

June 29, 2020

To,
**SINGAPORE EXCHANGE SECURITIES
TRADING LIMITED**
11 North Buona Vista Drive,
#06-07 The Metropolis Tower 2,
Singapore – 138589

Dear Sir,

**Sub:- Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements)
Regulation, 2015 – S&P Global Ratings**

With reference to the subject mentioned above, kindly find enclosed rating research update issued by S&P Global Ratings for your reference.

Request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For Glenmark Pharmaceuticals Limited

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VINAYAK KUBER

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Date: 2020.07.29 19:50:20
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Harish Kuber
Company Secretary & Compliance Officer

Encl: S&P Global Ratings

Glenmark Pharmaceuticals Ltd.

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Research Update:

Glenmark Pharmaceuticals Ratings Placed On CreditWatch Negative On Growing Refinancing Risk

July 29, 2020

Rating Action Overview

- Glenmark Pharmaceuticals Ltd. faces several bullet debt maturities totaling US\$340 million in 2021, including a put option on its foreign currency convertible bonds (FCCBs).
- The India-based generics pharmaceuticals company is working on several refinancing options. However, funding requirements are substantial and challenging market conditions could strain its ability to raise funds, significantly weakening its liquidity.
- We are placing our 'BB-' long-term issuer credit rating on Glenmark and the 'BB-' long-term issue rating on the company's notes on CreditWatch with negative implications.
- We aim to resolve the CreditWatch over the next few weeks when we expect to get more clarity on Glenmark's plans to address its refinancing requirements.

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Rating Action Rationale

Glenmark's liquidity could weaken materially in the next few months due to the company's sizable debt maturities. Glenmark's US\$200 million senior unsecured notes are due on Aug. 2, 2021. In addition, holders of the company's outstanding FCCBs have a put option on July 28, 2021. If all bondholders exercise the option, the debt maturities will increase by another US\$140 million. We believe Glenmark's ratio of liquidity sources to uses could fall well below our threshold of 1.2x for an adequate assessment unless the company has a more comprehensive financing plan. We would then lower the rating of the company by at least one notch.

Market conditions could hinder Glenmark's progress in addressing its financing requirements.

We understand the company will use committed short-term bank lines and proceeds from sale of non-core assets to meet the liabilities under the FCCBs, should the bondholders exercise the put option. In our base case, we consider US\$100 million available under the revolving credit facility at subsidiary, Glenmark Holding S.A., and maturing in mid-2023 as a source of funding.

However, Glenmark is yet to finalize its financing package for the US\$200 million notes due August 2021. It has so far secured bank loans for only 50% of its requirements.

Glenmark's ability to reduce the funding gap in the coming weeks remains critical for its credit standing. The company remains dependent on banks and capital markets to meet its refinancing requirements. Uncertainty in market conditions, magnified by the COVID-19 pandemic and other global geopolitical tensions, could affect Glenmark's ability to raise funds in a timely manner, in our view. Capital market access for the company could also be constrained by external commercial borrowing (ECB) regulations in India that require the cost of refinancing to be lower than the current cost of borrowing. This could increase Glenmark's dependence on bank financing if market conditions remain challenging.

Operating cash flows, assets sales, and lower spending could help Glenmark. We expect the company's operating cash flows to be stable in the next 12-24 months, given the limited impact of the COVID-19 pandemic on the broader pharmaceutical industry. Despite our expectations of slower revenue growth in fiscal 2021 (year ending March 31, 2021), Glenmark should be able to maintain EBITDA margins at about 16% as it looks to reduce investments in research and development (R&D) and control operating costs.

Glenmark's operating cash flows, lower capital investments, and plans to channel proceeds from the sale of non-core assets to pay down debt should improve its ratio of funds from operations (FFO) to debt to above 20% in fiscal 2021, from 19.3% in fiscal 2020. The downside risks to our base-case assumptions are the challenging operating conditions that could delay deleveraging.

CreditWatch

We aim to resolve the CreditWatch over the next few weeks once we get more clarity on Glenmark's plans to address its refinancing requirements.

Downside scenario

We could lower our ratings on Glenmark by at least one notch if the company fails to make substantial progress in addressing its sizable debt maturities in July and August 2021. Of particular focus is the refinancing of the US\$200 million senior unsecured notes.

Upside scenario

We could affirm the rating if Glenmark is able to address its refinancing requirements, resulting in sufficient liquidity and a sustainable capital structure. The company's ratio of FFO to debt improving sustainably above 20% would also be supportive of such an action.

Company Description

Glenmark is an India-headquartered global generics pharmaceutical company with a focus on dermatology, respiratory, and oncology therapies. In fiscal 2020, Glenmark generated about US\$1.4 billion in revenues. The company has 16 manufacturing facilities and six R&D centers globally.

Liquidity

We assess Glenmark's liquidity as adequate. We believe the company has sufficient liquidity to meet its upcoming commitments in the 12 months ending March 31, 2021.

However, Glenmark's ratio of liquidity sources to uses could deteriorate materially and trend below 1x over the 12 months ending March 31, 2022. This level is not commensurate with a 'BB-' issuer credit rating. The company has maturities of almost US\$340 million in the second half of 2021, and it has secured capital only for part of the upcoming liabilities. Regulatory changes and restrictions on foreign currency transactions by India's central bank could also exert pressure on debt servicing.

We believe the company has low ability to sustain its liquidity in such unlikely but high impact events.

We expect Glenmark to remain prudent in risk management, especially in arranging timely refinancing. The company has fair banking relationships and credit standing in the capital markets.

Principal liquidity sources include:

- Cash and short-term investments of Indian rupee (INR) 11.1 billion and short-term undrawn committed credit lines of US\$100 million as of March 31, 2020.
- Cash from operations and proceeds from the sale of non-core assets that we estimate at about INR14 billion over the 12 months ending March 31, 2021.

Principal liquidity uses include:

- Debt maturities of INR6.8 billion, including short-term debt of INR4.4 billion, over the 12 months ending March 31, 2021.
- Working capital outflows of about INR1.2 billion over this period.
- Annual maintenance and committed capital spending of about INR8 billion, and shareholder distributions of about INR620 million during this period.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of March 31, 2020, Glenmark had about INR48.7 billion outstanding debt, comprising primarily unsecured borrowings. This includes the company's US\$200 million in senior unsecured notes, US\$113.5 million in FCCBs, US\$90.8 million in ECBs, and bank borrowings.

Of this, more than 70% is at the issuer level and about 30% is at subsidiaries.

Analytical conclusions

Glenmark is domiciled in India, and its substantial assets and operations are in India. Therefore, we consider India to be the relevant jurisdiction for our issuance analysis.

In our view, the priority of claims in a theoretical Indian bankruptcy scenario remains highly

uncertain for issuances out of India, and as a result we don't distinguish between various levels of subordination. We therefore equalize the issue rating on the senior unsecured notes with our 'BB-' issuer credit rating on Glenmark.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Pharmaceutical Industry, April 8, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Glenmark Pharmaceuticals Ltd.		
Issuer Credit Rating	BB-/Watch Neg/--	BB-/Negative/--
Glenmark Pharmaceuticals Ltd.		
Senior Unsecured	BB-/Watch Neg	BB-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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