Press Release

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CRISIL Research assigns IPO grade 4/5 to Glenmark Generics Ltd.

CRISIL has assigned a CRISIL IPO Grade "4/5" (pronounced "four on five") to the proposed initial public offer (IPO) of Glenmark Generics Ltd (GGL). This grade indicates that the fundamentals of the IPO are above average relative to the other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy / sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The IPO grade reflects the company's status as a fast growing Indian generics company. According to estimates by CRISIL Research, drugs worth an estimated USD 137 billion is scheduled to go off-patent in the US and Europe over the next 5 years, which implies significant generics opportunity for India. GGL, given its dominant position among Indian players in the global generics market, is well placed to capitalise on the emerging opportunities in generics and to consolidate its presence in the regulated markets of US and Europe. The grading takes into account the company's strong product pipeline and strategy of focusing on niche and complex molecules in the US market. The grading also takes into account the relevant experience and domain expertise of the promoter and the top management and their demonstrated capabilities in driving business growth.

The grading is, however, constrained by the stiff competition the company faces from the Indian as well as the international generic players operating in the US and European markets. Further, the grading is also affected by the fact that the company's revenues and profitability in the pharmaceutical industry will remain sensitive to the extent of competition (through the entire R & D process till the time of FDA approval). The grading is tempered by the risk associated with non-compliance of the regulatory requirements or cGMP norms and their impact on business growth.

The company's revenues amounted to Rs 10.4 billion in 2008-09, of which its US formulation business accounted for 71 per cent. During the year, the company's operating margins were at 30.4 per cent, which were relatively higher than that of its peers. The higher profitability can be attributed to the company's strategy of focusing on niche segments where the realisations are better due to relatively lower competition levels.

About the company and the issue

GGL, a subsidiary of Glenmark Pharmaceuticals Limited (GPL), is an integrated generics and API (Active pharmaceutical ingredient) player. GGL has a business presence in North America, EU and South America (Argentina) besides maintaining marketing front-ends. GGL markets APIs to more than 65 countries across the world. The manufacturing facilities of the company are situated in Goa, Ankleshwar (Gujarat), Kurkumbh and Mohol (Maharashtra) in India. The company's API plant at Ankleshwar and its formulation plant at Goa are approved by the FDA, USA and MHRA, UK.

GGL's management is headed by Mr. Glenn Saldanha, Chairman and Non-Executive director of the company who has over 14 years of relevant experience. Mr. Terrance Coughlin and Mr. Jalaj Sharma are the two whole time directors and Mr. R. V. Desai is the non-executive director. These four top management personnel are in charge of strategic business planning for the company. GGL has four independent directors - Mr. Julio F. Ribeiro, Mr. Sridhar Gorthi, Mr. D. R. Mehta and Mr. Natvarlal Bhimbhai Desai.

Of the expected issue size of Rs 5,750 million, GGL plans to utilise around Rs 4,800 million to part pay the loan due to GHSA (Glenmark Holding S.A., subsidiary of parent company - GPL) for the purchase of its generics business. The rest is expected to be used for general corporate purposes.

About CRISIL IPO Grading

CRISIL IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

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