

## ANALYST OUTLOOK

# Exports, domestic sales to boost pharma firms in FY16

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Indian pharmaceutical companies have been outperformers on the bourses, outperforming most other sectors, as is evident from the fact that most of these companies are now at reasonably fair valuations with respect to FY17 earnings, while the factor with maximum linkage with the economy are trading still at a discount to its fair valuations. Thus, the sector has again proven its

resilience in the stock markets. The reasons for the same are not difficult to comprehend.

The sector has exhibited most resilient, steady growth despite the hiccups that it has been exposed to like NPPA and USFDA import alerts. Despite that the companies have been able to deliver decent set of numbers. As we move forward into FY16, we expect the companies to deliver 15-18 per cent topline growth, driven by both exports and domestic sales.

The US will continue to spearhead

the growth for companies. Some companies like Lupin and Cadila Healthcare are expected to post strong growth in the current financial year, given the expectation of fast product approvals.

Domestic markets will also grow at a healthy rate of 14-15 per cent. Multinational companies, which were impacted last year on back of the NPPA order, will see uptick on back of reversal of some of the orders, which had affected their sales last year.

Thus, on the earnings front, for /

coming financial year, the companies are expected to post topline growth of 15-20 per cent, with both domestic and exports posting robust growth during the period.

On the net profit front, barring few companies, the sector is likely to post a 15-20 per cent net profit growth during the period. On back of this, the sector will significantly outperform the Sensex over long run. Our top picks in the sector currently are Dr Reddys, IPCA labs, Sanofi India and Dishman Pharma.

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