# EQUITY STRATEGISTS

## INVESTMENT PICK

**LOW RISK / SUPER RETURN**

**HOLDING PERIOD – SIX MONTHS to ONE YEAR**

**Dated – 07th Nov 2003**

**GLENMARK PHARMA**
**Present Price – Rs.79 ( Face Value – Rs.2)**
**Projected Price – Rs.100**

**Glenmark Pharmaceuticals (GPL), a mid-size formulation-driven company, is one of the fastest growing pharmaceutical companies in India. GPL's major areas of operations are dermatology, pediatric, internal medicines, gynecology and ENT with brands such as Candid-B, Candiderma, Ascoril, Altacef, Glimulin, Glucar, Alex, Flucort and Sensur. GPL is yet to receive the recognition for its excellent R & D work, which has two lead molecules and several other NCE compounds in the pipeline.**

**The well-known brands of Glenmark which also figure in the top 300 drugs sold are Candid-B (dermatology) and Ascoril (cough syrup). GPL exports its products to 27 countries and the leading export destinations of the company include Asia, Africa and CIS countries. A string of export awards bears testimony to GPL's commitment to exports and high quality standards. Given the importance of the European and the Americas huge prospective markets, GPL has initiated making inroads into Europe through Portugal. GPL is the first Indian pharma company to market its products in Portugal through its subsidiary.**

**Glenmark continues to progress well with its in pre-clinical studies. The company is expecting to initiate Phase I clinical studies in GRC-3015, and GRC-1087 compounds in Europe. Currently the company is in the process of identifying Contract Research Organizations (CROs) to carry these compounds forward. In the API front, a new molecule, Rosuvastatin Calcium has been manufactured in Q2 FY04; the company has filed its first Drug Master File (DMF) for Aminodarone a Cardiac drug in the same period.**

**Glenmark Pharmaceuticals has registered a 6.4% increase in topline to Rs986mn while, net profit at Rs144mn grew 22% in Q2 FY04 as against Rs118mn in Q2 FY03. The export segment, which contributed to 13% of revenues, has registered a growth of 82% yoy. The domestic formulations, which contribute to 75% of sales, grew marginally; as the API & Co- marketing division de grew 17%.**

**Considering the high growth trajectory that the company is on, combined with the continuous move up the value chain in terms of R&D and exports, we believe that the share is attractively valued at P/E of 7.6x FY04E. Compared with its similar-sized peers, Glenmark is far ahead in terms of understanding the challenges faced, and putting in place the building blocks to move up the value chain in terms of both exports and R&D. We believe that the company is in a strong position to meet the challenges thrown up by the IPR regime, and would maintain a strong growth momentum. The success in licensing out NCEs and exports to regulated markets will drive the re-rating of the stock.**

**BUY FOR MEDIUM TO LONG TERM INVESTMENT.**



**EQUITY STRATEGIST is published by** **Available through Subscription Only**

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