

Press Release

Brickwork Ratings assigns “BWR CG3” for Glenmark Pharmaceuticals Ltd.’s Corporate Governance Quality

Corporate Governance Rating: BWR CG3

Brickwork Ratings (BWR) has assigned “**BWR CG3**” (**Pronounced BWR Corporate Governance Three**) for Glenmark Pharmaceuticals Ltd’s Corporate governance quality. Brickwork Ratings’ ‘BWR CG3” stands for a High Corporate Governance Quality. The rating has, inter alia, factored Glenmark’s Value creation towards its various stakeholders, composition and quality of the Board, management transparency & disclosure practices, accounting policies, investor relations, and role of audit committee.

BWR Corporate Governance process includes review of publicly available information like Annual reports, and Corporate presentations, confidential information like Board minutes, various Committee meeting minutes, Human Resources and Insurance records as well as meetings with CEO, CFO, Independent Directors and Heads of Departments.

Glenmark’s Corporate governance rating derives strength from the quality of its Board, public image of each independent director, good reward policies for employees, stable credit quality over the years, consistent accounting policies, adherence to Clause 49 of SEBI guidelines and professionalism exhibited by the CEO. However, the rating also factors negative EVA, lower ROIC compared to WACC, lack of whistle blower policy, and moderate detailing in the Board minutes.

Glenmark Pharmaceuticals Ltd. (Glenmark), incorporated in 1977, is a leading player in the discovery of new molecules both NCEs (new chemical entity) and NBEs (new biological entity) with seven molecules in various stages of clinical development. The company has a significant presence in branded generics markets across emerging economies with thirteen manufacturing facilities in four countries and has five Research & Development (R&D) centers. The Company employs nearly 7000 people in over 80 countries.

We have looked at Corporate Governance Quality by evaluating Glenmark on 4 crucial parameters viz, Stability, Transparency, Integrity and Accountability. Each parameter addresses Company’s commitment to its various stakeholders.

Though Glenmark is a family run business, there is a high degree of professionalism in the CEO and the Management team. The Company has a strong Board with well qualified and reputed members and encourages free expression of views. Glenmark has good reward policies in place for its employees.

However, we believe the Company’s board minutes and other committee minutes require some more detailing. Also Glenmark currently has negative EVA and lower ROIC compared to WACC. We observe that there is no Whistle blower policy in place; however the Company is expected to put it in place gradually.

After evaluating the current strengths and weaknesses, Brickwork Ratings assigns a Rating of BWR CG 3 on its Corporate Governance rating scale, which reflects a HIGH quality of Corporate Governance at Glenmark pharmaceuticals Ltd.

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