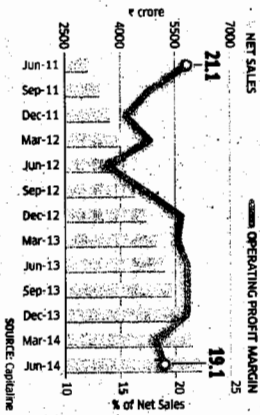


Glenmark may be the Dark Horse in Domestic Pharma

Diverse geographies, R&D and a strong presence in fast-growing segments give co the edge

A Promising Future

Glenmark Pharma's Consolidated Financials
 (On a trailing four quarter's basis)



SOURCE: Capitaline

PROS

- Most diversified portfolios of markets outside India
- Strong franchises in several key emerging markets across Russia/CIS, South America and Africa
- Limited exposure to drugs under price control list
- A few limited-competition launches lined up for 2015-16 and 2016-17
- A rich pipeline of 75 products awaiting approval
- Exclusive marketing rights for 31 of the products covered under the para IV patent certifications in the US

CONS

- Slowed growth in its business in the US
- Increase in research and development or R&D spend
- No prospects of major debt reduction
- Suspension of research on one of its Chemical entities
- Delay in new product approvals likely to adversely impact its immediate business in the US

Kritika Samyashni
 @timesgroup.com

RT Intelligence Group: Glenmark Pharmaceuticals may not have a very promising outlook in the near term but most analysts are bullish on its prospects in the medium-to-long term, making India's eighth largest drugmaker a likely dark horse in the sector.

A muted growth outlook for the current fiscal on account of subdued growth in its business in the United States, increase in research and development or R&D spend, no prospects of major debt reduction and suspension of research on one of its chemical entities had built up a negative sentiment for the company's stock. However, analysts say it may be too early to dismiss the company's long-term prospects.

The company has among the most diversified portfolios of markets outside India, with a particularly strong presence in the domestic and emerging markets. The delay in new product approvals is likely to adversely impact its immediate business in the US. However, it has a few limited competition launches lined up for 2015-16 and 2016-17. The drug maker has a rich pipeline of 75 products awaiting approval. It has exclusive marketing rights for 31 of these, which are covered under the so-called para IV patent certifications in the US.

Add to this, it has a promising pipeline of molecules under innovative R&D and high expenditure on R&D. At a time when most pharmaceuticals are shutting down their drug discovery units, Glenmark is investing serious money in R&D. The company spends nearly 10% of its revenues on R&D, of which 40-45% is spent on innovative research. It has been able to monetise its R&D efforts time and again, leading support to its stock in the past. It has six molecules under various stages of development.

According to Harish Ahamed and Mohan Sarat of Spark Capital, Glenmark has the most diversified geographical mix among Indian pharmaceutical companies.

Over the years, the company has built strong franchises in several key emerging markets across Russia/CIS, South America and Africa. Glenmark's fast-growing domestic formulations business is its key strength. With a strong presence in the fast-growing segments such as dermatology and limited exposure to drugs under price control list, Glenmark is expected to outpace domestic market growth.

The company's management has guided for 16-18% growth in the base business revenues in 2014-15. Analysts expect the base business to grow at a similar CAGR between FY14 and FY16. The EBITDA margins are likely to be maintained at about 22% during this period. Glenmark Pharma's stock has been an underperformer over the past one year, gaining 38% while the ET Pharma Index went up 53%. Analysts expect the stock to outperform over the next couple of years.

Company