

US generic launches to drive pharma growth

Industry seen to have done better in Dec quarter

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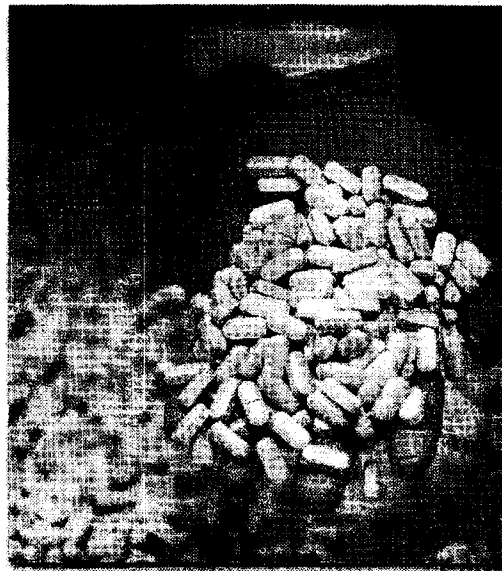
Mumbai

THE pharma sector, which has been facing a series of issues in the domestic market since the new price control order came into effect, is expected to report healthy growth in terms of revenue and margins in the third quarter of the present financial year, according to analysts.

"We expect pharma companies to deliver healthy growth for Q3 in 2013-14 despite a slowdown in the domestic business due to National Pharmaceutical Pricing Policy (NPPP) and trade related issues. On exports too, firms are likely to report strong growth due to new launches in the US generics market. Exports are likely to be prime movers of earnings before interests, depreciation, taxes and amortisation (EBIDTA) margins. All these should lead to companies under our coverage to report a 27 per cent year-on-year growth in net profit," said Ranjit Kapadia, senior VP—pharma, Centrum Broking.

Sarabjit Kour Nangra, VP—research, pharma, Angel Broking, said, "We are expecting robust numbers coming in the third quarter since exports are doing well, domestic market should also pick-up and therefore margins should improve."

Nangra said the firms under her coverage are expected to report an 18 per cent growth in the topline and a 42 per cent growth in the bottomline. "This is excluding Cipla since they did not provide us with the last corresponding consolidated



BULLISH MARKET: Domestic pharma companies have shown signs of recovery from November onwards with 6.9 per cent growth

numbers," she added. Kapadia said, "The 13 pharma companies in our universe are likely to report 15 per cent year-on-year growth in revenues for third quarter FY14 despite sharp price reduction due to NPPP and trade related issues in the domestic market. We expect Aurobindo Pharma, Biocon, Merck and Sun Pharmaceutical Industries (SPIL) to report over 20 per cent growth. GSK, however, is expected to report four per cent year-on-year decline in revenues due price reduction of their major brands and trade related issues in the domestic market."

"We expect further improvement in margin due to gain in volumes of major brands that suffered price reduction under NPPP" said

Kapadia.

"The sector is likely to show some improvements in Q4 and in the next fiscal but as of now things does not look positive. Implementation of Drug Policy Control Order (DPCO) will continue to have its impact on the domestic revenue generation of the Indian pharma companies and MNCs, followed by the trade margin issues and the recent move by the Competition Commission of India (CCI) to slam a fine on the chemists' body All India Organisation of Chemists & Druggists (AIOCD) for unfair trade practices," the official said, adding that the Q4 and even 2014 is expected to report single digit growth for the pharma sector.

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Industry

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