

- ❑ Glenmark Life Sciences Limited reported revenue of ₹5,092.9 million during Q2-FY23 as against ₹5,617.6 million in Q2-FY22, a decline of 9.3% YoY. The decline was on account of lower revenue from parent Glenmark Pharma, which was down 41% YoY.
- ❑ The company reported EBITDA of ₹1,436.4 million in Q2-FY23 as against ₹1,673.4 million in Q2-FY22, a de-growth of 14.2% YoY. EBITDA Margins for Q2-FY23 stood at ~28.%. The profit after tax (PAT) for Q2-FY23 came in at ₹1,068.8 million as against ₹1,152 million during Q2-FY22 recording a de-growth of 7.2% YoY.
- ❑ Revenues from the Generic API segment decreased 4.5% YoY (ex-covid) to ₹ 4,533.9 million during Q2FY23 whereas CDMO de-grew by 37%. CVS and CNS portfolios continue the steady growth on YoY Basis. The Company's key focused area of chronic therapies contributed 71% of the net sales.
- ❑ Europe business picked up in Q2 whereas US business witnessed muted demand. LATAM, Japan and India business (ex-GPL) continue the strong growth momentum. Regulated markets contribution increased to 75% with a growth of 7.1% QoQ and de-grown 9.7% YoY. Emerging markets remained stable YoY (ex-covid products).
- ❑ On Capex front, the capacity expansion at Dahej for API with capacity of 240kl (30% of current capacity) was completed during Oct 22. The company has also completed a brownfield expansion at Dahej for the oncology plant during the Quarter. Exhibit batches have already started for some of the products. The brownfield expansion at Ankleshwar is under construction and will be operation by Q3FY23. As for the Greenfield expansion at Solapur the company has received permission for 1000 kl plant however the company will go in measured way in order to avoid over building. The Company has spent Rs. 100 crore during H1-FY22 towards capex of Dahej and Ankleshwar.
- ❑ The current capacity utilization is 95% during Q2FY23. The Management expects the new Dahej facility to reach 50-60% capacity utilization within a year as it has filed large nos of API at Dahej which will be commercial within a year.
- ❑ The Company has filed 4 DMF/CEPs across major markets during Q2 FY23 and cumulative filing stands at 440 as on September 30, 2022.
- ❑ The Company have good Margin Profile (Gross/EBITDA) and is able to sustain the Margin despite Industry Headwinds. With Capex coming live, diversification of Product portfolio and increasing geographic presence we expect GLS to perform better. We maintain our **Buy** rating on the stock with target price of ₹ 615 per share.

## Financials:

(In ₹ mn)	Q2-FY23	Q2-FY22	Chg	H1-FY23	H1-FY22	Chg
Net Sales	5,093	5,618	-9.3%	9,992	10,867	-8.1%
Operating Expense	3,657	3,944	-7.3%	7,088	7,589	-6.6%
EBITDA	1,436	1,673	-14.2%	2,904	3,278	-11.4%
Other Income	100	21	-	195	61	-
Depreciation	99	97	-	198	186	-
EBIT	1,437	1,598	-10.0%	2,901	3,153	-8.0%
Interest	1	72	-	3	278	-
PBT	1,436	1,525	-5.9%	2,898	2,875	0.8%
Tax	367	373	-	742	714	-
Exceptional Items	-	-	-	-	-	-
<b>PAT</b>	<b>1,069</b>	<b>1,152</b>	<b>-7.2%</b>	<b>2,156</b>	<b>2,161</b>	<b>-0.2%</b>
Minority /Other Adj.	-	-	-	-	-	-
<b>Consolidated PAT</b>	<b>1,069</b>	<b>1,152</b>	<b>-7.2%</b>	<b>2,156</b>	<b>2,161</b>	<b>-0.2%</b>
Margins	Q2-FY23	Q2-FY22	Chg BPS	H1-FY23	H1-FY22	Chg BPS
Operating Margin %	28.2%	29.8%	-158	29.1%	30.2%	-110
Net Margin %	21.0%	20.5%	48	21.6%	19.9%	169

## Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	18,852	21,232	20,807	23,929
Operating Expense	12,941	15,072	14,888	16,882
EBITDA	5,911	6,161	5,920	7,047
Other Income	8	147	144	166
Depreciation	334	379	424	513
EBIT	5,585	5,929	5,640	6,700
Interest	875	280	-	-
Misc. items	-	-	-	-
PBT	4,709	5,649	5,640	6,700
Tax	1,194	1,462	1,410	1,675
Minority Interest	-	-	-	-
<b>PAT</b>	<b>3,516</b>	<b>4,187</b>	<b>4,230</b>	<b>5,025</b>

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	-	12.6%	-2.0%	15.0%
Operating Margin %	31.4%	29.0%	28.5%	29.5%
Net Margin %	18.6%	19.7%	20.3%	21.0%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<b><u>Liabilities</u></b>				
Equity Share Capital	20	280	280	280
Reserves & Surplus	7,508	20,263	24,493	29,518
Total Shareholder's Funds	7,527	20,543	24,773	29,798
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	-	12	-	-
Deferred Tax Liability	229	315	315	315
Short-term Liabilities	14,449	7,468	7,135	8,206
<b>Total</b>	<b>22,206</b>	<b>28,338</b>	<b>32,224</b>	<b>38,320</b>
<b><u>Assets</u></b>				
Net Fixed Assets	5,869	6,867	7,043	7,370
Long-Term L&A	111	196	196	196
Non Current Investments	1	1	1	1
Other Non-Current Assets	-	-	-	-
Current Asset	16,225	21,274	24,984	30,753
<b>Total</b>	<b>22,206</b>	<b>28,338</b>	<b>32,224</b>	<b>38,320</b>

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	74.7	34.2	34.5	41.0
P/E (x)	14.7	12.4	12.3	10.3
P/B (x)	6.9	2.5	2.1	1.7
ROE	46.7%	20.4%	17.1%	16.9%

Source: Company, Anand Rathi Research

## Key Risks:

- ❑ Foreign Exchange Risk.
- ❑ Regulation and Quality Standard Risk (USFDA).

Rating and Target Price history:

GLS in rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 17th November, 22 close.

GLS in rating details

Date	Rating	Target Price (₹)	Share Price (₹)
23-Sept-21	BUY	880	690
22-Nov-21	BUY	880	612
17-Nov-22	BUY	615	423



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