HDFC securities

INSTITUTIONAL RESEARCH

COMPANY UPDATE | 03 MAY 2017

Glenmark Pharma

BUY

INDUSTRY	**PHARMA**
CMP *(as on 02 May 17)*	**Rs 894**
Target Price	**Rs 1,165**
Nifty	9,314
Sensex	29,921
KEY STOCK DATA	
Bloomberg	GNP IN
No. of Shares (mn)	282
MCap (Rs bn) / ($ mn)	252/3,930
6m avg traded value (Rs mn)	533
STOCK PERFORMANCE (%)	
52 Week high / low	**Rs 994/729**

	3M	6M	12M
Absolute (%)	(1.6)	(5.0)	7.9
Relative (%)	(7.9)	(12.3)	(9.0)

SHAREHOLDING PATTERN (%)	
Promoters	46.50
FIs & Local MFs	6.05
FPIs	34.77
Public & Others	12.68

Source : BSE

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Fruits of innovation

Burdened by high leverage, continuous investments and setbacks in select geographies like Venezuela, the Glenmark (GNP) stock has significantly underperformed over the last two years. However, with the large gZetia cash flow coming in and monetisation of its novel pipeline, we expect debt reduction to play out and be a key trigger for the stock to re-rate. In this report, we have valued five of GNP's novel/specialty candidates and believe that these could generate consistent cash flows over the next few years. Re-iterate BUY with a TP of Rs. 1,165 (including option value of Rs. 135/sh for GNP's specialty/NCE pipeline).

- **Maturing novel pipeline:** GNP currently has 9 NDA candidates, and aims to use an out-licensing strategy to develop them over the next few years. Five of these candidates, i.e. GBR 830, GBR 1302, GSP 301, GSP 304 and GBR 310 are close to monetisation. We expect GNP to generate at least US$ 80-100mn from upfront payments for the first two candidates. The other three respiratory products will be filed in FY18/19/20. We value these five assets at Rs 135/share.
- **Therapy focus reflects in generics too:** GNP has a healthy pipeline of 63 ANDAs pending approval from the US FDA, and a further ~75 under development. The management has targeted the filing of 20-25 ANDAs and 15-20 product launches annually. Derma is clearly GNP's key focus at present, where it has 12-13 ANDAs pending. GNP is likely to launch 7-8 of these over FY18-19E. On the back of these derma launches and also of exclusive products like gWelchol, gRenagel, gFinacea, gEpiduo and gNasonex, we see the base US sales growing at 22-25% CAGR over FY17-19E. GNP is also further strengthening its ANDA pipeline with the filing of three generic inhalers over FY18-19, and through 15 in-licensing deals having a market size of ~US$ 12bn.
- **Robust branded business**: With a clear focus on the top four chronic therapies – derma, respiratory, anti-diabetic and CVS, GNP will continue to outperform the Indian Pharma market over FY18-19E. The recently launched inhalers and brands like Zita Plus have already achieved significant scale, and are growing at a brisk pace. The Russian segment is also likely to see significant growth in constant currency, fuelled by derma and respiratory product launches. Management expects at least 30% growth in this segment.
- **Improving fundamentals:** With the gZetia cash flows and likely out-licensing income from novel products, we expect debt reduction to take place quickly. GNP is likely to maintain a debt/EBITDA ratio of 1.0-1.2x. Improving profitability in emerging markets, complex generic launches in the US and R&D spending capped at 11% of sales will propel the base business EBITDA margins from 19% in FY16 to 22%+ in FY19E.
- **View and valuation:** At CMP, GNP trades at 20.6x FY18E and 15.6x FY19E, a ~20% discount to the sector average. While we acknowledge legacy investor concerns viz. GNP's balance sheet, capital allocation and FCF generation, we believe that these will be addressed over the next two years by debt reduction, improving profitability of the emerging market businesses, monetisation of the novel pipeline and a flourishing India business.

Financial Summary

YE (Rs bn)	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	65,953	76,340	91,171	103,335	115,548
EBITDA	11,751	14,172	22,505	24,760	26,080
APAT	4,753	7,019	9,299	12,200	16,139
Adj. diluted EPS (Rs/sh)	17.5	24.9	33.0	43.2	57.2
P/E (x)	51.1	36.0	27.1	20.6	15.6
RoE (%)	15.9	19.3	19.1	19.9	21.2

Source: Company, HDFC sec Inst Research

Novel drug pipeline

- **GNP has 9 NDAs/BLAs in its novel products pipeline, with four close to monetisation – GBR 830, GBR 1302, GSP 301, GSP 304, and GBR 310.**
- **We have valued these five assets at Rs 135/share option value.**

- GNP has a robust and innovative pipeline, comprising products from oncology, dermatology and respiratory therapies, in line with the company's outlined strategy. With a team of ~500 involved in novel R&D activities, and a world-class biologics research centre in Switzerland, this is where the company's focus is shifting to.
- Most of the novel products are in the early-to-middle stage of development. The expenses to be incurred to develop and file these products are expected to be high, with commercialisation possible only from FY18. However, GNP believes that the efficacy of many of their molecules is higher than the treatments currently available, or the molecules address a previously untapped opportunity, and therein lies the opportunity.
- We have valued the five near-term opportunities at Rs 135/share option value. This includes GBR 830, which is an atopic dermatitis product in Phase II and is likely to achieve peak sales of US$ 1-1.5bn, once approved. There is also an oncology product (GBR 1302) in the breast cancer category, with the potential of achieving at least US$ 400-450mn peak sales once launched (opportunity size could expand with more indications). The other opportunities which we have valued are in the specialty respiratory space. GBR 301 is likely to be filed in CY19 and GBR 304 in CY20. GNP is likely to out-license the first two products to a third party, and launch the respiratory inhalers on their own by entering into a tie-up with a marketing partner.
- The remaining early-stage molecules also have strong potential to address large market opportunities. Their steady and successful progress through clinical trials will surely fetch a higher valuation, as compared to the five candidates that we have currently valued. As we believe that the novel business model is risky, with a substantially low hit ratio we have valued only those novel opportunities which are close to the proof of concept or filing stages.

Key Molecules: Option Value/sh

Molecule	Class	Indication	Market opportunity	Stage	Peak sales (US$)	Option val. (Rs/share)	Upfronts	Competition upon launch
GBR 830	OX40 Antagonist	Atopic Dermatitis	US$ 5-6bn	Phase II	500-1bn	60	US$ 75mn	Very low
GBR 1302	HER2 X CD3	Breast Cancer	US$ 7-8bn	Phase I/ IIa	200mn	15	US$ 30mn	Significant
GSP 301	Steroid + AH	Allergic Rhinitis	US$ 12-15bn	Filling	80-100mn	20	-	Low
GSP 304	LAMA	COPD	US$ 11bn	Phase III	100-120mn	24	-	Low
GBR 310	Biosimilar	Asthma, CIU	US$ 800mn-1bn	Phase I	100-120mn	16	-	Low

Source: Company, HDFC sec Inst Research

Other Assets In GNP's Innovative Pipeline

Molecule	Class	Indication	Stage	Filing timelines (CY)
GBR 1342	CD38 X CD3	Multiple Myeloma	Preclinical	beyond 2023
GBR 1372	EGFR X CD3	Colorectal Cancer	Preclinical	beyond 2023
GBR 8383	OX40R Agonist	Multiple Cancers	Preclinical	beyond 2023
GRC 388XX	Undisclosed	COPD, IPF	Preclinical	beyond 2023
Non-core assets (No further expenditure on these assets)				
GRC 27864	mPGES-1	Chronic Pain	Phase II	Ready for out-licensing
GRC 17536	TRPA Inhibitor	CNS Pain	Phase II	Ready for out-licensing
GBR 900	Trka Antagonist	Inflammatory Pain		Ready for out-licensing
GBR 500	VLA 2 Antagonist	Autoimmune Indication	Phase II	Ready for out-licensing

Source: Company, HDFC sec Inst Research

GBR830: Leveraging derma expertise

- **Indications:** Atopic Dermatitis
- **Current Status:** Phase IIb
- **GNP Strategy:** Out-license post Phase II data
- **Estimated Peak Sales:** ~US$ 1-1.5bn
- **Competition:** Dupixent (dupilumab)
- **Competition Sales:** Peak sales estimated at US$ 3bn
- **Option Value:** Rs 60/sh

Of the adults with uncontrolled moderate-to-severe AD in the United States, it is estimated that 300,000 are in need of new treatment options

"People with moderate-to-severe atopic dermatitis cope with intense, sometimes unbearable symptoms that can impact them for most of their lives," said Julie Block, President and Chief Executive Officer, National Eczema Association. "To date, there have been few options available to treat people with moderate-to-severe atopic dermatitis who have uncontrolled disease."

- **Background:** GBR830 is a novel monoclonal antibody, and GNP's most advanced molecule from its novel pipeline. Clinical trials are currently going on for the treatment of moderate to severe atopic dermatits, with celiac disease and autoimmune disorders also under consideration.

- GBR830 is a first-in-class OX40 antagonist, targeting activated T cells and effector memory T cells. It is the first drug of this nature to complete phase I clinical studies, in which it was deemed safe and well tolerated. OX40 is induced on the T cell surface a number of hours or days after the recognition of an antigen, and its expression coincides with the appearance of OX40L on several cell types that can present the antigen. Recent data shows that OX40 can provide signals to a T cell to allow prolonged cell division after activation, and to prevent excessive cell death. The OX40/OX40L iteration then controls the absolute number of pathogenic or protective effector T cells that are generated at the peak of the immune response, and dictates the frequency of memory T cells that subsequently develop. This then has implications regarding strategies to suppress unwanted immune responses.

- **Opportunity and competitive scenario:** Atopic dermatitis (AD) is a chronic, immune-mediated inflammation of the skin, with the involvement of activated T cells. It is quite common, often persistent, and affects a large percentage of the world's population. The global atopic dermatitis market is currently ~US$ 5bn, with sales in the US contributing ~50-60%. Current treatments are mostly topical medicines, and target mild AD, leaving severe AD a largely under-penetrated market. Sanofi and Regeneron recently launched the first drug for its treatment, Dupixient, an injectable biologic medicine. Peak sales for Dupixient are estimated at US$ 3bn annually. With the large market size, high demand for new treatments and under-penetration of the severe AD market, GNP's launch of a price competitve alternative to Dupixient could see significant revenues flow to the company. Notably, GNP estimates that peak sales from GBR803 could be ~US$ 1-1.5bn (management expectations: US$ 2bn).

- **Other considerations:** GNP is also exploring the possibility of celiac disease as an added indication, for which there is currently no pharmacological treatment. Celiac disease is a digestive and autoimmune disorder. The antibody of celiac disease is directed against gluten, a protein found in grains. Patients are forced to employ a gluten-free diet as treatment, which can be expensive and also a severe blow to the patient's lifestyle. The market size for celiac disease is expected to be ~550mn by 2022.

- **Timelines:** Data from the Phase II trials is expected to be available in six to nine months. If the Phase II data is positive, GNP plans to out-license the drug for further development.

- **Valuation:** Using the DCF method, we arrive at a deal value of US$ 523mn and an option value of Rs 60/sh for GBR830.

GBR1302: First bispecific antibody

- **Indications:** Breast cancer
- **Current status:** Phase I/IIA
- **GNP strategy:** Out-license post Phase IIA
- **Estimated peak sales**: ~US$ 400-450mn
- **Competition:** Herceptin, Perjeta
- **Competition sales:** US$ 7bn, US$ 1.5bn
- **Option Value:** Rs 15/sh

- **Background:** GBR1302 is a HER2xCD3 bispecific antibody, and the first clinical candidate based on GNP's proprietary best-in-class BEAT® platform. Also, GBR 1302 is GNP's first clinical candidate targeting oncology indications. If confirmed in clinical trials, GBR 1302 will constitute an innovative treatment for HER2 negative cancers. It has the potential to prove superior to the currently available monoclonal antibody treatments and is now undergoing Phase I/IIA trials for the treatment of resistant metastatic breast cancer.
- The drug is made using GNP's proprietary BEAT® platform for developing novel bi-specific anti-bodies, enabling tumour killing activity based on redirected lysis of tumour cells by T cells. Herceptin (trastuzumab) or Herceptin + Perjeta (pertuzumab) are the current first line treatments for breast cancer. However, a major drawback of Herceptin is that it is not usable by HER2 -ve patients, who form ~65% of breast cancer patients. GBR1302 does not have this restriction, thus opening up a significant opportunity for the company. Pre-clinical data also showed faster and more complete killing of tumour cells, as compared to trastuzumab or pertuzumab.
- **Opportunity and competitive scenario:** Worldwide, breast cancer is the most commonly diagnosed form of cancer in women, and accounts for ~10% of global cancer cases. In 2012, 1.6mn new cases were reported, with 0.5mn deaths, making it the leading cause of cancer-related deaths. The sales of breast cancer treatments are expected to rise from US$9.8bn in 2013 to US$18.2bn in 2023, according to new forecasts by IMS Health. Current treatments include Herceptin (~US$ 7bn sales), Perjeta (~US$1.5bn sales) and Kadcyla (~US$ 800mn).
- While competition is present, GNP's opportunity stems from GBR1302's usability for HER2 -ve patients. Higher efficacy and competitive pricing could also see it capture market share among HER2 +ve patients. GNP estimates peak sales from this product at ~US$ 400-450mn annually. Presently, it is being tested for only HER2+ve tumors clinically. However, addition of the HER2-ve indication will surely enable it to tap a bigger breast cancer patient pool.
- **Other considerations:** Gastric cancer is another possible indication for GBR1302. The gastric cancer market was ~US$ 1.13bn globally in 2014, which is expected to rise to ~US$ 4.4bn in 2024, a CAGR of ~15%. Currently, there is only 1 monoclobal antibody for the treatment of advanced stomach cancer, and it is also the first FDA-approved treatment – Cyramza (ramucirumab). However, studies indicate that the benefits of the drug are modest, increasing the median overall length of survival in patients by ~37%, but lacking a meaningful clinical improvement. An improvement in efficacy brought upon by GBR1302's unique mechanism could result in a significant opportunity for GNP in this indication as well.
- **Timelines:** The data from the Phase I/IIA trials is expected to be available in six to nine months. Should the data be positive, GNP plans to out-license the drug for further development.
- **Valuation:** Using the DCF method, we arrive at a deal value of US$ 120-150mn and an option value of Rs 15/sh for GBR1302.

GSP 301: Speciality nasal spray

- **Indications:** Seasonal Allergic Rhinitis
- **Current Status:** Phase III complete, filing in CY19
- **GNP strategy:** To be commercialised with an out-sourced sales force from the US.
- **Estimated peak sales:** US$ 80-90mn
- **Competition:** Nasonex, Dymista
- **Competition sales:** US$ 955mn (IMS Jan-16), US$ 140mn (globally)
- **Option value:** Rs 20/share

- **Background:** GSP 301 is an investigational fixed-dose combination of mometasone furoate (25 mcg) and olopatadine hydrochloride (665 mcg), administered twice-daily as a nasal spray for the treatment of seasonal allergic rhinitis.

- The drug recently reported positive results from a Phase III trial assessing the efficacy and safety of its combination therapy. The primary endpoint was change from baseline in average morning and evening patient-reported 12-hour reflective Total Nasal Symptom Score (rTNSS). Secondary end points included safety and tolerability. In the trial, treatment with GSP 301 demonstrated a statistically significant and clinically meaningful improvement from the baseline in the average morning and evening patient-reported rTNSS. All investigational treatments administered in the trial were well tolerated, and showed no meaningful differences in the reported adverse events (AEs) across study arms.

- GSP 301 possesses advantages over its competition: 1) Nasonex has a single ingredient, whereas GSP301 is a dual ingredient, (2) Dymista leaves a strong bitter taste after the spray, which is absent in GSP 301 (neutral taste).

- **Opportunity and competitive scenario:** The allergic rhinits market is ~US$ 7bn, of which 18% is seasonal allergic rhinitis. Over 17 million adults and 6 million children in the United States are affected by seasonal allergic rhinitis, also called hay fever, every year.

- As of January 2017, the annual value of the U.S. nasal spray market was US$ 1.3 bn. However, sales of both Nasonex and Dymista have been declining in recent years, with generic entrants causing price erosion. Apotex launched the first generic of Nasonex in Apr-16. Due to steep competition from generics, we are expecting only US$80-90mn from this product as peak potential sales.

- **Timelines:** GNP expects to file the product in early CY19, and hence commercialise in FY19/20. It also plans to market the product in-house, but use an outsourced sales force in the US. Should GSP304 also materialise as a good opportunity, GNP will then hire its own sales force for the US market.

- **Valuation:** Using the DCF method, we arrive at an option value of Rs 20/sh for GSP301.

GSP 304: Specialty nebulizer

- **Indications:** Bronchospasm associated with COPD
- **Current status:** Phase II underway
- **GNP strategy:** Commercialise by FY20
- **Estimated peak sales:** US$ 150mn
- **Competition:** Spiriva Respimat
- **Competition sales:** US$ 3.75bn (Spiriva globally)
- **Option value:** Rs 24/sh

- GSP 304 is a new orally administered formulation, with the active ingredient of tiotropium bromide. It is to be administered by nebulization for the long term, once-daily maintenance treatment of bronchospasm associated with mild-to-moderate chronic obstructive pulmonary disease (COPD). The USFDA cleared GNP's IND for the drug in Mar-17, and phase II studies have begun for the same. If approved, GSP 304 will be the first nebulized form of tiotropium bromide. The efficacy, pharmacokinetics, and safety profiles of tiotropium bromide are well established from its currently available formulations.

- **Opportunity and competitive scenario:** The COPD device market is expected to grow steadily, reaching ~US$ 34.3bn by FY20. Nebulizers are electric or battery powered machines that dispense medication as a fine mist, and are ideal for a home healthcare set-up for debilitated patients, geriatrics and children. The nebulizers segment thus holds about 13% of the global COPD and asthma devices market.

- There is currently only one approved treatment similar to this, which is Spiriva Respimat. This is a titropium bromide inhaler sold by Boehringer-Ingelheim. The annual sales of Spiriva in 2015 were ~US$ 3.75bn, underlining the vast opportunity available to GNP in the COPD/asthma market.

- **Timelines:** We expect GNP to file the product in FY19, and hence commercialise in FY20.

- **Valuation:** Using the DCF method, we arrive at an option value of Rs 24/sh for GSP304.

Various Device Platforms

Source: HDFC sec Inst Research

GBR 310: First respiratory biosim

- **Indications:** Allergic asthama, chronic idiopathic urticaria (hives)
- **Current status:** Phase I initiated
- **GNP strategy:** Commercialise by FY21/22
- **Estimated peak sales:** US$ 100-120mn
- **Competition:** Xolair
- **Competition sales:** US$ 835mn
- **Option value:** Rs 16/sh

- **Background:** GBR 310 is a proposed biosimilar for the treatment of allergic asthma and chronic idiopathic urticaria. It has the potential to be among the first biosim candidates to be approved for a respiratory or allergic disease. The USFDA recently cleared GNP's IND to initiate a phase I study of the drug.

- GBR 310 is a recombinant DNA-derived humanised immunoglobulin G1 kappa monoclonal antibody. The reference product for GBR 310 is Xolair (omalizumab), sold by Novartis. The Phase I study will assess its pharmacokinetics in comparison to Xolair in healthy adult volunteers between 18 – 65 years of age.

- **Timelines:** Trials for respiratory products are typically shorter than those for oncology, and we would expect the Phase I data by 1HCY18. We expect GNP to file the product in FY20, and hence commercialise in FY21.

- **Valuation:** Using the DCF method, we arrive at an option value of Rs 16/sh for GBR 310.

GSP 1342: Second onco candidate

- **Indications:** Multipe Myeloma
- **Current status:** Pre-clinical
- **GNP strategy:** Out-license post PoC studies
- **Estimated peak sales:** Not available
- **Competition:** Darzalex
- **Competition sales:** US$ 572mn in CY16, estimated peak sales of ~US$ 3.7bn
- **Option value:** Not valued

- GBR 1342 is the second bi-specific antibody emerging from GNP's BEAT® platform, and is also GNP's second clinical candidate targetting oncology indications. The product is currently in pre-clinical trials, initiated in Jan-16. GNP is optimistic about GBR 1342's prospects, and is looking to push the product into clinicial trials as soon as possible.

- GBR 1342's mode of action is similar to that of GBR 1302. GBR 1342 targets CD38, a target for multiple myeloma and potentially other malignancies of haematopoietic origin. CD38 is one of the few known markers of plasma cells, and is a well-established target for multiple myeloma, a cancer caused by malignant plasma cells. GBR 1342 redirects cytotoxic T cells through its CD3 binding arm onto CD38-expressing cancer cells, and induces the killing of these cancer cells by the T cells.

- Multiple myeloma is currently not curable, and relapses after initial treatment are almost universal. Hence, a great amount of weightage is placed on the progression free survival (PFS) endpoint in clinical trials. In pre-clinical assays, GBR 1342 has shown higher efficacy and potency than daratumumab. Darzalex (daratumumab) was the first monoclonal antibody approved for treating multiple myeloma, approved in Nov-15 by the USFDA. It also functions by targetting the CD38 molecule. It is the current first-in-line immunotherapy treatment for MM.

- **Opportunity and competitive scenario:** The global multiple myeloma treatment market value was US$ 7.3bn in 2014. The launch of Darzalex and Empliciti are expected to be key growth drivers for the market, especially after they have displayed favourable efficacy and safety. There are also several promising agents in clinical development, including two 20S proteasome inhibitors, marizomib (Triphase Accelerator Corp.) and oprozomib (Onyx Pharmaceuticals), and two new monoclonal antibodies, SAR650984 (Sanofi) and MOR202 (Morphosys). While there is no dearth of competition in the MM market, an improvement in efficacy as compared to current treatments could see GBR 1342 develop into a significant opportunity for GNP.

- Market challenges include MM's rarity, and its designation as an orphan disease, which limits the target patient population.

- **Timelines:** The drug is currently wrapping up pre-clinical trials, and GNP expects to file its IND to initiate a Phase 1 study by 2HCY17. While the final NDA filing is not expected before FY23, GNP could out-license the molecule by FY20, once the proof of concept is established. GNP is optimistic about the prospects of this drug, and the clinical study data will be a key monitorable for the company over the next few years.

Past Record Of GNP's Innovative Pipeline

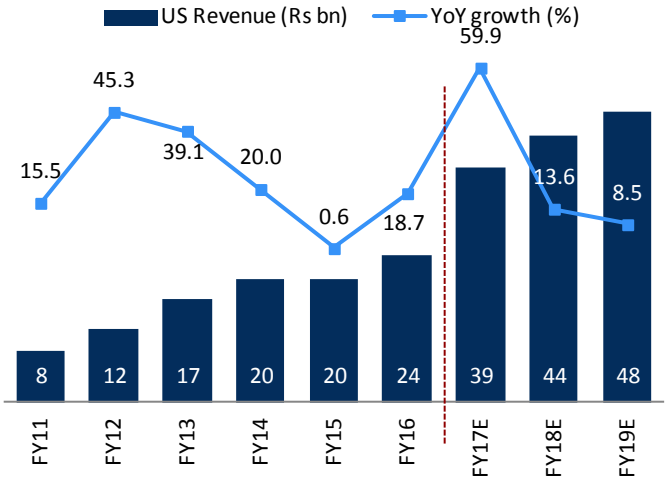
Year	Molecule	Company	Deal Worth (US$ mn)	Upfront and Milestones (US$ mn)	Comment
2004	Oglemilast	Forest Labs	190	38	
2005	Oglemilast	Teijin Pharma	53	6	
2006	Melogliptin	Merck KGaA	250	31	Due to reduced focus on diabetes, Merck returned the molecule to Glenmark in April 2008.
2007	GRC 6211	Eli Lilly	N/A	45	
2010-14	GRC 15300	Sanofi Aventis	N/A	25	Phase II trial did not meet the primary end point in May 2014.
2012-14	GRC 27864 mPGES-1	Forest Labs	N/A	15	Forest has the first right to refusal after Phase I completion
2014-15	GBR 500	Sanofi Aventis	N/A	55	Sanofi not pursuing this as endpoint was not met, GNP will attempt to re-license

Source: Company, HDFC sec Inst Research

US generics

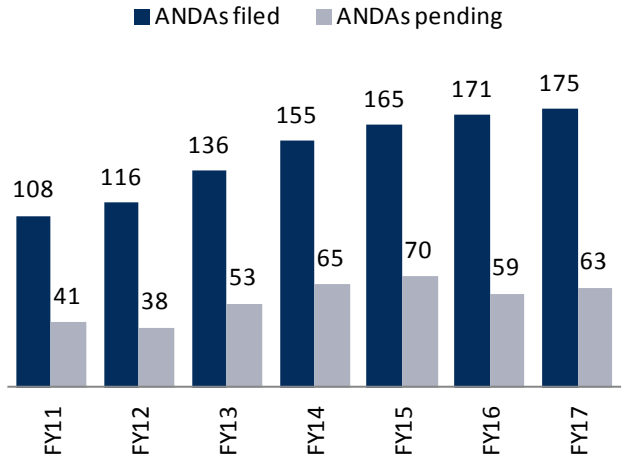
- GNP's generic business accounts for ~34% of total revenues in FY17E and is at an inflection point, where the company will start receiving complex generic approvals over the next 12 months. These will help to not only maintain the growth rate, but also to improve the margins of the US generic business significantly over the next two years.
- At present, GNP is marketing 112 ANDAs in the US market, and has 63 pending ANDAs with an additional 75+ under development. We have highlighted numerous exclusive ANDA approvals over the next two years like gWelchol, gRenagel, gFinacea, gNasonex and several derma products which are likely to drive 22-25% rev. CAGR in the US generic segment over FY17-19E.
- The therapy focus on the generics side is very similar to the specialty and novel product pipeline. The company has more than 12-13 derma ANDAs pending with the US FDA, and is likely to file three generic inhalers starting CY19. The oncology pipeline is also very promising.
- Apart from having its own ANDA pipeline, GNP has also in-licensed 15 products for the US market. These are mostly complex generic products, where there is very limited competition. The key near-term filings include gConcerta, gAbraxane, gSubaxone and gNuvaring. Overall, the market size for these 15 products is ~US$ 12bn in annual sales. Interestingly, GNP has spent only US$ 30mn for all 15 products. However, all these generic launches are likely to be after FY19.

US Sales: Strong Base Business Growth



Source: Company, HDFC sec Inst Research

ANDA Pipeline: Lean But Lucrative



Source: Company, HDFC sec Inst Research

Therapy Break Up Of ANDA Portfolio

Primary Category	Authorised to distribute	Pending Approval	Total Filings	Market Size (US$ bn)
Immediate Release	51	29	80	27.6
Topicals and others	25	13	38	3.1
Hormones	21	5	26	2.4
Modified Release	10	3	13	1
Oncology Injectables	1	7	8	2.7
Controlled Substances	4	0	4	0.2
Immunosuppressants	0	2	2	0.7
Total	**112**	**59**	**171**	**37.7**

Source: Company, HDFC sec Inst Research Research

ANDA Launches Over The Next Two Years

Brand Name	Molecule	IMS sales (US$ mn)	Therapy	Potential Launch
Strattera	Atomoxetine hydrochloride	1,020	ADHD	1HFY18
Benicar	Olmesartan	1,000	Hypertension	1HFY18
Benicar HCT	Olmesartan HCT	800	Hypertension	1HFY18
Welchol	Colesevelam	750	Lipid lowering	2HFY18
Velcade	Bortezomib	650	Multiple myeloma	2HFY18
Myfortic	Mycophenolate sodium	280	Kidney transplant	2HFY18
Epiduo	Adapalene+benzoyl peroxide	310	Acne vulgaris	FY18
Nasonex	Momentasone	955	COPD, Asthma	FY18
Renvela	Sevelamer	xx	Hypocalcemia	FY19
Renagel	Sevelamer	2,100	Hypocalcemia	FY19
Finacea	Azelaic acid	130	Inflammatory papules	2HFY19
Multaq	Dronedarone	500	Antiarrhythmic	2HFY19
Effient	Prasugrel	670	Acute coronary syndrome	2HFY19
Gilenya	Fingolimod	2,775	Relapsing MS	2HFY19
Lyrica	Pregabalin	4,800	Anti-epileptic	2HFY19

Source: Company, HDFC sec Inst Research Research

Select Generic Derma Opportunities

Brands	Forms	Competition	GNP present?	Market (US$ mn)
Clobetasol Propionate	Ointment	4 players	Yes	175
	Cream, Gel, Solution, Lotion	2-5 players	No	550
Fluocinonide	Cream 0.1%	5 players	Yes	115
	Cream 0.05%, Ointment, Solution, Gel	4 players	No	38
Desonide	Cream, Ointment, Lotion	3-4 players	No	400
Hydrocortisone Valeate	Cream, Ointment	1-2 players	No	165
Clotrim/Betament Dip	Cream	5 players	Yes	220
	Lotion	3 players	No	N/A
Metronidazole	Gel	5 players	No	N/A
Fluorouracil	Cream	3 players	No	85

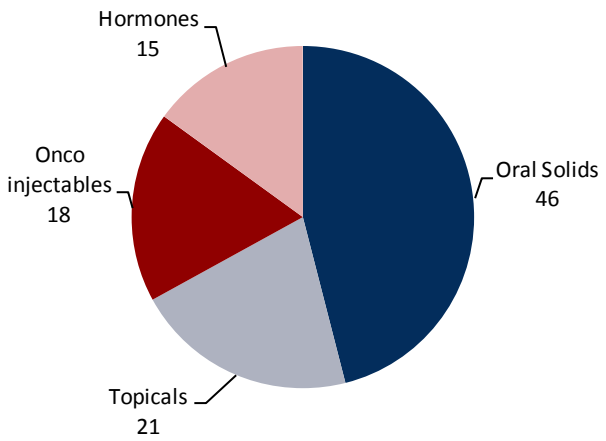
Source: Company, HDFC sec Inst Research Research

Ongoing/Complete Clinical Trials In Topicals

Brand Name	Molecule	Competition	Market Size (US$ mn)
Benzaclin	Clindamycin 1% and Benzoyl Peroxide 5%	Myland, Perrigo, Tolmar, Actavis	220
Elidel	Pimecrolimus 1%	Not generic	N/A
Voltaren	Diclofenac Sodium 1%	Amneal in 1%	400
Protopic	Tacrolimus 0.1%	Fougera, Perrigo (AG)	180

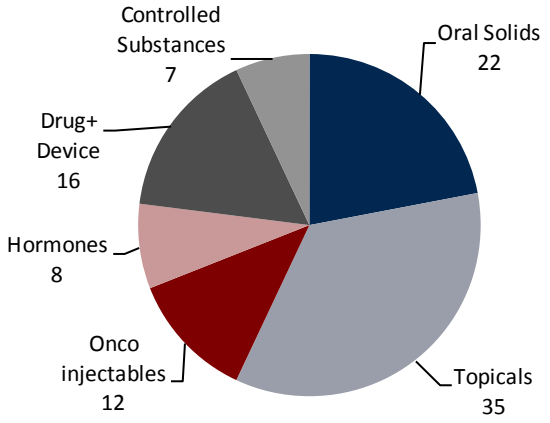
Source: Company, HDFC sec Inst Research Research

Filings From FY12-16



Source: Company, HDFC sec Inst Research

Filings From FY17-21



Company: AIOCD, HDFC sec Inst Research

India business

- According to March AIOCD data, GNP is the 12th largest player in the domestic pharma market, with annual sales of ~Rs 26.5bn (MAT basis). The domestic business contributes ~25% of GNP's total revenues, and has been a strong growth driver for the company, recording a brisk CAGR of ~20% over FY11-16. GNP has consistently outperformed IPM growth in the last few years, and we see this trend continuing over FY17-19E.

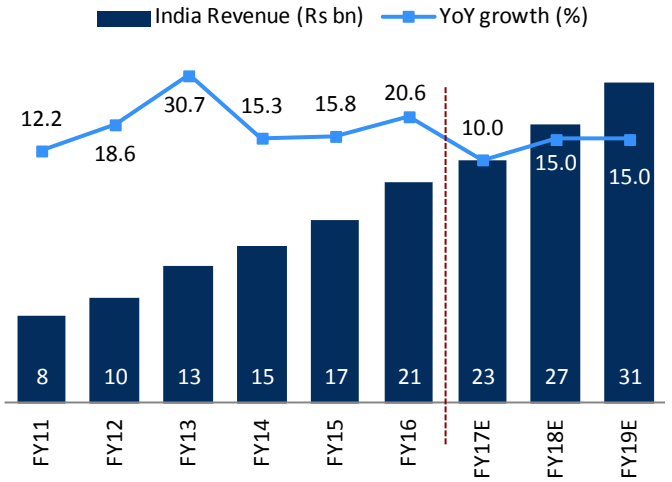
- GNP's India business is concentrated in a few chronic therapies, and as a result does not suffer from seasonality, like many of its peers. The focus therapies are derma (28%), CVS (22%) and respiratory (16%), with a recent push into anti-diabetics also evident (7%). GNP is the IPM leader in the derma segment, and maintains that these four therapies will remain the focus of the India business going forward. Market share in these therapies has been rising steadily over the past four to five years. GNP currently employes 3,500 MRs for the India business, and expects to add 100-200 every year, mainly in CVS and anti-diabetics.

- GNP's strong brand equity (8-10 brands in the top 300), combined with its strong R&D skills and differentiated product pipeline, will enable it to continue to outperform IPM growth. GNP expects to launch 25-30 products in the domestic market each year. Among the new launches, we beleive the Digihaler and its pocket nebulizer (NebzMart) are significant opportunities, with possible peak sales of ~Rs 800mn – 1bn. The scale-up in these products has been quick, with Digihaler garnering sales of ~Rs 90mn in its first year and NebzMart sales of ~Rs 40mn in its first quarter. GNP will continue to launch such differentiated products, involving new combinations or new drug delivery systems.

- GNP will continue to in-license products for the India market, but is keen to ensure that it is in a strong bargaining position before entering into any such deals.

- We foresee 15% rev. CAGR in the domestic business over FY17-19E, and an EBITDA margin expansion from ~28% currently to ~30%. While GNP's growth rate has been excellent, its standing in key therapies (7th in CVS, 4th in respiratory and 10th in anti-diabetics) is indicative of the opportunity still available to GNP to continue its growth.

Domestic Revenues: Steady Growth



Source: Company, HDFC sec Inst Research

Market Share In Key Therapies

	CAGR MAT Mar-13 to Mar-17	MAT Mar-13	MAT Mar-14	MAT Mar-15	MAT Mar-16	MAT Mar-17
Derma	15.6%	10.8%	10.7%	10.5%	11.2%	11.3%
CVS	16.6%	3.6%	4.0%	4.0%	4.4%	4.2%
Respiratory	18.6%	3.9%	4.1%	4.2%	4.6%	5.0%
Anti-diabetic	29.9%	1.2%	1.8%	2.2%	2.5%	1.8%

Source: AIOCD, HDFC sec Inst Research

- GNP's market share has been steadily increasing across these crucial therapies. It has also outperformed IPM growth for each of the above therapies over the same period, indicative of the strength of its domestic business. Its share in the Anti-diabetic market has declined over the past two years, owing to the discontinuation of two significant products (Zita and Zita-met), which were under litigation. The Delhi HC had restrained GNP from making and marketing these two drugs, which it then re-launched as Zita Plus and Zita-met Plus with a different core ingredient (teneligliptin).

- Besides the above mentioned therapies, GNP has also enjoyed significant growth in the Gastro-intestinal, Vitamins/Minerals/Nutrients and Anti-infectives segments, outperforming IPM growth in each of these therapies as well.

Significantly, GNP has 8 brands with Rs 50cr+ sales in the domestic market

Top 15 Products

Drug	Therapy	MAT Mar-17		
		Value (INR mn)	Growth (%)	Contribution (%)
Total		**26,509**	**12.3**	**100.0**
Telma	Cardiac	1,643	-8.4	6.2
Telma H	Cardiac	1,629	18.1	6.1
Ascoril Plus	Respiratory	1,215	16.2	4.6
Candid	Derma	1,046	20.9	3.9
Candid-B	Derma	999	10.9	3.8
Telma AM	Cardiac	854	14.4	3.2
Ascoril LS	Respiratory	568	13.9	2.1
Onabet	Derma	475	30.6	1.8
Zitamet Plus	Anti-Diabetic	445	353.9	1.7
Canditral	Anti-Infective	369	29.4	1.4
Lizolid	Anti-Infective	344	4.3	1.3
Zita Plus	Anti-Diabetic	334	36.7	1.3
Candid Mouth	Others	327	-7.0	1.2
Coly-Monas	Anti-Infective	324	123.8	1.2
Ascoril D	Respiratory	320	-5.0	1.2

Of the top 15 products, 2 were launched as early as FY16

Source: AIOCD, HDFC sec Inst Research

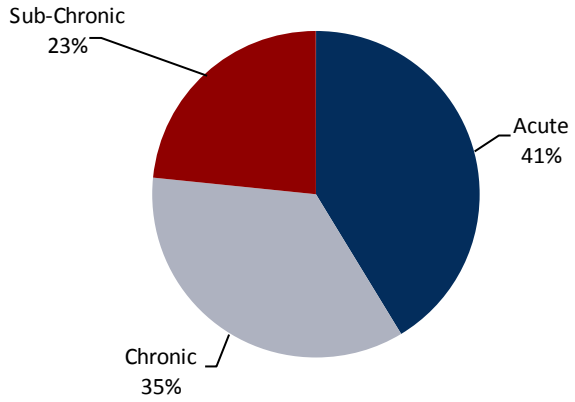
Successful New Launches (Since Apr-13)

Drug	Therapy	Launched	MAT Mar-17	MAT Mar-16	Growth %
Zitamet Plus	Anti-Diabetic	Oct-15	44.5	9.8	353.9
Zita Plus	Anti-Diabetic	Jun-15	33.4	24.5	36.7
Syntran	Anti-Infective	Aug-14	27.9	16.3	71.5
Ziten M	Anti-Diabetic	Oct-15	26.4	5.0	431.8
V Wash Plus	Gynaecological	Jul-13	25.0	11.8	112.3
Ziten	Anti-Diabetic	Jun-15	23.7	14.7	60.8
Merrobe	Anti-Infective	Jul-14	22.3	7.5	197.3
Abirapro	Oncology	Jul-13	18.4	0.9	1,974.6
Telma CT	Cardiac	Apr-13	18.4	13.0	41.3
Ascoril Plus LS	Respiratory	Jun-13	17.2	7.3	134.6

Source: AIOCD, HDFC sec Inst Research

GNP has a favourable acute-chronic mix of products. The IMP average is ~32% chronic

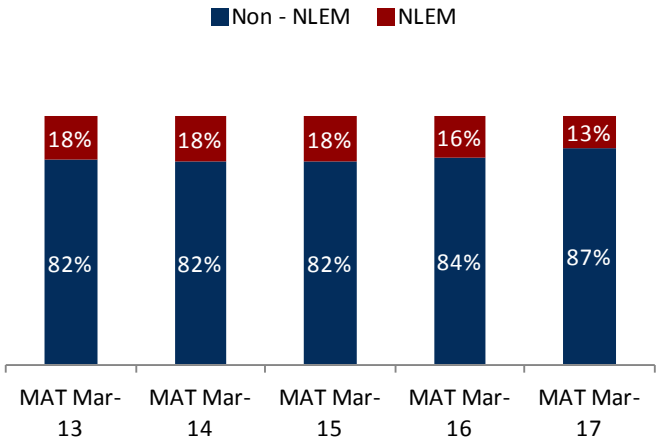
Acute-Chronic Mix



Source: AIOCD, HDFC sec Inst Research

While NLEM exposure for the company is already low, it has been declining further in the last two years

NLEM Exposure: Declining



Source: AIOCD, HDFC sec Inst Research

The Russian Pharma market is expected to double in value over FY16 to FY21. There is a firm push on localisation

Under the Russian Pharma2020 strategy, manufacturing of Indian generic drugs in the Moscow region was named as a priority of Russia-India cooperation

Hence, GNP is also planning to set up a local manufacturing unit

Considering that registering medicines manufactured outside Russia is becoming an increasingly expensive procedure and that the overall Pharma2020 strategy intends to support local manufacturers, the production of Indian generics in Russia would be a safe step to preserve market share

However, it may impact the pricing power of companies, as cost of local manufacturing is higher

RoW and LATAM

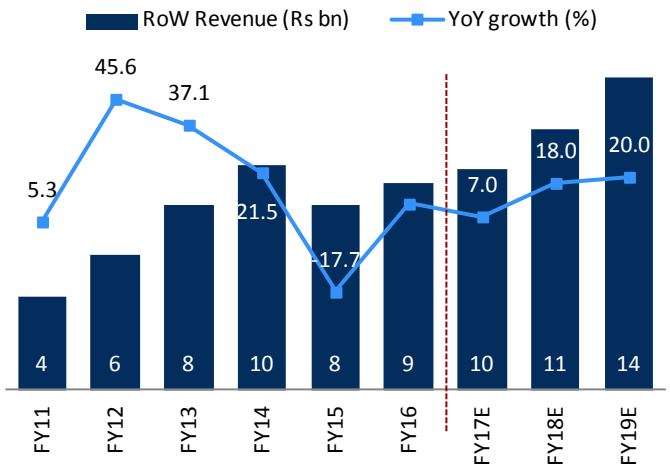
Russia and CIS: GNP began its operaions in Russia and CIS in 1980. It currently ranks among the top 50 companies in the retail segment of the Russian pharma market. GNP also features among the top 15 derma companies, with over 40 products and multiple strong brands, such as Candid, Ascoril and Oflomil nail lacquer.

- The Russian business contributes ~50% to RoW revenues. GNP is building a strong and differentiated product basket in the region, with a ramp-up in derma and respiratory launches. According to IMS Health MAT Nov-16 data, GNP's Russia's derma business grew 65.1%, vs. the overall derma market growth of 9.9%. The launch of Momat Rino Advance nasal spray in 2016 has been a key driver for the respiratory business.
- The recent strengthening of the ruble vs. the dollar is another positive factor for the company. Currently, GNP is growing at 30% constant currency. We foresee 18-20% rev. CAGR over FY17-19E.

LATAM: The LATAM business constitutes ~5% of the overall revenues of the company, and is not a focus region. GNP is not expecting any significant revenue growth in the region over the next 2-3 years.

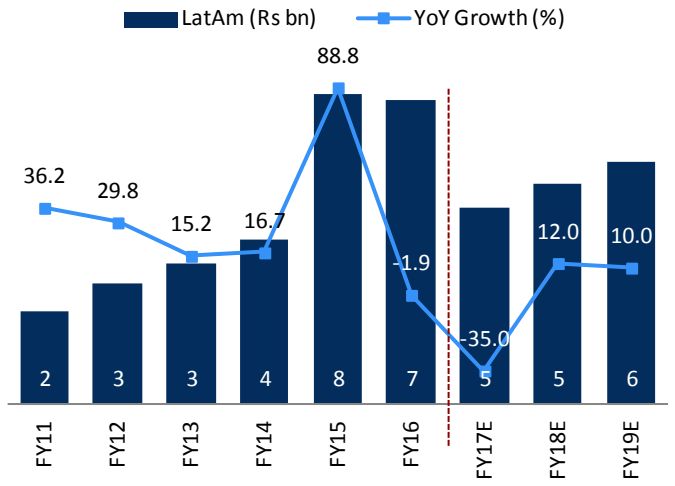
- Venezuela has witnessed no sales since Q1FY17, and will be removed from the base by FY18. Of the ~US$50mn stuck in the business there, ~US$ 20mn is cash and the balance is receivables.
- The Brazil business is expected to grow between 12-15% YoY over FY17-19E. However, GNP is not aggressively chasing generic opportunities in this market like other Indian generic players, and has even downsized the number of MRs from 200 to 100 in Brazil (now totally 200 MRs in LATAM). As a result of this and other cost cutting exercises, GNP expects to breakeven in Brazil by FY17E.
- Foresee ~10-12% rev. CAGR in the LATAM region over FY17-19E.

RoW Revenues: Strong Growth



Source: Company, HDFC sec Inst Research

LATAM Revenues



Source: Company, HDFC sec Inst Research

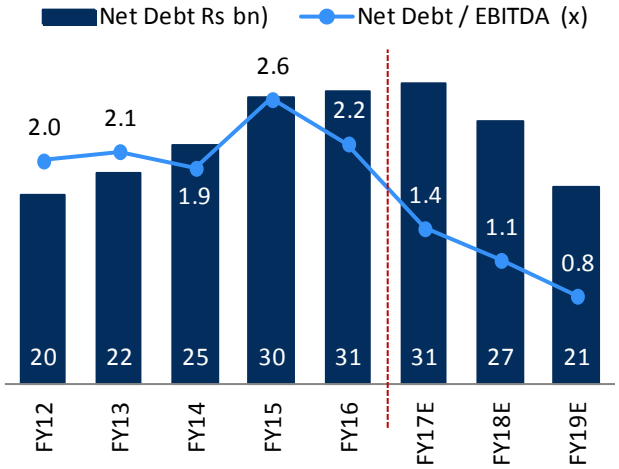
Financial considerations

- GNP's balance sheet, capital allocation policies and high FC translation losses have long been key concerns for investors. We believe that the gZetia cash flows, the improving situation in emerging markets and unwinding of the novel pipeline will improve this situtation considerably over the next two years.

- **Debt to come down:** GNP has historically had more debt on its books than Indian genric peers (0.9x net debt/equity). However, we believe that this is a factor of the company's business model (higher capital requirement to fuel innovation), and that the trade-off is a fair one. GNP is committed to repaying a portion of its debt from the bumper gZetia sales, which will be done over the coming 2-3 quarters. Going forward, the company will maintain a debt-to-EBITDA ratio of 1-1.2x, which would represent a substantial reduction from current levels. Re-financing of debt has also enabled GNP to continually reduce its interest costs, which is another positive sign.

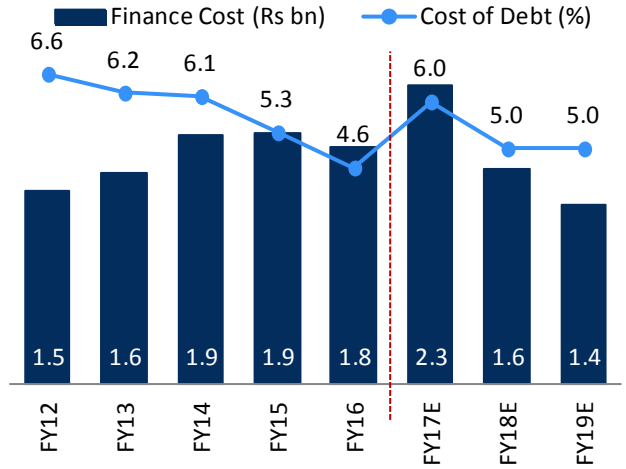
Cost of debt in FY17E appears higher on account of an FCCB valuation adjustment required as per IFRS Actual cash interest is lower

Debt/EBITDA



Source: Company, HDFC sec Inst Research

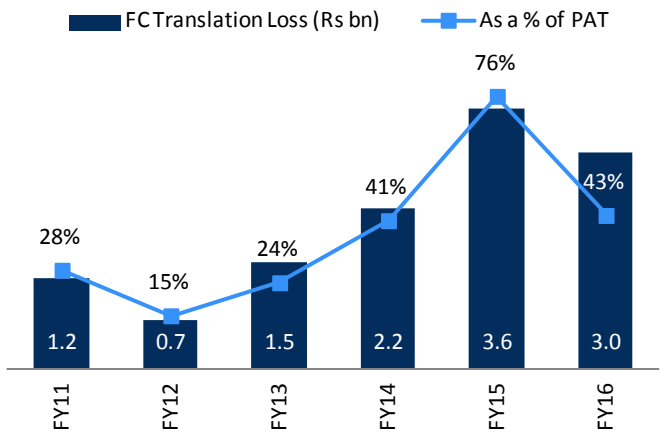
Declining Finance Costs Post Refinancing



Source: Company, HDFC sec Inst Research

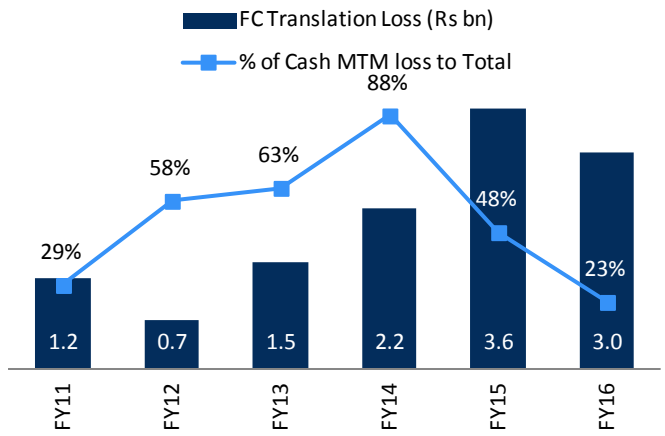
- **Foreign currency translation:** On account of its geogrpahical exposure, GNP has historically had significant issues with regard to foreign currency translation (FCT), with FCT losses amounting to ~76% of PAT in FY15. This was primarily on account of currencies declining in Russia, Argentina, Venezuela, Brazil and Switzerland. However, this was significantly improved in FY16, with the losses for the year at ~43% of PAT. With currencies stabilising in EM countries, we believe that this will improve steadily. This is already evident in GNP's 9MFY17 financials. It reported 9MFY17 OCI income of ~Rs 470mn vs. loss of ~Rs 2.3bn in 9MFY16. It has also been noted that cash FCT has formed a significant part of these losses. The situation has improved significantly in this regard as well, with the % of cash FCT to total FCT declining from 88% in FY14 to 23% in FY16. These cash reserves are maintained at GNP's various subsidiaries mainly for operational purposes.

Foreign Currency Translation Losses: Improving



Source: Company, HDFC sec Inst Research

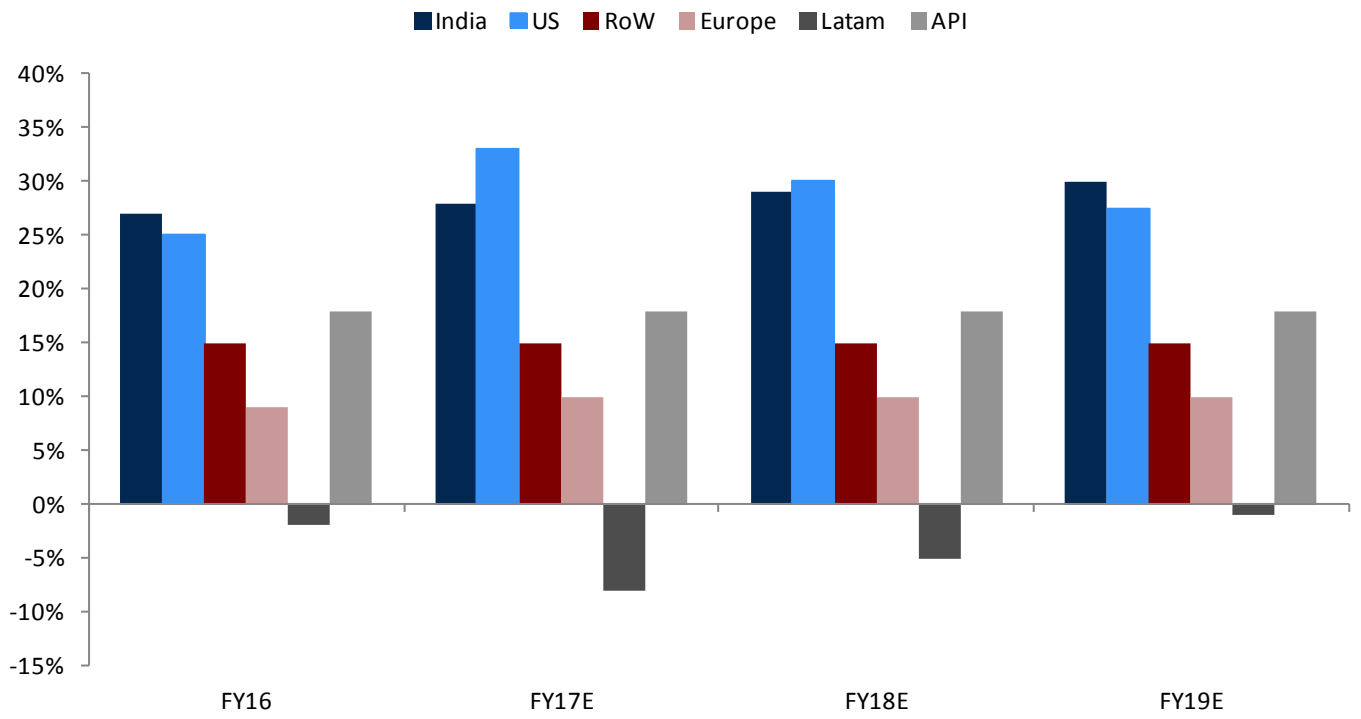
Cash MTM As A % Of PAT



Source: Company, HDFC sec Inst Research

- **EBITDA Margin:** For the last 2 years, GNP's EBITDA margins have been subdued on account of recurring losses in emerging market subsidiaries, lack of significant launches in the US market and high R&D costs without proportional benefits. Now, however, the tide is turning and there are various levers which will play out and enable the EBITDA margin to move to ~22%+ levels by FY19E. (1) GNP's US generic pipeline is very promising, and there is an increased visibility on launches over FY18-19E, (2) The situation in emerging markets is steadily improving, and currencies have begun to stabilize. This will greatly benefit GNP, especially in Russia and LATAM (3) GNP's specialty pipeline is on the verge of monetisation, and upfront payments received from out-licensing of novel molecules will help to keep R&D expenses in check.

EBITDA Margin Profile

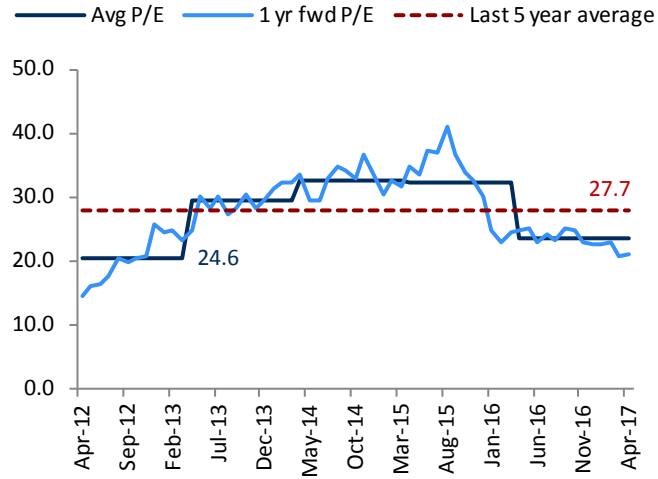


Source:Company, HDFC sec Inst Research

Valuation

- GNP is currently trading at 20.6x FY18E and 15.6xFY19E, a ~20% discount to the sector average and well below its 5-year average 1 year forward P/E of 27.7x. We believe that the market has not taken cognizance of GNP's lucrative innovative and specialty pipelines, and the India business is greatly undervalued (consistently high growth in chronic therapies). The CMP provides an excellent opportunity for investors to enter the stock at attractive valuations.
- GNP's innovative pipeline has progressed significantly over the last few years, largely under the radar of the market. The company has high quality research, and unlike other Indian generic peers, GNP has executed on its projects more often than not. The total potential peak sales of the five molecules to which we have assigned an option value is ~Rs 1.5bn.
- The ANDA pipeline is also lucrative, with ~60 products pending approval, including 24 Para-IV applications. With the launch of gZetia under sole exclusivity, GNP has proved that it posses the ability to monetise its research, and we believe that there will be further lucrative generic launches over the next two years.
- GNP is the only company in the domestic market to continually outperform the IPM growth over many quarters. GNP's strategy to focus on a few key therapies has paid off, and the India business is growing rapidly. Further innovative launches will support this growth, and we believe that the India business is undervalued by the market.
- While we acknowledge legacy investor concerns viz. GNP's balance sheet, capital allocation and FCF generation, we strongly believe that the pros outweigh the cons. GNP's innovative and specialty pipeline, continued generic launches in the US market and a flourishing India business will see a re-rating in the stock. Hence, we re-iterate BUY, with a revised TP of Rs. 1,165 (~30% upside from CMP), which includes an option value of Rs 135/sh for the innovative and specialty pipelines.

P/E Band



Source: HDFC sec Inst Research

Glenmark In Charts

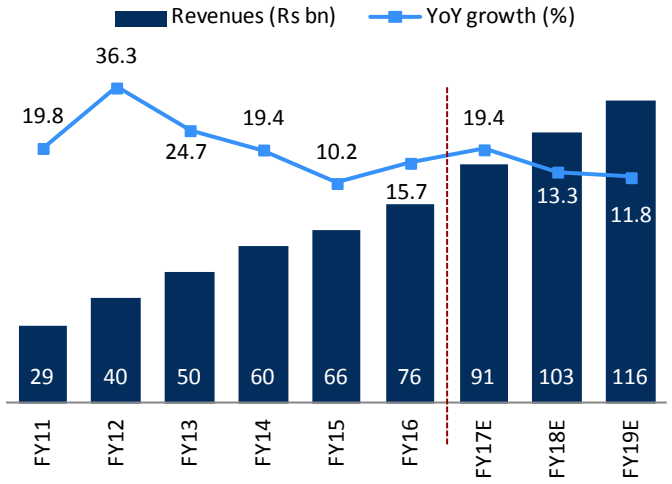
Ex-Zetia, GNP's revenues are expected to grow ~18% CAGR over FY17-19E

The US business will be the most significant contributor to GNP's sales growth

Growth in the US business is optically low, on account of gZetia. We foresee~22% growth in the US base business over FY17-19E

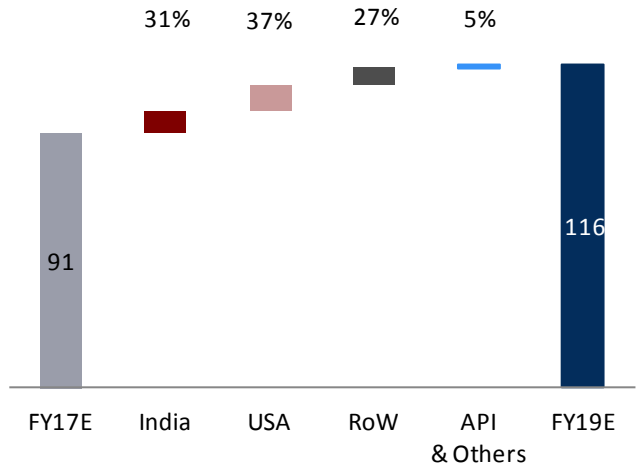
GNP's ANDA pipeline also includes 24 Para IV opportunities

Revenue: Steady Growth



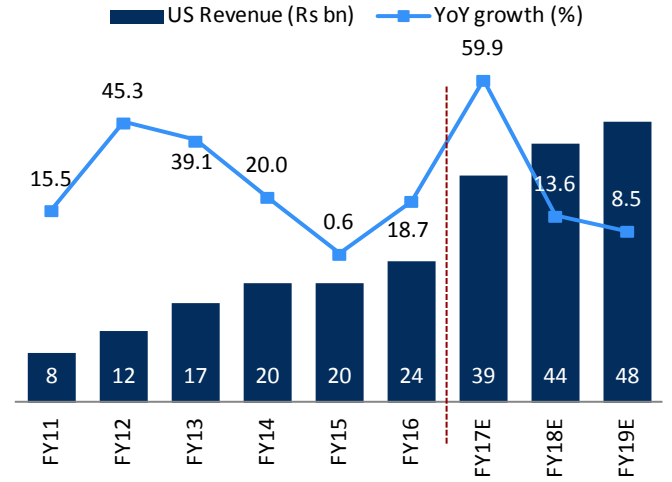
Source: Company, HDFC sec Inst Research

Sales Waterfall



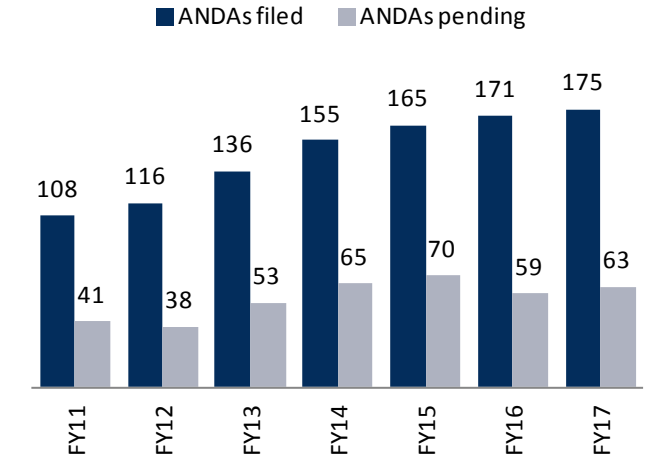
Source: Company, HDFC sec Inst Research

US Biz: Growth Sustained By Continuous Launches



Source: Company, HDFC sec Inst Research

ANDA Pipeline: Lucrative



Source: Company, HDFC sec Inst Research

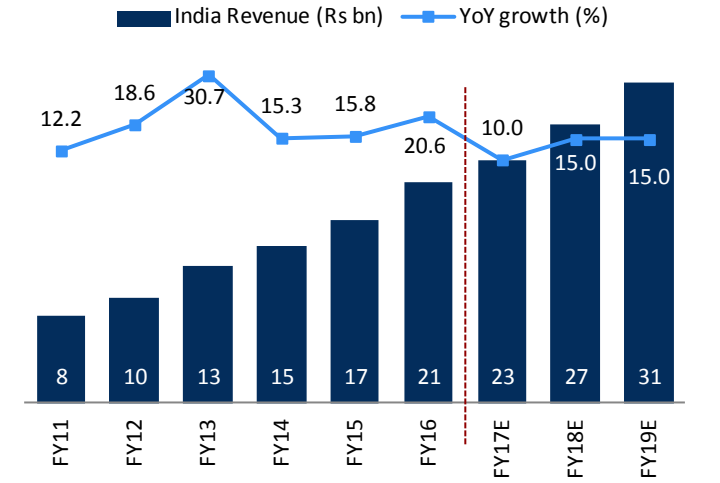
We expect GNP's India business to continue to outperform IPM growth, with 15% rev CAGR over FY17-19E

GNP's field force productivity is high, enabling it to derive significant operating leverage

We foresee EBITDA growth of EBITDA ~9% CAGR over FY17-19E, which is optically lower on account inclusion of significant gZetia sales in FY17E. The EBITDA margin will expand also expand ex-Zetia

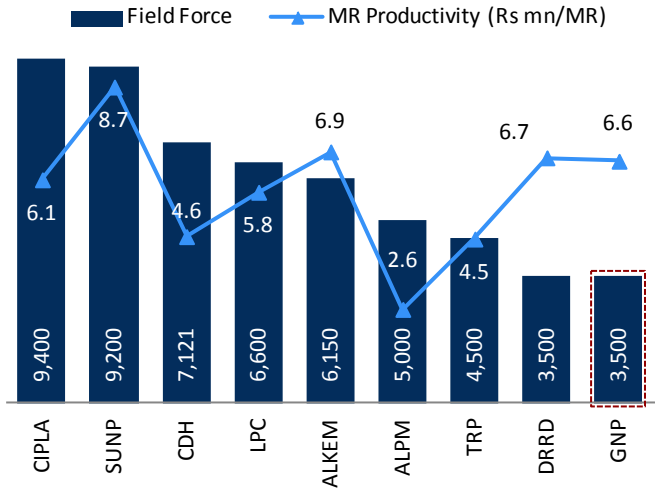
GNP maintains that it will continue to spend heavily on research, which is the driving force behind the business model

India Business: Outperforming



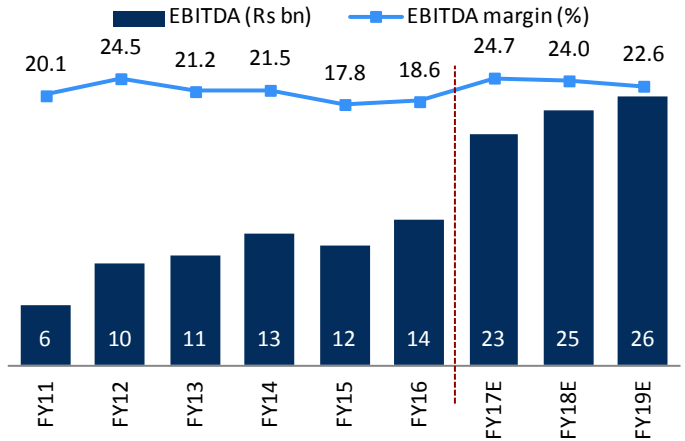
Source: Company, HDFC sec Inst Research

Field Force Productivity: High



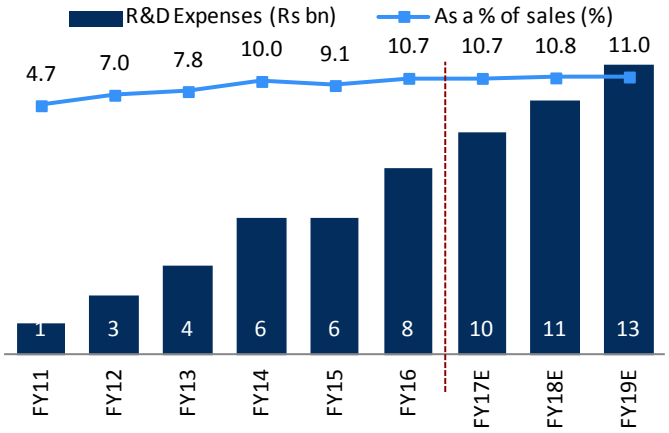
Source: Company, HDFC sec Inst Research

EBITDA Margin: Optically Flat (gZetia Impact)



Source: Company, HDFC sec Inst Research

R&D Expenses: Will Remain Elevated



Source: Company, HDFC sec Inst Research

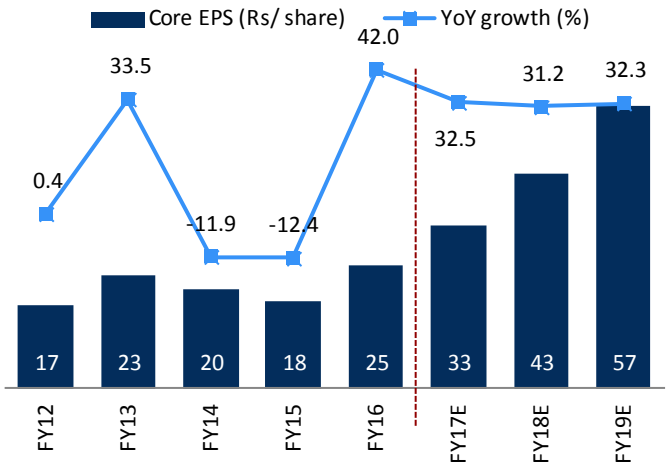
We expect GNP's core EPS to grow at ~32% CAGR over FY17-19E

Financial leverage will contribute significantly to EPS growth over FY17-19E

We expect FCF generation to pick up significantly over the next two years

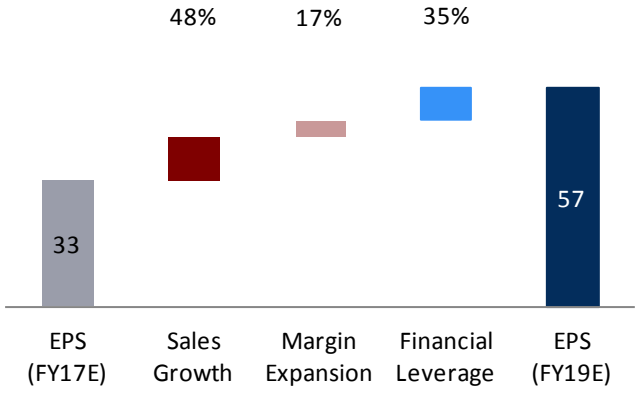
Return ratios will also begin to scale up as the growth story plays out

Core EPS: Strong Growth Trajectory



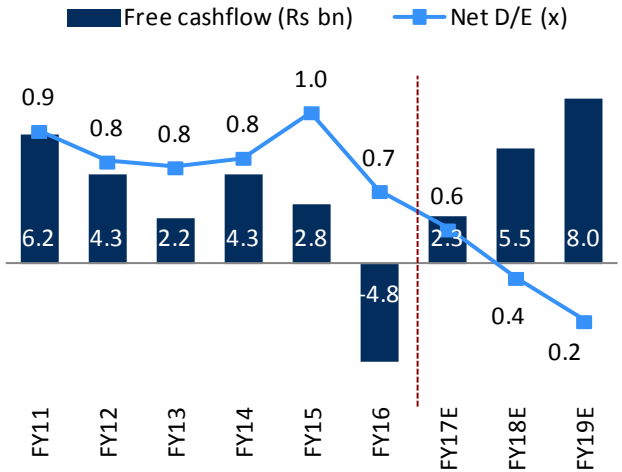
Source: Company, HDFC sec Inst Research

EPS Waterfall: Financial Leverage To Contribute



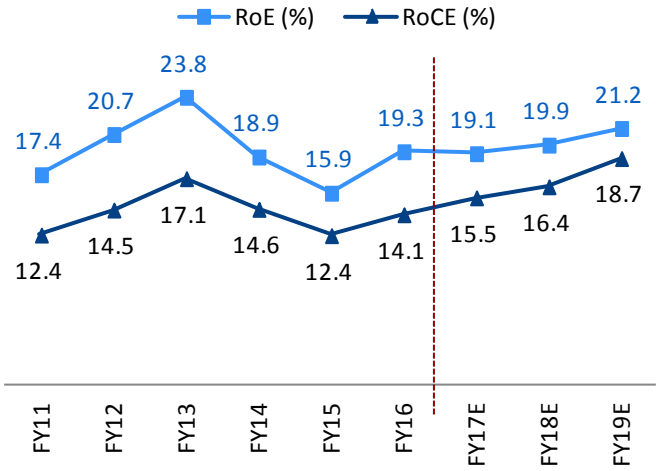
Source: Company, HDFC sec Inst Research

FCF And D/E: Cash Flow Generation To Pick Up



Source: Company, HDFC sec Inst Research

Return Ratios: Scaling Up



Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Year ending March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Revenues	**65,953**	**76,340**	**91,171**	**103,335**	**115,548**
Growth (%)	***10.2***	***15.7***	***19.4***	***13.3***	***11.8***
Material Expenses	19,344	23,614	24,616	28,934	33,971
Employee Expenses	12,024	13,782	16,607	18,434	20,370
SG&A Expenses	12,291	11,691	12,490	14,157	15,830
Other Operating Expenses	10,542	13,082	14,952	17,050	19,296
EBITDA	**11,751**	**14,172**	**22,505**	**24,760**	**26,080**
EBITDA Margin (%)	***17.8***	***18.6***	***24.7***	***24.0***	***22.6***
EBITDA Growth (%)	***(8.7)***	***20.6***	***58.8***	***10.0***	***5.3***
Depreciation	2,600	2,691	2,623	3,028	3,470
EBIT	**9,151**	**11,480**	**19,882**	**21,732**	**22,610**
Other Income	564	356	550	750	750
Interest	1,902	1,789	2,266	1,628	1,252
PBT	**7,814**	**10,047**	**18,166**	**20,854**	**22,108**
Tax (Incl Deferred)	1,190	3,028	5,450	5,839	5,969
RPAT	**6,623**	**7,019**	**12,716**	**15,015**	**16,139**
Minority Interest	(1)	-	-	-	-
EO (Loss) / Profit (Net Of Tax)	1,871	-	3,417	2,815	-
APAT	**4,753**	**7,019**	**9,299**	**12,200**	**16,139**
APAT Growth (%)	***(12.3)***	***47.7***	***32.5***	***31.2***	***32.3***
Adjusted EPS (Rs)	**17.5**	**24.9**	**33.0**	**43.2**	**57.2**

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

Year ending March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital - Equity	271	282	282	282	282
Reserves	29,732	42,420	54,146	68,171	83,238
Total Shareholders Funds	**30,003**	**42,702**	**54,429**	**68,453**	**83,520**
Minority Interest	(2)	(3)	(3)	(3)	(3)
Long Term Debt	25,744	24,873	20,645	14,451	11,561
Short Term Debt	12,256	15,008	15,008	15,008	13,507
Total Debt	**37,999**	**39,881**	**35,653**	**29,459**	**25,068**
Net Deferred Taxes	(6,933)	(9,073)	(9,500)	(9,250)	(8,750)
Long Term Provisions & Others	-	-	-	-	-
TOTAL SOURCES OF FUNDS	**61,068**	**73,507**	**80,578**	**88,659**	**99,836**
APPLICATION OF FUNDS					
Net Block	16,304	19,471	24,349	29,321	31,350
CWIP	4,923	5,726	6,500	4,500	5,500
Intangibles	12,135	14,452	14,452	16,452	17,952
Total Non-current Assets	**33,361**	**39,650**	**45,301**	**50,273**	**54,803**
Inventories	12,690	15,678	18,734	21,233	23,743
Debtors	25,118	24,926	27,476	32,557	36,405
Other Current Assets	7,973	9,678	13,738	15,571	17,411
Cash & Equivalents	8,003	9,354	4,305	2,017	4,546
Total Current Assets	**53,783**	**59,637**	**64,253**	**71,378**	**82,105**
Creditors	20,457	21,961	21,232	22,649	25,325
Other Current Liabilities & Provns	5,620	3,819	7,745	10,343	11,747
Total Current Liabilities	**26,077**	**25,779**	**28,976**	**32,992**	**37,073**
Net Current Assets	**27,707**	**33,857**	**35,277**	**38,386**	**45,033**
TOTAL APPLICATION OF FUNDS	**61,068**	**73,507**	**80,578**	**88,659**	**99,836**

Source: Company, HDFC sec Inst Research

Cash Flow

Year ending March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Reported PBT	5,943	10,047	18,166	20,854	21,997
Non-operating & EO items	1,307	(356)	(550)	(750)	(750)
Interest expenses	1,902	1,789	2,266	1,628	1,363
Depreciation	2,600	2,691	2,623	3,028	3,470
Working Capital Change	(947)	(4,799)	(6,469)	(5,398)	(4,117)
Tax Paid	(2,981)	(5,146)	(5,450)	(5,839)	(5,939)
OPERATING CASH FLOW (a)	**7,823**	**4,227**	**10,586**	**13,523**	**16,024**
Capex	(4,982)	(8,980)	(8,274)	(8,000)	(8,000)
Free cash flow (FCF)	*2,841*	*(4,754)*	*2,312*	*5,523*	*8,024*
Investments	(34)	15	-	-	-
Non-operating Income	564	356	550	750	750
INVESTING CASH FLOW (b)	**(4,453)**	**(8,609)**	**(7,724)**	**(7,250)**	**(7,250)**
Debt Issuance/(Repaid)	4,808	1,882	(4,228)	(6,193)	(4,391)
Interest Expenses	(1,902)	(1,789)	(2,266)	(1,628)	(1,363)
FCFE	*6,277*	*(4,289)*	*(3,632)*	*(1,548)*	*3,020*
Share Capital Issuance	(3,630)	6,670	-	-	-
Others	(134)	(24)	(427)	250	500
Dividend	(952)	(990)	(990)	(990)	(990)
FINANCING CASH FLOW (c)	**(1,810)**	**5,749**	**(7,912)**	**(8,562)**	**(6,245)**
NET CASH FLOW (a+b+c)	**1,561**	**1,367**	**(5,049)**	**(2,289)**	**2,530**
EO Items, Others	(1,871)	-	-	-	-
Closing Cash & Equivalents	**7,638**	**9,004**	**3,955**	**1,667**	**4,196**

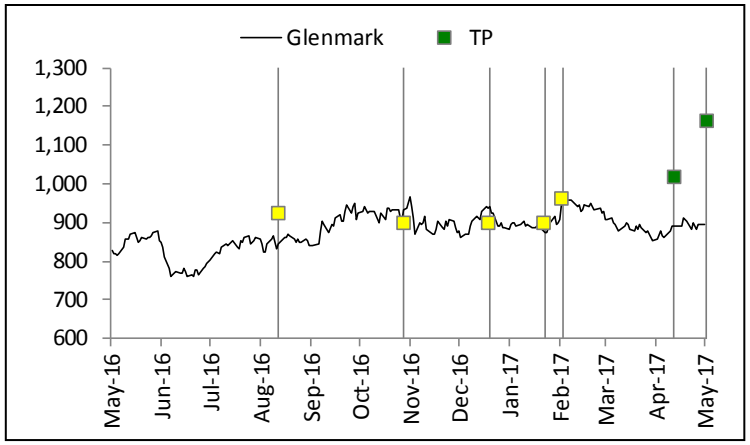
Source: Company, HDFC sec Inst Research

Key Ratios

	FY15	FY16	FY17E	FY18E	FY19E
PROFITABILITY (%)					
GPM	70.7	69.1	73.0	72.0	70.6
EBITDA Margin	17.8	18.6	24.7	24.0	22.6
APAT Margin	7.2	9.2	10.2	11.8	13.9
RoE	15.9	19.3	19.1	19.9	21.1
RoIC (or Core RoCE)	14.6	12.5	18.2	18.1	17.3
RoCE	12.4	14.1	15.5	16.4	18.7
EFFICIENCY					
Tax Rate (%)	15.2	30.1	30.0	28.0	27.0
Fixed Asset Turnover (x)	1.7	1.7	1.7	1.6	1.6
Inventory (days)	*70.2*	*75.0*	*75.0*	*75.0*	*75.0*
Debtors (days)	*139.0*	*119.2*	*110.0*	*115.0*	*115.0*
Other Current Assets (days)	*44.1*	*46.3*	*55.0*	*55.0*	*55.0*
Payables (days)	*113.2*	*105.0*	*85.0*	*80.0*	*80.0*
Other Current Liab & Provns (days)	*31.1*	*18.3*	*31.0*	*36.5*	*37.1*
Cash Conversion Cycle (days)	*109.0*	*117.2*	*124.0*	*128.5*	*127.9*
Debt/EBITDA (x)	3.2	2.8	1.6	1.2	1.0
Net D/E (x)	1.0	0.7	0.6	0.4	0.2
Interest Coverage (x)	4.8	6.4	8.8	13.4	16.6
PER SHARE DATA (Rs)					
Core EPS	17.5	24.9	33.0	43.2	56.9
Dividend	2.0	3.0	3.0	3.0	3.0
Book Value	110.6	151.3	192.9	242.6	296.0
VALUATION					
P/E (x)	50.9	35.9	27.1	20.6	15.7
P/BV (x)	8.1	5.9	4.6	3.7	3.0
EV/EBITDA (x)	23.1	19.9	12.6	11.3	10.4
EV/Revenues (x)	4.1	3.7	3.1	2.7	2.4
OCF/EV (%)	2.9	1.5	3.7	4.8	5.9
FCF/EV (%)	1.0	(1.7)	0.8	2.0	2.9
FCFE/Mkt Cap (%)	2.6	(1.7)	(1.4)	(0.6)	1.2
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
16-Aug-16	845	NEU	925
29-Oct-16	932	NEU	900
21-Dec-16	937	NEU	900
23-Jan-17	891	NEU	900
3-Feb-17	947	NEU	960
12-Apr-17	891	BUY	1,020
3-May-17	894	BUY	1,165

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:
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