Date: 18/08/2020
Company: Glenmark Pharmaceuticals Ltd.
Industry: Pharmaceuticals

Result Snapshot

Amt. in Rs. Crs.	Q1FY21	Q4FY20	Q-o-Q(%)	Q1FY20	Y-o-Y(%)
Revenue	2344.79	2767.49	-15.3%	2322.88	0.9%
Other Income	58.51	44.15		1.70	
Total Income	2403.30	2811.63	-14.5%	2324.58	3.4%
EBITDA	478.07	465.69	2.7%	341.91	39.8%
EBIDTA (%)	20.4%	16.8%		14.7%	
EBIT	364.85	339.41	7.5%	251.18	45.3%
Exceptional Item	27.99	32.88			
PBT	357.61	317.96	12.5%	159.87	123.7%
PAT	254.04	220.31	15.3%	109.31	132.4%
PAT%	10.8%	8.0%		4.7%	

Result / Con-call Highlights:

1) Result Update:

Glenmark Pharmaceuticals Ltd. reported flattish revenue of Rs. 2344.79 cr up 0.9% Y-o-Y basis. The company reported EBITDA of Rs. 478.07 cr up 39.8% Y-o-Y basis with EBITDA margins of 20.4% for the quarter ended June, 2020. EBITDA margins improved 570 bps mainly on account of cost control measures on all front. Glenmark reported PAT of Rs. 254.04 cr for the quarter against profit of Rs. 109.31 cr reported same period last year.

Revenue Split (Rs. Cr.)	Q1 FY21	Q1 FY20	Y-o-Y Growth %
India	779.90	752.22	3.7%
North America	742.64	730.89	1.6%
ROW	212.02	258.73	-18.1%
Europe	273.87	242.85	12.8%
Latin America	65.80	81.12	-18.9%
API	234.83	230.60	1.8%
Other Revenue	35.73	26.46	35.0%
Consolidated Revenue	2344.79	2322.88	0.9%

2) Conference Call Highlight:

India (33% contribution to revenue of Q1 FY21): The domestic business caters to therapy areas of dermatology, diabetes, respiratory and cardiology. The Cardiac segment market share increased from 4.57% to 4.73%; the Respiratory segment market share rose from 4.82% to 5.16%; the Anti-diabetic segment market share increased from 1.62% to 1.84% while the Dermatology segment lost market share from 9.06% to 8.82%. Glenmark's India business continues to do well as it recorded a growth of 5.5% compared to IPM (Indian Pharmaceutical Market) de-growth of 1.8% as per IQVIA MAT June, 2020. Indian business will continue to do

Result / Con-call Highlights: (Continued)

well on back of new products such as FabiFlu (used for treatment of mild and moderate Covid-19 patient) and Remogliflozin (patent protected inhibitor for type 2 diabetes) which have seen good response in the market.

India – Glenmark Consumer Care Business: As of 25th June, 2020 the company has completed the divestment of VWash brand to HUL receiving upfront payment and a certain percentage of sales for 3 years. The consumer care business was impacted due to Covid-19 showing a 15% degrowth to Rs. 31.08 cr revenue excluding the VWash sales. Even though consumer business forms a small part of the domestic business it is a fast growing segment which could boost company's profitability in future.

North America (32% contribution to revenue of Q1 FY21): As of June, 2020 Glenmark's portfolio for USA consists of 164 generic products and has 44 applications pending in various stages of approvals. The management has indicated growth in this segment Q2 onwards with ~8-10 new launches targeted this year. Company's dependence on dermatology has substantially reduced with management indicating stabilisation of price erosion. Dermatology now contributes ~25% of the North America revenue compared to ~40 – 45% in FY19.

As part of its investigation into various generic pharmaceutical companies regarding antitrust violations, the United States Department of Justice filed an indictment in the United States District Court for the Eastern District of Pennsylvania, which charges the Company with one count of conspiracy to restrain trade. The indictment asserts that Glenmark engaged in a conspiracy to suppress and eliminate competition by agreeing to increase and maintain prices of pravastatin and other generic drugs sold in the United States. Management seems ascertain to defend against these charges in USA.

GPL Specialty/Innovative R&D Pipeline

Ryaltris: Ryaltris is a novel fixed-dose combination nasal spray of an anti-histamine and a steroid, indicated for the treatment of symptoms associated with seasonal allergic rhinitis (SAR). So far Glenmark has received approval for Ryaltris in Australia, South Korea, Cambodia, Ukraine, Uzbekistan, Namibia and South Africa. The company has already filed an application for Ryaltris approval in the European Union, Canada, Russia and several emerging markets. The management is expecting approval from the European Union to come in H2 FY21 whereas US FDA approval has been pushed to H2 FY22. This product should start contributing fairly starting next financial year while becoming substantial contributor to the topline over 4 – 5 year period.

ICHNOS Sciences: Glenmark is pursuing stake sale for its NCE – New Biological Entities business (hived off into a new entity - ICHNOS Sciences). In Q1 FY21 the company has invested Rs. 173.47 cr whereas in FY20 it has invested Rs. 819.3 cr. The core focus of ICHNOS Sciences is on oncology assets. Glenmark has engaged an investment bank for advisory services in financing that is planned in the second half of fiscal year 2021. A potential deal is largely contingent on the quality of clinical data emerging from its Phase 2b drug candidate – ISB 830. Recruitment in Part 2 of the Phase 2b ISB 830 Atopic Dermatitis study has been completed, and results are expected in Q4 of 2020.

3) Outlook:

The management is confident of achieving revival in growth Q2 onwards in all the geographies the company operates in. However, large investments in riskier bets of ICHNOS Sciences have restricted free cash flow generations. Reduction in debt along with growth in topline would further strengthen company's balance sheet. As the company trades at a fair valuation of 14.7x TTM earnings we opine investors to HOLD with re-rating on cards if capital raising activity in ICHNOS Science goes through.

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