4859.24 lakhs in the quarter ended June 2007 as against Rs 1001.8 Lakhs during the previous quarter ended June 2006. Sales rose 101.18% to Rs 26294.7 lakhs in the quarter ended June 2007 as against Rs 13070.0 lakhs during the previous quarter ended June 2006.

01-APR-2007 to 30-JUN-2007 (First Quarter)

Financial Results	Rs.lakhs
Net Sales	26294.70
Other Income	108.42

Gross Income	26403.12
Increase/Decrease in Stock	381.34
Consumption of Raw Materials	7522.37
Staff Cost	3277.98
Total Expenditure Excluding Other Expenditure	11181.69
Other Expenditure	7661.66
Total Expenditure	18843.35
Interest	935.17
Profit Before Depreciation & Taxes	6624.60
Depreciation	599.09
Profit Before Tax	6025.51
Provision for Taxation	1166.27
Net Profit	4859.24
Face Value of Share (in Rs.)	2.00
Paid-up Equity Share Capital	2421.19
Basic EPS (in Rs.)	4.03

Valuation—

Company is rapidly increasing its focus on products range and the focus will no longer be in the Indian market alone but a market spanning several regulated and emerging markets. At CMP, stock is trading at 17.4 X multiple of its FY2009 Estimated earnings. We recommend investors to “STRONG BUY” “Glenmark Pharmaceuticals limited” for medium to long-term investment horizon.

We invite Readers to send Feedback, stock and subscription queries at E-mail Id- investment_guru1@yahoo.com

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