



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### **Listing of generics arm seen as trigger**

Ram Prasad Sahu / Mumbai May 12, 2010, 0:05 IST

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<http://www.business-standard.com/india/news/listinggenerics-arm-seen-as-trigger/394551/>

The stock of Glenmark Pharma has risen almost three per cent to Rs 280 over the last one week on news of tie-ups with Sanofi-Aventis, Par Pharmaceuticals and Taro Pharmaceuticals. While the company has entered a drug development programme with Sanofi, its licensing agreements with the other two will enable it to sell key drugs in the US.

#### **Sanofi development deal**

The agreement with Sanofi-Aventis grants the French major a licence to develop and market Glenmark's research molecule, or compound, to treat chronic pain. The compound, called GRC 15300, is in the first phase of clinical trials and is for treatment of osteoarthritis and neuropathic pain. Peak sales in this area of pain management in the US are estimated at \$3 billion. While Glenmark gets an upfront payment of \$20 million (Rs 90 crore), it will receive \$325 million (Rs 1,462 crore) if the molecule advances through the three research phases and is commercialised. Though the milestone payment is large, it is linked to targets and may not come through if results of future clinical trials are unsatisfactory.

The company announced in August last year that a compound, Oglemilast, used to treat lung disease, failed the tests. While the potential revenue from the successful launch of the product was pegged at Rs 900 crore, the company received only Rs 158 crore before its partner, Forest Labs, stopped research. The stock had lost 13 per cent then and touched a low of Rs 202.

#### **Licensing agreements**

Glenmark Pharma's generics subsidiary, Glenmark Generics, entered into an exclusive licensing arrangement with Par Pharmaceutical for Ezetimibe, the generic version of Merck Schering-Plough's Zetia. This cholesterol-modifying agent has annual US sales of \$1.4 billion. Glenmark has a first-to-file status for this product, which means it will be the only company to market the drug, besides the innovator. While Glenmark gets a payment and a share in profits for granting the rights to Par, the two will share the costs of the patent litigation case. The tie-up will help Glenmark save on distribution costs and spread risk on the legal cost front. The company received tentative approval in April last year and the 30-month expiry of the stay on the final approval ends in October this year. The approval is likely to be based on the outcome of the case which is currently on in US courts. Glenmark Generics has also tied up with Taro Pharmaceuticals under which it will manufacture and supply a branded product to Taro.

#### **Investment rationale**

While these marketing tie-ups and the development deal are positives for Glenmark Pharma given the disappointment on Oglemilast last year, the gains from them are limited in the short term. What the market awaits is listing of Glenmark Generics, which will help the company bring down its debt of about Rs 1,500 crore and the debt to equity ratio to just under one (from 1.3 in 2008-09). At Rs 278, the stock is quoting at a reasonable 14.6 times its 2010-11 estimated earning per share of Rs 19, and can be considered for investment.