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India | Equity Research | Results update

Glenmark Pharmaceuticals

Pharma

Regulatory compliance critical for turnaround in US

Glenmark Pharmaceuticals' (Glenmark) Q3FY25 result was dragged by weak show in India, US and RoW markets. Management is hopeful of growing its US biz over FY26-28 led by gFlovent launch (H1FY26) and 3 FTF product launches over FY27-28. Post instances of recall, USFDA recently inspected Indore plant and issued 5 observations while Monroe is yet to be reinspected. Revival in US hinges on its ability to adhere with regulatory standards and timely approval of gFlovent and other assets. India biz revenue run-rate slowed down in Q3FY25 and management now anticipates sales from India to grow at 9-10%. Management maintains FY25 revenue guidance of INR 135-140bn and margin of ~19% (after adjusting for currency headwinds). We cut FY25/26E EPS by 5-6% to factor in currency headwinds in RoW. Maintain **REDUCE** with lower TP of INR 1,265, based on 22x FY26E EPS.

EU drives growth, better mix safeguards margins

Q3FY25 revenue grew 35.1% YoY (-1.3% QoQ) to INR 33.9bn (I-Sec: INR 35.1bn) on a low revenue base in India last year. Gross margin expanded 917bps YoY (-84bps QoQ) to 68%, aided by product mix. R&D expenses reduced a sharp 27.2% YoY (-1.3% QoQ) to INR 2.2bn and stood at 6.8% of sales vs 12.3% in Q3FY24. EBITDA stood at INR 6bn (-0.3% QoQ) to INR 6bn (I-Sec: INR 6.3bn) while EBITDA margin expanded 19bps QoQ to 17.7% (I-Sec:17.8%). Adj. PAT declined 1.8% QoQ to INR 3.5bn (I-Sec: INR 3.7bn).

New launches and regulatory clearance critical for US growth

On a low base, India business grew 300.2% YoY/-17% QoQ to INR 10.6bn. Sequential dip was mainly due to slowdown in respiratory therapy. Consumer care sales grew 13% YoY in Q3FY25. Glenmark has recently launched Lirafit and Jabryus (partnered with Pfizer) in India and plans to launch 2 oncology brands in next 3-4 months. On a low base, we expect India sales to grow at 17.3% CAGR over FY24-27E. US sales were flat YoY and +5.5% QoQ to USD 92.5mn. Management plans to launch in-licensed products in Q4FY25 which will likely boost growth on sequential basis while gFlovent and 3 FTF opportunities could drive growth over FY26-28. Timeline for USFDA re-inspection of Monroe plant is uncertain while the USFDA has issued 5 observations for the Indore plant. We expect its US biz to grow at 5.9% CAGR over FY24-27E mainly on the back of new FTF launches. Europe grew 14.8% YoY (6.2% QoQ) to INR 7.3bn led by healthy growth across key markets. RoW markets grew 3% YoY (6.4% QoQ) to INR 7.5bn. Management sees global sales of Ryaltris at USD 80mn in FY25.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	1,18,131	1,34,344	1,48,657	1,65,258
EBITDA	11,953	23,892	27,315	32,183
EBITDA Margin (%)	10.1	17.8	18.4	19.5
Net Profit	6,093	13,620	16,380	20,410
EPS (INR)	21.6	48.3	58.0	72.3
EPS % Chg YoY	(6.8)	123.5	20.3	24.6
P/E (x)	(20.4)	28.8	23.7	19.0
EV/EBITDA (x)	31.2	15.8	13.5	11.0
RoCE (%)	(723.0)	18.0	18.3	19.2
RoE (%)	7.0	16.1	16.8	17.8

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Market Data

Market Cap (INR)	388bn
Market Cap (USD)	4,462mn
Bloomberg Code	GNP IN
Reuters Code	GLEN.BO
52-week Range (INR)	1,831 /853
Free Float (%)	53.0
ADTV-3M (mn) (USD)	10.2

Price Performance (%)	3m	6m	12m
Absolute	(10.4)	(12.3)	57.5
Relative to Sensex	(8.4)	(6.7)	52.6

ESG Score	2023	2024	Change
ESG score	70.5	NA	NA
Environment	62.7	NA	NA
Social	62.1	NA	NA
Governance	78.7	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.5)	(0.5)
EBITDA	(2.6)	(3.1)
EPS	(5.3)	(6.0)

Previous Reports

18-11-2024: [Q2FY25 results review](#)

17-08-2024: [Q1FY25 results review](#)

Valuation and risks

Glenmark's US biz quarterly run-rate has been in the range of USD 88-94mn for the last 6 quarters. Regulatory issues at Monroe plant and lack of material new approvals from the USFDA have crippled growth in the US. In Q4FY25, it will launch in-licensed products and management anticipates approval for 44mcg of gFlovent in H1FY26 and approval for some more dosages to follow. Besides, it has 3 FTF products, for which it has received tentative approval and these would be launched in FY27-28. We believe US prospects of Glenmark may revive from H2FY26 and a timely approval of products from USFDA may lift US growth to ~14% in FY27E. It also plans to file Envafolelimab by FY25-end and will launch this product across markets in FY26. In India, Glenmark has launched liraglutide brand (GLP-1) Lirafit which has been well-accepted by the market; however, the company is facing a supply crunch and expects to ramp-up production from a CMO site in Q4FY25. Management is in early talks for out-licensing of ISB 2001 used for treatment of multiple myeloma and a decision on it will be taken in CY25. Proceeds from out-licensing deals will be used to fund R&D needs of IGI; from FY26, IGI may not have to rely on Glenmark to fund its R&D. At end of Q3FY25, the company had net debt of INR 1.1bn mainly due to higher working capital (inventory of INR 30.9bn) as against net cash balance of INR 2.6bn at the end of Q2FY25.

The stock currently trades at valuations of 28.6x FY25E and 23.7x FY26E earnings, and EV/EBITDA multiples of 16.2x FY25E and 13.8x FY26E, respectively. We cut revenue by ~1-2% and earnings by ~5-6% for FY25/26E. Enhanced free cash generation and maintaining a prudent balance sheet are essential avenues to be watched out in quarters ahead. On a low base, we expect 11.7%/38.7%/49% revenue/EBITDA/PAT CAGR over FY24-27E, with EBITDA margin at ~19.5% in FY27E. We maintain **REDUCE** with lower TP of INR 1,265 (earlier INR 1,345), based on 22x FY26E EPS (unchanged).

Key upside risks: Healthy launches, faster recovery in US.

Exhibit 1: Quarter review

Y/E Mar (INR mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY(%)
Net Sales	33,875	25,067	35.1	34,338	(1.3)	1,00,656	87,501	15.0
Gross Profit	23,033	14,744	56.2	23,637	(2.6)	68,012	53,323	27.5
Gross margins (%)	68.0	58.8	917.3	68.8	(84.4)	67.6	60.9	662.9
R&D	2,249	3,088	(27.2)	2,279	(1.3)	6,938	9,168	(24.3)
R&D (% of sales)	6.6	12.3	(568.0)	6.6	0.2	6.9	10.5	(358.5)
EBITDA	6,002	(1,924)	(411.9)	6,019	(0.3)	18,124	7,502	141.6
EBITDA Margins (%)	17.7	(7.7)	2540	17.5	18.9	18.0	8.6	943.2
Other Income	311	454	(31.5)	394	(21.0)	1,020	668	52.7
Interest	523	1,343	(61.1)	485	7.9	1,404	3,674	(61.8)
Depreciation	1,227	1,471	(16.5)	1,203	2.0	3,608	4,306	(16.2)
PBT	4,563	(4,285)	-	4,726	(3.4)	14,133	190	-
Tax	1,083	(718)	-	1,181	(8.3)	3,485	979	256.1
Tax Rate (%)	23.7	16.8	-	25.0	-	24.7	514.1	-
EO income	-	929	-	-	-	220	5,134	-
PAT (after Minority)	3,480	(4,701)	-	3,542	(1.8)	10,425	(6,563)	-
Adj. PAT	3,480	(2,991)	-	3,542	(1.8)	10,576	(3,021)	-
NPM (%)	10.3	(11.9)	-	10.3	(0.4)	10.5	(3.5)	-

Source: Company data, I-Sec research

Exhibit 2: Business mix

(INR mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% YoY	% QoQ
Formulations	28,388	30,591	29,886	30,136	32,086	23,991	30,594	32,435	34,137	33,238	38.5	(2.6)
US	7,533	8,373	8,628	8,183	7,498	7,705	7,557	7,808	7,405	7,813	1.4	5.5
India	10,916	10,745	8,316	10,693	11,252	2,658	9,391	11,962	12,817	10,637	300.2	(17.0)
RoW	6,154	6,541	6,864	5,528	7,339	7,271	7,528	5,708	7,041	7,491	3.0	6.4
EU	3,785	4,932	6,078	5,732	5,997	6,357	6,118	6,957	6,874	7,297	14.8	6.2
Total	28,388	30,591	29,886	30,136	32,086	23,991	30,594	32,435	34,137	33,238	38.5	(2.6)
US sales (USD)	95	102	104	98	91	93	91	94	88	93	(0.1)	4.6

Source: Company data, I-Sec research

Exhibit 3: Key growth drivers of domestic business in Q3FY25

Brands (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	MAT DEC'24	MAT DEC'23	YoY (%)
Telma	1,290	1,197	7.8	1,225	5.3	5,041	4,350	-13.7
Telma-H	960	904	6.2	935	2.7	3,866	3,277	-15.2
Telma-Am	921	770	19.5	914	0.7	3,703	2,925	-21.0
Ascoril-Ls	889	821	8.3	547	62.5	2,563	2,513	-1.9
Candid	438	338	29.4	673	-35.0	2,220	1,683	-24.2
Candid-B	441	383	15.1	479	-7.8	1,689	1,459	-13.6
Alex	397	432	-8.2	274	45.0	1,330	1,430	7.5
Ascoril +	377	413	-8.8	290	30.1	1,223	1,398	14.3
Ascoril D Plus	353	374	-5.7	273	29.5	1,140	1,226	7.5
Milibact	306	269	13.8	335	-8.7	1,126	988	-12.3

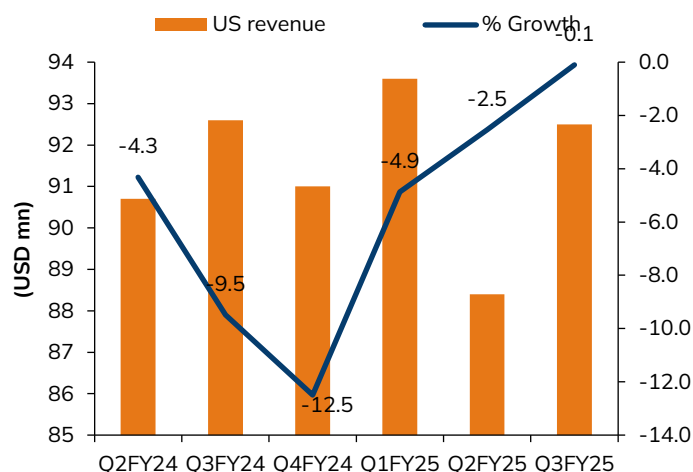
Source: IQVIA

Exhibit 4: Growth profile of key therapies in India

Therapies (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	MAT DEC'24	MAT DEC'23	YoY (%)
Cardiac	4,118	3,648	12.9	3,993	3.1	16,218	13,463	20.5
Derma	3,176	2,661	19.4	3,397	-6.5	12,363	10,632	16.3
Respiratory	3,177	3,086	2.9	2,367	34.2	10,255	10,206	0.5
Anti-Infectives	1,114	1,112	0.2	1,260	-11.6	4,397	3,964	10.9
Anti Diabetic	611	627	-2.5	634	-3.5	2,553	2,641	-3.3
Stomatologicals	173	158	9.4	175	-0.9	674	623	8.3
Ophthal / Otologicals	145	135	7.7	156	-7.0	514	463	10.9
Gynaec.	132	121	9.7	146	-9.3	512	462	10.7
Antineoplast / Immunomodulator	140	125	12.0	114	23.2	508	469	8.2
Gastro Intestinal	47	52	-8.8	68	-30.8	219	212	3.1

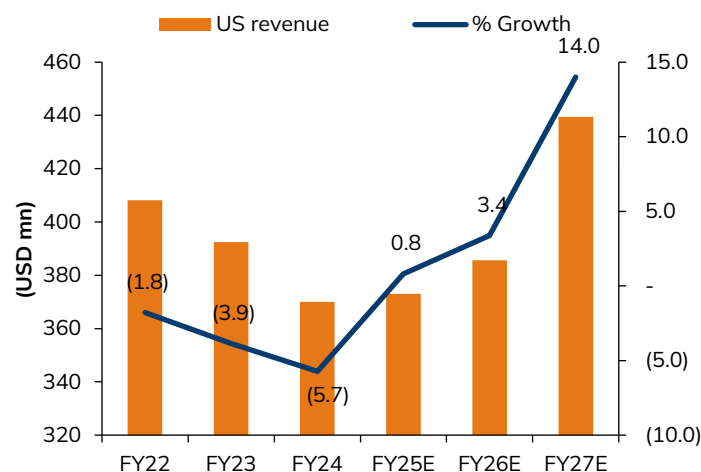
Source: IQVIA

Exhibit 5: Lack of new launches continue to drag US sales

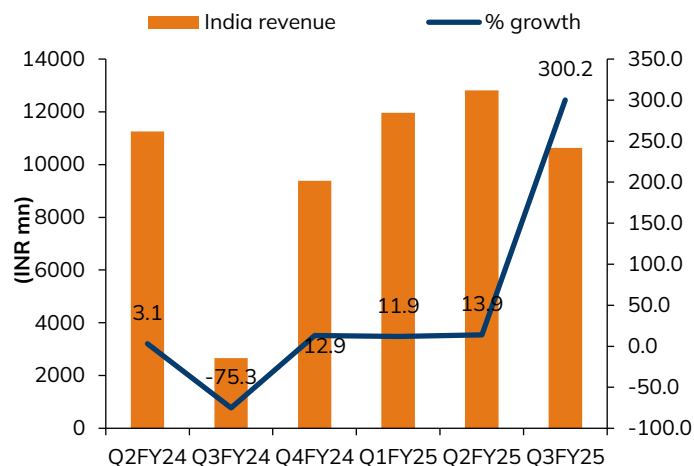


Source: Company data, I-Sec research

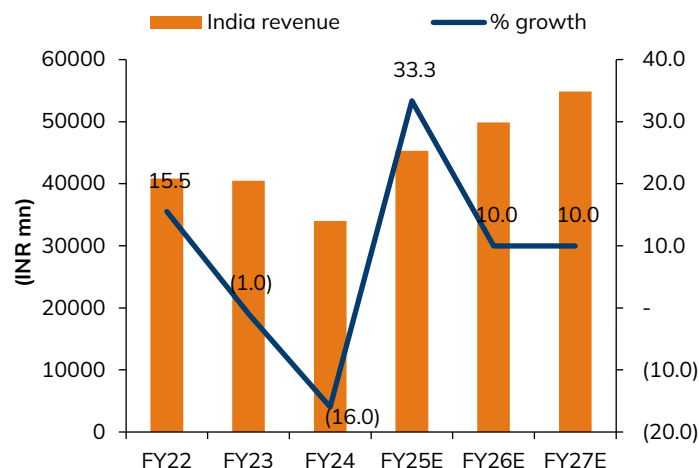
Exhibit 6: Niche launches to revive growth in US biz from FY26



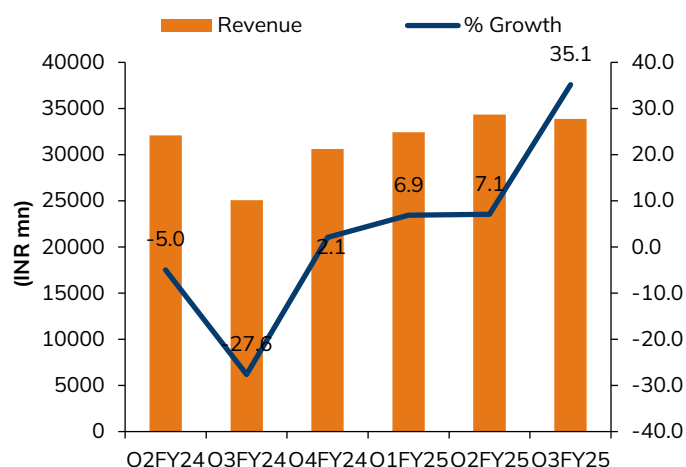
Source: Company data, I-Sec research

Exhibit 7: India biz grows faster on a low base


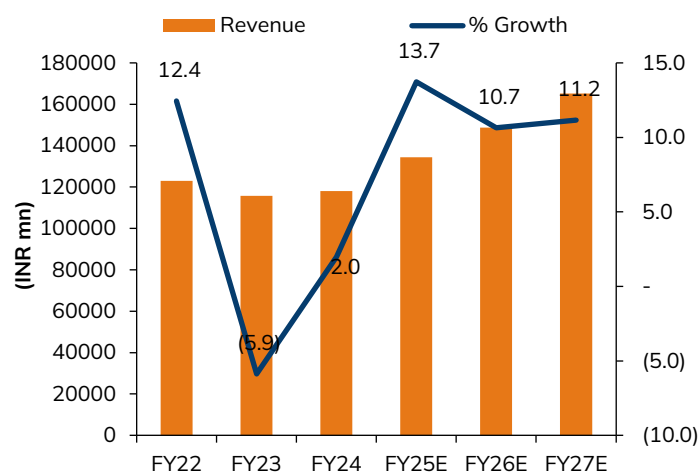
Source: Company data, I-Sec research

Exhibit 8: India biz expected to grow at 9-10% ahead


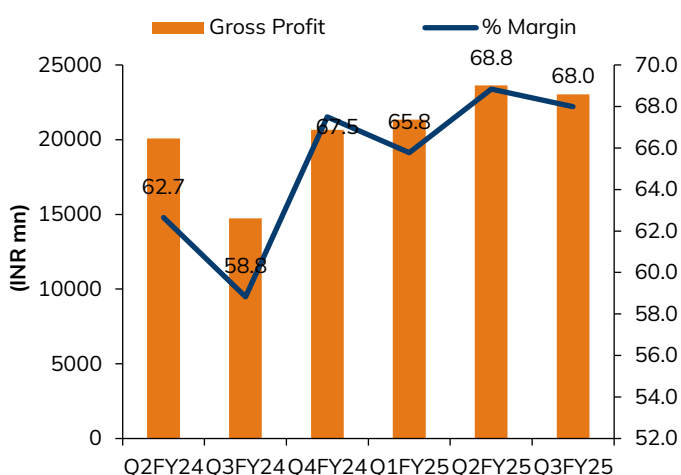
Source: Company data, I-Sec research

Exhibit 9: Revenue growth driven by India and Europe


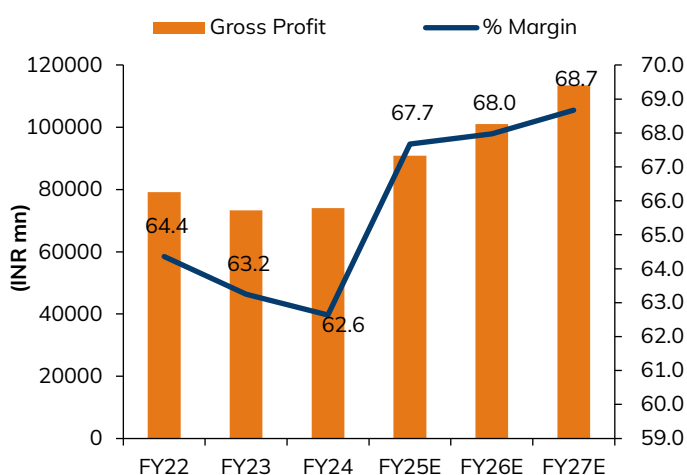
Source: Company data, I-Sec research

Exhibit 10: Better traction across India and US to drive 11.7% revenue CAGR over FY24-27E


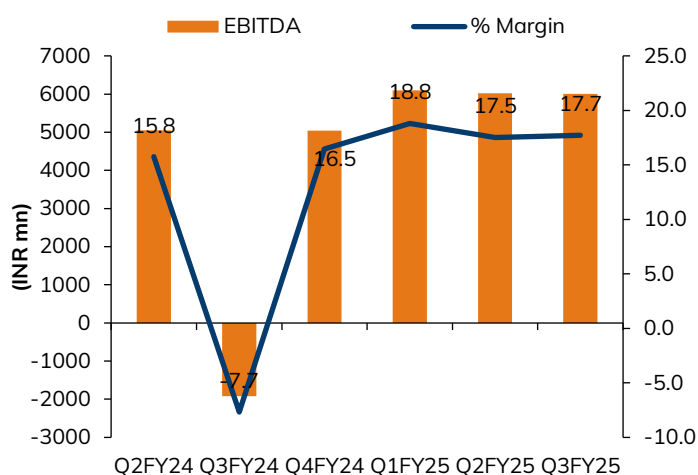
Source: Company data, I-Sec research

Exhibit 11: Better product mix boosting gross margin


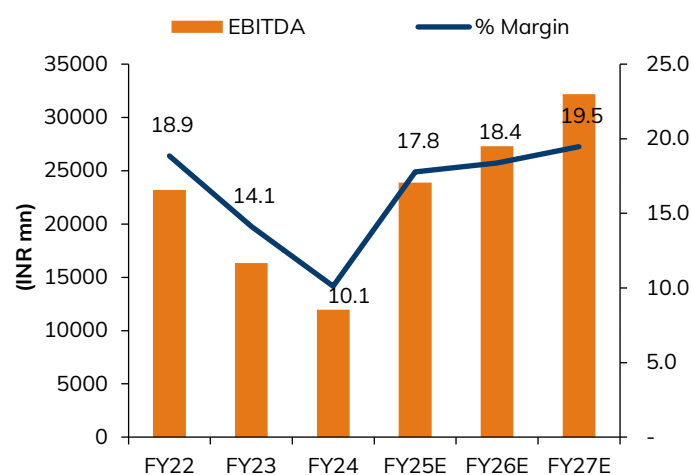
Source: Company data, I-Sec research

Exhibit 12: Gross margin to remain in 68-69% range ahead


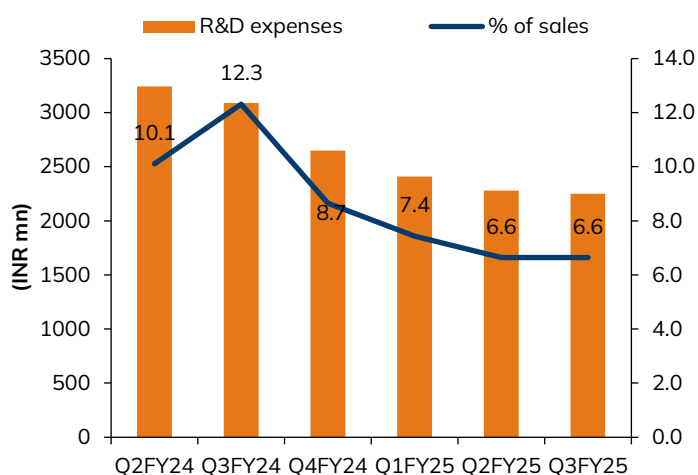
Source: Company data, I-Sec research

Exhibit 13: EBITDA margin stable QoQ at ~18%

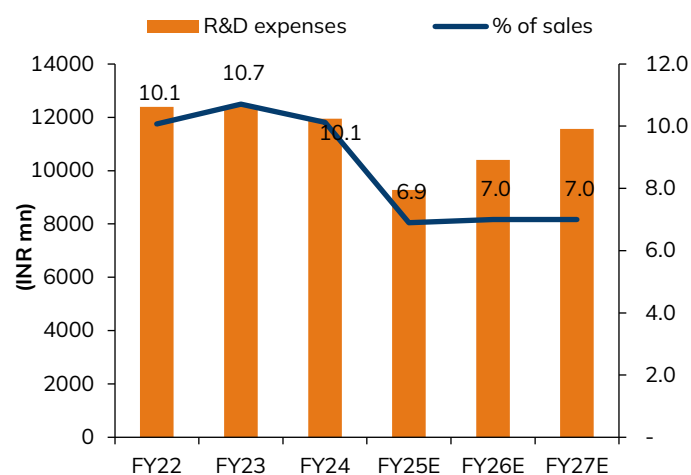
Source: Company data, I-Sec research

Exhibit 14: Operating leverage and lower R&D to drive EBITDA margin expansion ahead

Source: Company data, I-Sec research

Exhibit 15: R&D expenses reduced by 27.2% YoY

Source: Company data, I-Sec research

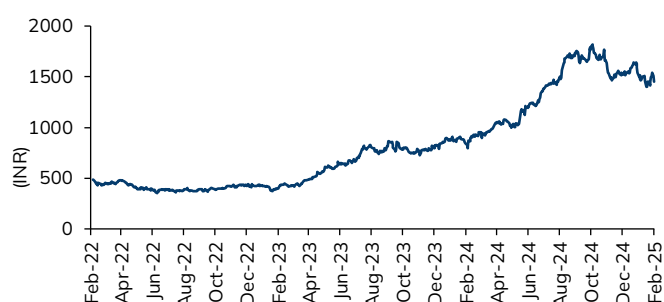
Exhibit 16: R&D spend likely to remain ~7% of sales

Source: Company data, I-Sec research

Exhibit 17: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	46.7	46.7	46.7
Institutional investors	35.0	36.3	37.4
MFs and others	10.9	11.4	12.1
FIs/Banks	0.1	1.1	1.3
Insurance	2.0	0.7	0.5
FIIIs	22.0	23.1	23.5
Others	18.3	17.1	16.0

Source: Bloomberg

Exhibit 18: Price chart

Source: Bloomberg

Financial Summary

Exhibit 19: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	1,18,131	1,34,344	1,48,657	1,65,258
Operating Expenses	1,06,178	1,10,452	1,21,342	1,33,075
EBITDA	11,953	23,892	27,315	32,183
EBITDA Margin (%)	10.1	17.8	18.4	19.5
Depreciation & Amortization	5,819	4,884	5,217	5,550
EBIT	6,134	19,009	22,098	26,633
Interest expenditure	5,160	1,942	1,942	1,942
Other Non-operating Income	8,400	1,358	1,982	2,894
Recurring PBT	9,375	18,425	22,139	27,585
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	18,673	4,733	5,756	7,172
PAT	(18,309)	13,472	16,383	20,413
Less: Minority Interest	681	4	3	3
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	(18,990)	13,468	16,380	20,410
Net Income (Adjusted)	6,093	13,620	16,380	20,410

Source Company data, I-Sec research

Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	74,281	90,087	1,08,368	1,31,462
of which cash & cash eqv.	16,595	11,760	21,696	35,111
Total Current Liabilities & Provisions	48,280	53,627	58,347	63,822
Net Current Assets	26,001	36,460	50,020	67,640
Investments	7,897	7,897	7,897	7,897
Net Fixed Assets	29,191	30,008	30,632	31,061
ROU Assets	1,991	2,089	2,163	2,215
Capital Work-in-Progress	6,619	6,619	6,619	6,619
Total Intangible Assets	10,920	12,121	13,205	14,174
Other assets	2,191	2,492	2,757	3,065
Deferred Tax Assets	10,497	10,497	10,497	10,497
Total Assets	95,306	1,08,182	1,23,791	1,43,168
Liabilities				
Borrowings	9,906	9,906	9,906	9,906
Deferred Tax Liability	3	3	3	3
provisions	-	-	-	-
other Liabilities	6,922	7,872	8,710	9,683
Equity Share Capital	282	282	282	282
Reserves & Surplus	78,197	90,119	1,04,887	1,23,288
Total Net Worth	78,479	90,401	1,05,169	1,23,570
Minority Interest	(4)	-	3	6
Total Liabilities	95,306	1,08,182	1,23,791	1,43,168

Source Company data, I-Sec research

Exhibit 21: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	41,775	4,515	18,507	21,472
Working Capital Changes	(40,977)	14,644	3,051	3,539
Capital Commitments	(11,575)	7,000	7,000	7,000
Free Cashflow	53,350	(2,485)	11,507	14,472
Other investing cashflow	7,451	-	-	-
Cashflow from Investing Activities	4,124	(7,000)	(7,000)	(7,000)
Issue of Share Capital	0	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(33,571)	-	-	-
Dividend paid	(1,178)	(1,326)	(1,612)	(2,009)
Others	2,851	(804)	41	953
Cash flow from Financing Activities	(31,898)	(2,129)	(1,571)	(1,056)
Chg. in Cash & Bank balance	14,001	(4,614)	9,936	13,415
Closing cash & balance	25,604	11,980	21,696	35,111

Source Company data, I-Sec research

Exhibit 22: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	(67.3)	47.7	58.0	72.3
Adjusted EPS (Diluted)	21.6	48.3	58.0	72.3
Cash EPS	42.2	65.6	76.5	92.0
Dividend per share (DPS)	4.2	4.7	5.7	7.1
Book Value per share (BV)	278.1	320.4	372.7	437.9
Dividend Payout (%)	-	9.8	9.8	9.8
Growth (%)				
Net Sales	2.0	13.7	10.7	11.2
EBITDA	(26.9)	99.9	14.3	17.8
EPS (INR)	(6.8)	123.5	20.3	24.6
Valuation Ratios (x)				
P/E	(20.4)	28.8	23.7	19.0
P/CEPS	32.5	21.0	18.0	14.9
P/BV	4.9	4.3	3.7	3.1
EV / EBITDA	31.2	15.8	13.5	11.0
P / Sales	3.3	2.9	2.6	2.3
Dividend Yield (%)	0.3	0.3	0.4	0.5
Operating Ratios				
Gross Profit Margins (%)	62.6	67.7	68.0	68.7
EBITDA Margins (%)	10.1	17.8	18.4	19.5
Effective Tax Rate (%)	5,116.7	26.0	26.0	26.0
Net Profit Margins (%)	5.2	10.1	11.0	12.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(1.2)	(0.4)	(0.7)	(1.0)
Profitability Ratios				
RoCE (%)	(723.0)	18.0	18.3	19.2
RoE (%)	7.0	16.1	16.8	17.8
RoIC (%)	9.0	25.8	29.1	33.6
Fixed Asset Turnover (x)	4.1	4.5	4.9	5.4
Inventory Turnover Days	78	83	82	82
Receivables Days	58	98	97	97
Payables Days	79	83	82	82

Source Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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