

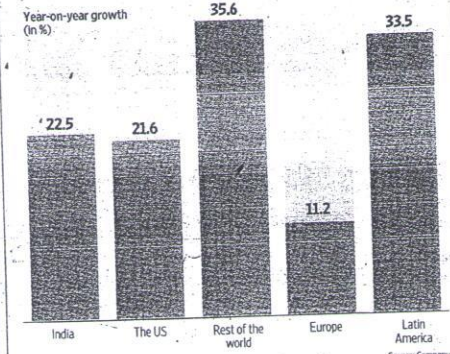
MARK TO MARKET

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We welcome your comments at marktomarket@livemint.com

GROWTH PATTERN

Glenmark Pharma reported healthy sales growth in most markets in the March quarter.



Source: Company
Navneet Kumar Saini/Mint

Glenmark Pharma: A lot riding on US market in fiscal 2017

Glenmark Pharmaceuticals Ltd expects its FY17 sales to increase by 25%, with a fair share of the increase contributed by the forthcoming launch of a generic product in the US market. It is preparing to launch the generic version of cholesterol-lowering drug Zetia, where it will be the sole generic for six months.

Although Glenmark gave a sales forecast, it refrained from giving guidance on the Ebitda front. Ebitda stands for earnings before interest, taxes, depreciation and amortization. The reason for not giving an Ebitda forecast, its management said on a conference call, is the inability to predict certain variables. The company is facing currency-related volatility in emerging markets and also pricing pressure in the valuable US market. In fact, pricing pressure is one reason why gross profit margin declined in the March quarter, sequentially. Gross profit margin is calculated by deducting material cost from sales and dividing by sales.

Overall, its sales rose by 30.5%, over a year ago, in the March quarter, but expenses rose by more than that, lowering Ebitda growth to 7.2%. As a result, its margin declined by 2.8 percentage points from a year ago and by 7.7 percentage points sequentially. Full-year operating profit rose by 17%. Profit before tax and one-time items rose by 5.7% over a year ago.

These results don't look too

impressive but investors will be looking forward to what happens in FY17. It did get a bunch of approvals in the US market in the last quarter. So, a lot depends on how its product mix changes and if all goes to plan, then margins can improve significantly, the company said. The US market contributes to one-third of sales but would be accounting for a much larger share of profits.

Another key market is India, which contributes to 28% of sales. Here, the first quarter may see the industry's sales get affected by the incremental effect of the new price controls and the ban on certain fixed-dose combination drugs. Glenmark has posted good growth in India in the fourth quarter, however. In Latin America, too, growth rates have been good, as also in the rest of the world markets (chiefly Africa, Asia and the Commonwealth of Independent States). Currencies were on its side in the fourth quarter but these can also turn against it. That's one risk to watch for.

Glenmark's share rose after its fourth-quarter results. The strong sales growth in the fourth quarter and its confident sales guidance for FY17 are favourable indicators. Headwinds are likely if pricing pressure increases in the US market and if the pace of new product launches is slower than expected. The launch of generic Zetia is expected but when it happens, it will still be a big box that gets ticked.

Company