



Glenmark Pharma

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR1,486 TP: INR1,820 (+22%) Buy

India, Europe drive earnings

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

Bloomberg	GNP IN
Equity Shares (m)	282
M.Cap.(INRb)/(USD\$b)	419.3 / 5
52-Week Range (INR)	1831 / 761
1, 6, 12 Rel. Per (%)	-9/38/73
12M Avg Val (INR M)	1287

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	135.4	149.4	167.3
EBITDA	25.1	29.2	33.5
Adj. PAT	13.7	17.1	19.9
EBIT Margin (%)	15.0	16.1	16.8
Adj EPS (INR)	48.4	60.7	70.6
EPS Gr. (%)	1847.3	25.4	16.3
BV/Sh. (INR)	327.5	388.2	458.7

Ratios

Net D-E	0.0	-0.1	-0.2
RoE (%)	16.0	17.0	16.7
RoCE (%)	18.9	17.3	16.9
Payout (%)	6.8	0.0	0.0

Valuations

P/E (x)	30.6	24.4	21.0
EV/EBITDA (x)	16.7	13.9	11.8
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	-1.4	3.1	3.1
EV/Sales (x)	3.1	2.7	2.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	46.7	46.7	46.7
DII	13.3	14.0	10.4
FII	23.1	21.0	24.8
Others	17.1	18.4	18.2

FII Includes depository receipts

Work-in-progress to resolve Monroe USFDA issue

- Glenmark Pharma's (GNP) 2QFY25 operational performance came in slightly below our estimates. Domestic formulation (DF) maintained robust growth, partly supported by a low base of past year. GNP delivered superior execution in Europe markets as well, which was offset to some extent by muted performance in the US and ROW markets.
- We largely maintain our estimates for FY25/FY26/FY27. We value GNP at 27x 12M forward earnings to arrive at a TP of INR1,820. We estimate a CAGR of 11%/16%/21% in revenue/EBITDA/PAT over FY25-27.
- GNP 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. Also, it has re-calibrated its spending on innovative R&D. GNP continues to make in-roads into new markets for Ryaltris, in addition to improved traction in 41 markets. Compared to earnings decline over FY22-24, GNP has made a strong comeback in FY25, thanks to improved execution and the sale of its API business. The earnings growth momentum is expected to strengthen over the next three years. Accordingly, we maintain BUY on the stock.

Improved product mix offset by higher marketing/freight costs

- 2Q revenues grew 7.1% YoY to INR34b (our est. INR33.7b). DF grew 14.3% YoY to INR12.8b (37% of sales). RoW (RoW+LatAm) sales declined 3.9% YoY to INR7b (21% of sales). EU generics revenue rose 14.6% YoY to INR6.9b (20% of sales). NA revenues were flat YoY at INR7.4b (USD91m; 22% of sales).
- Gross margins (GM) expanded 620bp YoY to 68.8% due to lower RM costs and a change in the product mix.
- EBITDA margin expanded by 180bp YoY due to higher other expenses (up 440bp as % of sales).
- Accordingly, EBITDA grew by 19% YoY to INR6b (est. INR6.5b).
- Adj. PAT surged 2.5x YoY to INR3.5b (in line) due to higher other income and lower interest.
- In 1HFY25, revenue/EBITDA grew 7%/29% to INR66.8b/INR12b, while PAT jumped 2.8x YoY to INR7b.

Highlights from the management commentary

- Guides for INR135b-140b revenue with EBITDA margin of 19% for FY25.
- Expects approval for Ryaltris NDA in China in FY26.
- Plans to file Envafohimab in more than 20 markets in FY25 and the first market launch is expected in FY26.
- For Ichnos Glenmark Innovation (IGI), R&D spending will be USD60-70m per year going forward.