

BSE SENSEX 78,553 S&P CNX 23,852



Stock Info

Bloomberg	GNP IN
Equity Shares (m)	282
M.Cap.(INRb)/(USDb)	378.8 / 4.4
52-Week Range (INR)	1831 / 985
1, 6, 12 Rel. Per (%)	-12/-19/19
12M Avg Val (INR M)	1198
Free float (%)	53.4

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	133.9	147.7	164.4
EBITDA	24.0	28.9	33.0
Adj. PAT	14.0	17.1	20.1
EBIT Margin (%)	14.3	16.1	16.8
Adj EPS (INR)	49.7	60.7	71.1
EPS Gr. (%)	125.9	22.0	17.1
BV/Sh. (INR)	324.2	384.9	456.0

Ratios

Net D-E	0.0	-0.1	-0.2
RoE (%)	16.5	17.1	16.9
RoCE (%)	18.3	17.5	17.2
Payout (%)	8.1	0.0	0.0

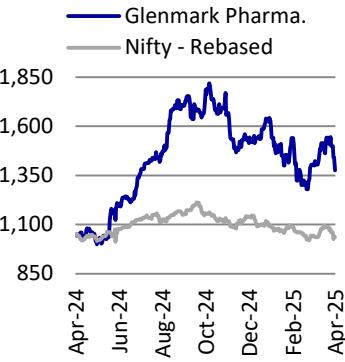
Valuations

P/E (x)	26.9	22.0	18.8
EV/EBITDA (x)	15.8	12.7	10.7
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	-1.9	3.4	3.6
EV/Sales (x)	2.8	2.5	2.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	46.7	46.7	46.7
DII	13.9	13.3	11.0
FII	23.5	23.1	23.7
Others	16.0	17.1	18.7

Stock's performance (one-year)



CMP:INR1,342

TP: 1,690 (+26%)

Buy

Broad-based strategies underpinning growth outlook

We recently interacted with the management of Glenmark Pharma (GNP) to gain a deeper understanding of the company's business segments.

- GNP is actively working to expand its pipeline by adding respiratory products to drive growth in the US market. It has filed three ANDA and is in the process of filing three more in the respiratory space over the next 12-15M.
- Following course correction through a change in the distribution model in 3QFY24, GNP has revived growth prospects in the Domestic Formulation (DF) market through new launches, market share gains, and superior execution in the prescription (Rx) and OTC segments.
- GNP's innovation portfolio is progressing well for clinical trials. Specifically, ISB 2001 serves as a potential candidate for out-licensing.
- With strategic initiatives implemented across business segments, we expect 11%/17%/20% sales/EBITDA/PAT CAGR over FY25-27, reaching INR164b/INR33b/INR20b. The niche pipeline in the US, continued focus on chronic therapies/OTC in the DF segment, and promising clinical progress of ISB 2001 bode well for growth prospects over the next two to three years. Reiterate **BUY** with the price target of INR1,690 (24x 12m forward earnings).

Key highlights from the management meet

US – Expanding a limited-competition respiratory pipeline for the US market

- Amid mid-to-high single-digit price erosion at the industry level, US generics sales have seen a slight decline over FY21-24/9MFY25 to USD381m/USD274m. Notably, GNP has experienced low single-digit price erosion, reflecting a robust US portfolio—despite limited approvals owing to regulatory issues at certain manufacturing sites.
- GNP is focused on building a respiratory portfolio for the US generics market. As of 3QFY25, the company has addressed all queries of USFDA regarding one strength of g-Flovent. It also plans to file two additional strengths of g-Flovent, and an additional MDI product. The MDI product accounts for a decent market size of USD200m and is expected to face limited competition.
- It has three FTFs, which could support growth in the US generics segment over FY27-29.
- Respiratory products are expected to be manufactured at GNP's Aurangabad site. This site was inspected in Sep'24 and was issued a Form 483 with zero observations. The site has also been classified as No Action Indicated (NAI), implying minimal regulatory risk for the respiratory portfolio.
- GNP is actively working toward resolving regulatory issues at its Monroe and Goa facilities, both of which are currently under warning letters. The Goa site has around five to seven ANDAs pending for approval.

- At the Monroe facility, GNP has implemented remediation measures to resolve regulatory issues and is currently awaiting further feedback from the USFDA. The company plans to manufacture injectable products at this site, making USFDA compliance crucial for unlocking a new growth lever in the US market. GNP incurs about USD25m (1.5% of sales) in operational costs at the Monroe facility while generating no revenue from this site.
- Overall, we expect an 11% sales CAGR over FY25-27, with revenue in the US generics market projected to reach USD450m.

DF – Enhanced measures to drive growth in the Rx and OTC segments

- GNP has delivered strong growth in the Sartans category within the cardiac therapy segment of its DF business. It witnessed a 17.9% YoY growth over Feb'24-Feb'25 in the Telmisartan portfolio, compared to 13.9% YoY growth at the industry level.
- Likewise, GNP recorded 17.6% YoY growth in dermatology for 9MFY25, compared to the industry YoY growth of 9.6%. This was led by strong brand recall (Candid, Lulican) and multiple line extensions, which enabled greater market share gains.
- In addition to the base portfolio, GNP has introduced niche products like Lirafit in the diabetes therapy segment. The company is generating INR100m on an annualized basis. Notably, the traction gained from this product is helping the company gain access to doctors treating obesity/diabetes, thereby positioning it well for major launches like semaglutide in the DF market.
- Moreover, GNP is well-positioned to leverage the semaglutide opportunity and other GLP1 products. The company anticipates being among the first wave of players to launch GLP1 in the Indian market and is already collaborating with a partner to establish manufacturing capabilities for Semaglutide.
- GNP is also focusing on oncology-related specialized products, with planned launches in the coming months to support future growth.
- GNP is in the process of obtaining approval for cancer products (Tislelizumab and Zanubrutinib) in-licensed from Beigene. It expects to launch the products in next the 3-4M.
- GNP has in-licensed envafolimab from Jiangsu Alphamab Biopharma. The product has been approved in China as the global-first subcutaneous injection PD-L1 inhibitor for the treatment of adult patients with previously treated microsatellite instability-high (MSI-H) or deficient MisMatch Repair (dMMR) advanced solid tumors.
- GNP expects to sustain 15-20 product launches annually in the Rx segment of its DF business.
- GNP's efforts have led to faster growth in the OTC segment (7-8% of DF revenue) compared to the Rx segment. Brands like Candid, Scalpe, and La Shield have driven robust growth in the OTC segment, and GNP intends to add more brands/products in this segment over the next one to two years.
- Considering the GLP-1 opportunity and the scale-up of the OTC business, we expect a 13% sales CAGR, with revenue reaching INR58b over FY25-27.

Innovation assets – Out-licensing opportunity for ISB-2001

- GNP is building an innovation portfolio in the oncology/immunology segments.
- Following the completion of the dose escalation (dose optimization) study for ISB-2001, GNP is now working on a dose expansion study (part B of phase I). Given the promising clinical outcomes of this molecule, the company is actively evaluating out-licensing opportunities for this product.
- Further, GNP is on track to optimize R&D spending on its innovation assets. From 8% (INR8b) of total sales in FY19, the company has reduced innovation R&D spend to 4.5% (INR6b) in FY24 and further to 3.5% of sales in 9MFY25.
- GNP's continued efforts toward cost optimization in innovation R&D are expected to support improved profitability going forward.

Europe/ROW markets – Focus on expanding branded portfolio across markets

- After nearly doubling its sales in Europe over FY19-24, GNP is now introducing new growth levers to sustain its momentum. It has delivered 17% YoY growth, reaching INR21b in 9MFY25. Additionally, its share of branded generics has reached 30% in 9MFY25 vs 20% in FY19.
- GNP is awaiting approval for four respiratory products, which are planned for launch in the EU market.
- As part of its strategy to expand the branded generics portfolio, GNP plans to add dermatology as a therapy with the launch of Winlevi in FY26. It has already received approval from UKMHRA for this product.
- While GNP delivered a healthy 13% YoY growth in ROW markets over FY22-24, sales remained stable in 9MFY25. Secondary sales growth in key markets of Russia, LATAM, MEA, and APAC has remained robust for 9MFY25. However, currency headwinds have impacted GNP's performance in INR terms.
- We expect 13%/5% sales CAGR over FY25-27 in the EU/ROW market for GNP, reaching INR36b/INR31b.

Valuation and view

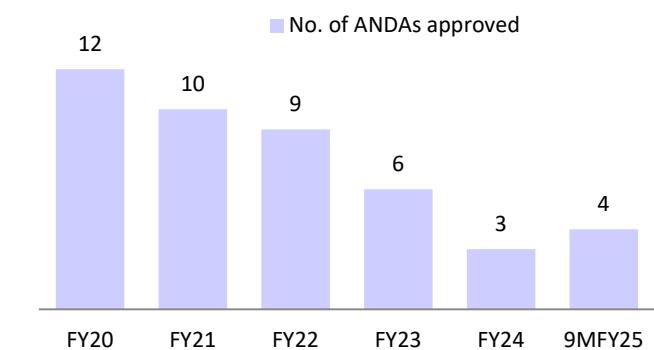
- GNP has implemented steps to: a) reduce financial leverage through API asset monetization, b) optimize R&D spending on innovation assets, c) enhance the US generics pipeline through the development of niche products, d) outperform the industry in Rx, and e) scale the OTC business in India.
- Accordingly, we build 11%/17%/20% sales/EBITDA/PAT CAGR over FY25-27 to INR164b/INR33b/INR20b.
- GNP is trading at 23x/19x FY26/FY27 earnings. Considering the growth potential and valuation, we reiterate BUY on the stock.

Exhibit 1: USFDA inspection snapshot

Inspection Facility	Inspection End Date	Classification
Aurangabad	Sep-24	NAI
	Dec-23	NAI
	Feb-20	NAI
Dhar	Feb-20	NAI
Goa	May-22	OAI
Monroe	May-22	OAI
Navi Mumbai	Sep-23	NAI
	Aug-22	NAI
	Jan-20	NAI
Solan	Jun-22	OAI

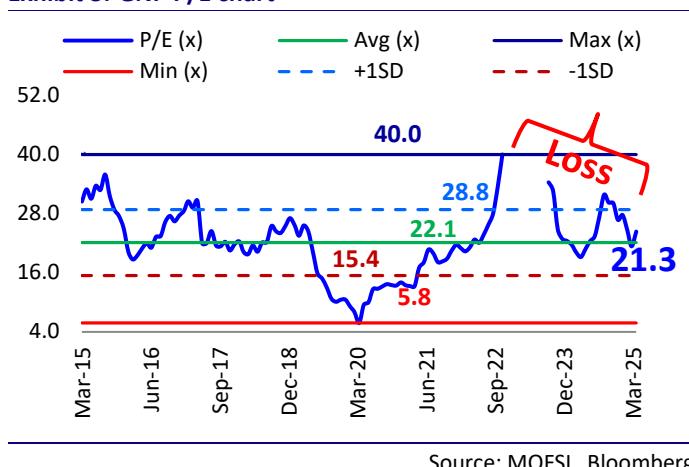
Source: USFDA, MOFSL, Company

Exhibit 2: Regulatory issues affected approval pace



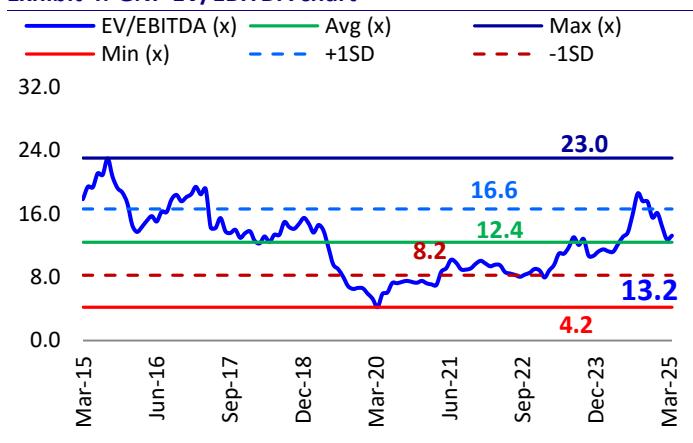
Source: MOFSL, Company

Exhibit 3: GNP P/E chart



Source: MOFSL, Bloomberg

Exhibit 4: GNP EV/EBITDA chart



Source: MOFSL, Bloomberg

Glenmark Pharma

GNP's secondary sales grew 13.5% YoY in Mar'25 vs. 8.1% YoY in Feb'25. While Candid/ Telma-Franchise registered double-digit growth in Mar'25, this was partially offset by a stable performance from Alex.

Growth in Mar'25 was driven by Cardiac/Derma/Respiratory segments, partially offset by a decline in Anti-diabetic/Stomatology.

Overall performance was spread across price hike/volume growth on a MAT basis.

Exhibit 5: Top 10 drugs

Drug	Therapy	MAT Mar'25		Growth (%)	
		Value (INR m)	Growth (%)	Market share (%)	Last 3M
Total		49,663	11.7	100.0	10.2
Telma	Cardiac	5,201	12.4	40.2	12.4
Telma-H	Cardiac	3,977	13.5	41.0	11.2
Telma-Am	Cardiac	3,781	20.1	30.7	8.3
Ascoril-Ls	Respiratory	2,658	7.8	25.8	13.0
Candid	Derma	2,353	37.4	63.7	38.3
Candid-B	Derma	1,698	11.3	83.5	2.3
Alex	Respiratory	1,302	-7.6	5.3	-6.6
Ascoril +	Respiratory	1,235	-6.0	5.2	3.3
Milibact	Anti-Infectives	1,177	16.4	10.2	23.5
Ascoril D Plus	Respiratory	1136	-4.3	4.8	-1.4

*Three months: Dec-Feb'25

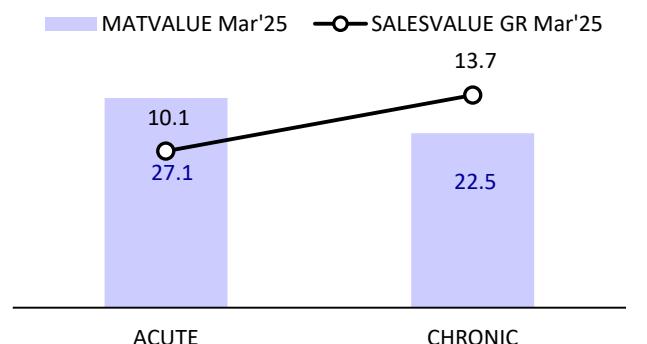
Source: IQVIA, MOFSL

Exhibit 6: Therapy mix (%)

	Share	MAT growth (%)	3M*	Mar'25
Total	100.0	11.7	10.2	13.5
Cardiac	33.6	16.2	11.7	15.9
Derma	25.8	17.7	16.3	17.1
Respiratory	21.2	4.5	8.8	12.0
Anti-Infectives	9.0	9.3	5.9	15.8
Anti Diabetic	5.0	-3.4	-9.7	-7.7
Stomatologicals	1.4	8.0	2.1	-4.8

Source: IQVIA, MOFSL

Exhibit 7: Acute vs. Chronic (MAT growth)



Source: IQVIA, MOFSL

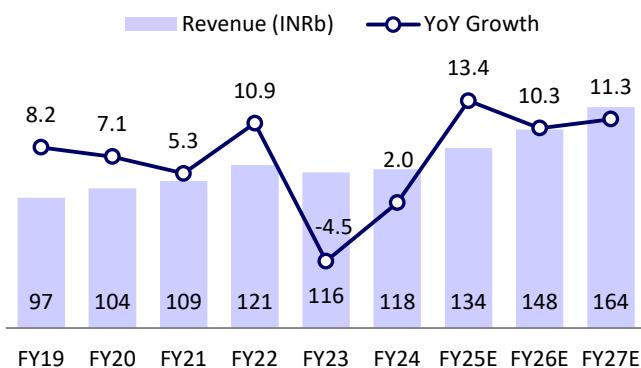
Exhibit 8: Growth distribution (%) (MAT Mar'25)



Source: IQVIA, MOFSL

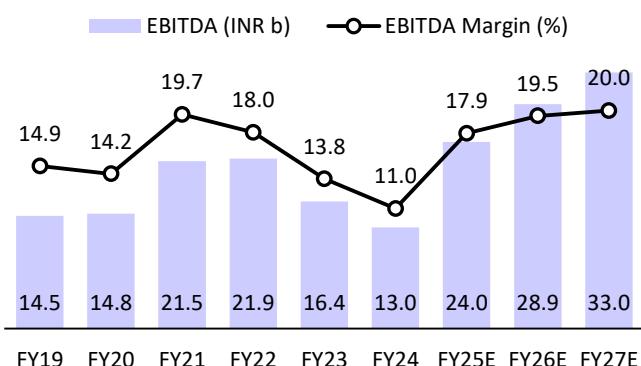
Story in charts

Exhibit 9: Expect sales CAGR of 11% over FY25-27



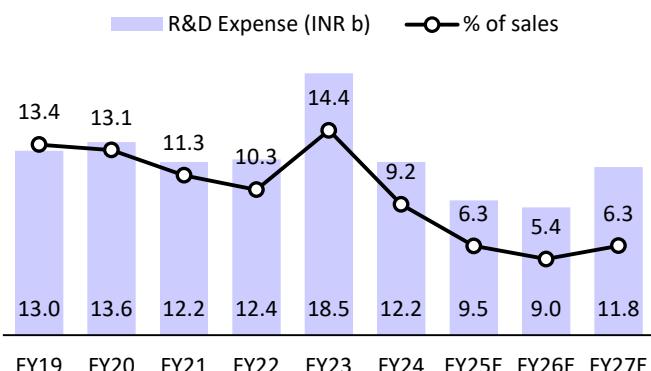
Source: Company, MOFSL

Exhibit 10: EBITDA margin to expand 210bp over FY25-27



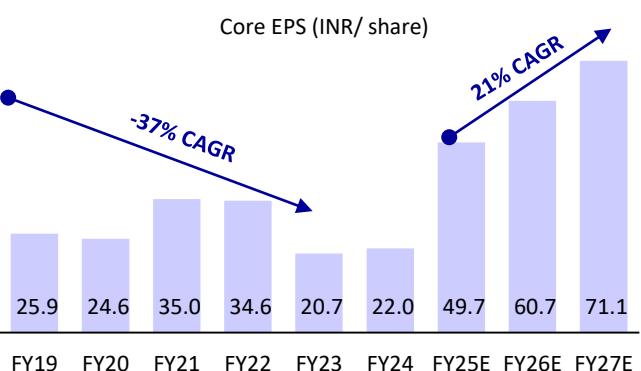
Source: Company, MOFSL

Exhibit 11: R&D spending as a percentage of sales to remain stable over FY25-27



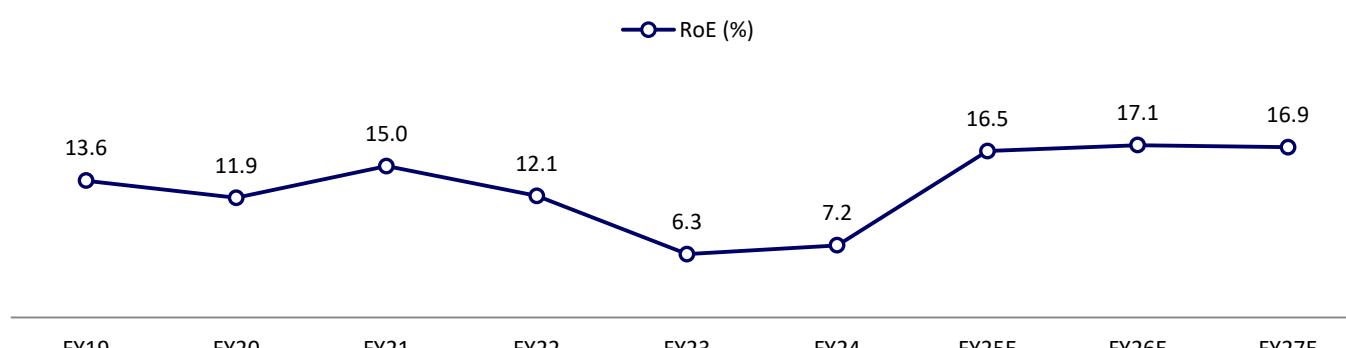
Source: Company, MOFSL

Exhibit 12: Low base to drive strong EPS growth over FY25-27



Source: Company, MOFSL

Exhibit 13: ROE to remain stable over FY25-27



Note: Above charts exclude the GLS consolidation

Source: Company, MOFSL

Financials and valuations

Income Statement							(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,09,439	1,21,339	1,15,832	1,18,131	1,33,929	1,47,736	1,64,449
Change (%)	5.3	10.9	-4.5	2.0	13.4	10.3	11.3
EBITDA	21,544	21,881	16,350	13,025	24,040	28,874	32,956
Change (%)	45.6	1.6	-25.3	-20.3	84.6	20.1	14.1
Margin (%)	19.7	18.0	14.1	11.0	17.9	19.5	20.0
Depreciation	4,436	4,867	5,692	5,819	4,859	5,083	5,398
EBIT	17,108	17,014	10,658	7,206	19,181	23,791	27,558
Interest	3,531	2,981	3,490	5,160	1,882	396	297
OI & forex gains/losses	501	617	2,889	8,400	1,249	390	410
PBT before EO Expense	14,078	14,650	10,057	10,447	18,548	23,785	27,671
Change (%)	48.6	4.1	-31.3	3.9	77.6	28.2	16.3
Extra Ordinary Expense	255	237	7,659	10,082	2,000	0	0
PBT after EO Exp.	13,824	14,412	2,398	364	16,548	23,785	27,671
Tax	4,124	4,476	3,294	18,673	4,038	6,660	7,609
Tax Rate (%)	29.8	31.1	137.3	5123.0	24.4	28.0	27.5
Reported PAT	9,700	9,417	-1,697	-18,990	12,511	17,125	20,061
Minority Interest	0	519	802	681	45	0	0
Adj PAT from continuing ops.	9,871	9,752	5,836	6,214	14,037	17,125	20,061
Change (%)	42.3	-1.2	-40.2	6.5	NA	22.0	17.1
Margin (%)	9.0	8.0	5.0	5.3	10.5	11.6	12.2
Adj. PAT from discontinuing ops			4,670	3,973			
Overall PAT	9,871	9,752	10,506	10,187	13,985	17,125	20,061
Change (%)	42.3	-1.2	7.7	-3.0	37.3	22.5	17.1
Balance Sheet							(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	282	282	282	282	282	282	282
Reserves	70,364	90,584	94,457	78,197	91,214	1,08,339	1,28,399
Net Worth	70,646	90,866	94,739	78,479	91,497	1,08,621	1,28,681
Minority Interest	-4	3,515	3,653	-4	-4	-4	-4
Loans	44,018	36,703	43,477	9,906	9,906	9,906	9,906
Deferred liabilities	-15059	-16546	-18054	-10494	-10493	-10492	-10491
Capital Employed	99,602	1,14,538	1,23,816	77,887	90,905	1,08,031	1,28,092
Gross Block	82,266	93,966	94,115	87,819	93,819	99,819	1,05,819
Less: Accum. Deprn.	29,339	34,206	39,898	45,717	50,576	55,659	61,057
Net Fixed Assets	52,927	59,760	54,217	42,102	43,243	44,160	44,762
Capital WIP	12,178	9,211	11,896	6,619	6,619	6,619	6,619
Investments	246	496	446	7,897	7,897	7,897	7,897
Intangibles (net)	23,349	22,854	22,925	10,920	10,920	10,920	10,920
Curr. Assets	75,338	84,504	1,03,507	76,472	78,446	1,00,218	1,26,432
Inventory	22,768	24,998	23,736	25,131	26,786	30,357	35,593
Account Receivables	25,721	31,011	36,652	18,584	27,887	31,976	36,945
Cash and Bank Balance	11,392	14,115	11,603	16,595	7,902	20,378	33,620
Others	15,457	14,379	31,516	16,163	15,871	17,508	20,274
Curr. Liability & Prov.	41,087	39,433	46,251	55,202	45,299	50,863	57,618
Account Payables	35,944	34,519	41,331	48,791	42,197	47,761	54,516
Provisions	5,143	4,914	4,920	6,411	3,102	3,102	3,102
Net Current Assets	34,250	45,071	57,256	21,270	33,147	49,355	68,815
Appl. of Funds	99,602	1,14,538	1,23,816	77,887	90,905	1,08,031	1,28,092

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS (Fully diluted)*	35.0	34.6	20.7	22.0	49.7	60.7	71.1
Cash EPS	50.7	51.8	40.9	42.6	67.0	78.7	90.2
BV/Share	250.4	322.0	335.8	278.1	324.2	384.9	456.0
DPS	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Payout (%)	7.3	10.8	60.0	-5.4	8.1	0.0	0.0
Valuation (x)							
P/E (Fully diluted)	38.2	38.7	64.7	60.8	26.9	22.0	18.8
Cash P/E	26.4	25.8	32.7	31.4	20.0	17.0	14.8
P/BV	5.3	4.2	4.0	4.8	4.1	3.5	2.9
EV/Sales	3.7	3.3	3.5	3.1	2.8	2.5	2.2
EV/EBITDA	19.0	18.3	25.0	28.5	15.8	12.7	10.7
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Return Ratios (%)							
RoE	15.0	12.1	6.3	7.2	16.5	17.1	16.9
RoCE	13.0	11.4	8.0	10.8	18.3	17.5	17.2
RoIC	17.8	15.3	2.2	7.1	19.9	18.2	21.6
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	2.2	2.0	2.5	3.1	3.4	3.7
Debtor (Days)	86	93	115	57	76	79	82
Inventory (Days)	76	75	75	78	73	75	79
Working Capital (Days)	76	93	144	14	69	72	78
Leverage Ratio (x)							
Current Ratio	1.8	2.1	2.2	1.4	1.7	2.0	2.2
Net Debt/Equity	0.5	0.2	0.3	-0.1	0.0	-0.1	-0.2

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Op. Profit/(Loss) before Tax	21,544	21,881	16,350	13,025	24,040	28,874	32,956
Interest/Dividends Recd.	501	617	2,889	8,400	1,249	390	410
Direct Taxes Paid	-4,791	-5,963	-4,802	-11,114	-4,037	-6,659	-7,608
(Inc)/Dec in WC	-5,557	-8,097	-14,698	40,978	-20,569	-3,732	-6,217
CF from Operations	11,697	8,438	-260	51,290	683	18,874	19,540
EO Expense	255	237	7,659	10,082	2,000	0	0
CF from Op.incl EO Exp.	13,242	8,201	-7,919	41,208	-1,317	18,874	19,540
(Inc)/Dec in FA	-7,036	-8,733	-2,834	11,574	-6,000	-6,000	-6,000
Free Cash Flow	6,205	-533	-10,753	52,781	-7,317	12,874	13,540
(Pur)/Sale of Investments	0	-250	50	-7,450	0	0	0
CF from Investments	-6,990	-8,983	-2,784	4,123	-6,000	-6,000	-6,000
Change in Networth	952	11,822	6,589	3,749	1,525	-1	-1
Inc/(Dec) in Debt	-837	-3,797	6,912	-37,228	0	0	0
Interest Paid	-3,531	-2,981	-3,490	-5,160	-1,882	-396	-297
Dividend Paid	-710	-1,019	-1,019	-1,019	-1,019	0	0
CF from Fin. Activity	-7,387	3,516	8,992	-39,658	-1,376	-397	-298
Inc/Dec of Cash	-1,136	2,733	-1,711	5,673	-8,692	12,476	13,242
Add: Beginning Balance	11,112	11,392	14,115	11,603	16,595	7,902	20,378
Effect of exchange rate	1,415	0	-802	-681	0	0	0
Closing Balance	11,392	14,115	11,603	16,595	7,902	20,378	33,620

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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