

ANY CURRENCY DEVALUATION TO HIT GLENMARK, DRL

Venezuela's Vote for Change has Indian Pharma Jittery

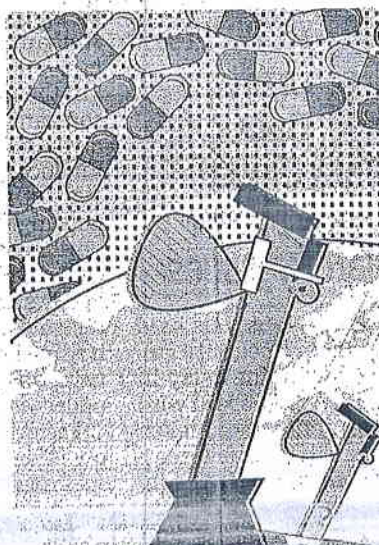
DRL, Glenmark may miss annual EPS estimate of ₹4.9 & ₹3.1, respectively in case the Bolivar falls

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Mumbai: The victory of the Opposition party in the Venezuela National Assembly elections on Sunday might have an impact on Indian drug companies due to a change in the political landscape of the South American country and the many economic reforms the Opposition plans to roll out there.

Brokerage firm Prabhudas Lilladher has said in a research note that the country might even go for a currency devaluation.

The two companies whose stock might get impacted by these changes are Glenmark Pharmaceuticals and Dr Reddy's, which have revenues worth \$137 million and \$50 million, respectively, from that country. Dr



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We expect many reforms to take place which will make the Venezuelan currency highly volatile

SURJIT PAL PRABHUDAS LILLADHER

Reddy's could take a hit of ₹90 per share and Glenmark may see a knock of ₹50 a share.

"We expect many economic reforms to take place in Venezuela which will make the value of its currency highly volatile initially, as there is a likelihood that the currency will be converted to market-determined rates from a fixed-rate regime," said Surjit Pal, associate vice-president, Prabhudas Lilladher.

"One of the agendas (as stated in the manifesto) of the Opposition party was to bring the currency to a realistic level which is currently trading at 150x of the official rate of 6 Bolivar/US Dollar," he explained.

Pal said that his firm expects Dr Reddy's and Glenmark to be significantly impacted in case the government decides to devalue the currency in the near to medium term.

"With the most conservative scenario of not considering Venezuela sales in their earnings estimates, we expect Dr Reddy's and Glenmark to miss their annual earnings per share (EPS) of ₹4.9 and ₹3.1, respectively, in case the new government decides to devalue the Venezuelan Bolivar," Pal wrote.

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