

Q3FY21 result preview

Recommendations

Abbott India (BUY)
Alembic Pharma (ADD)
Alkem (BUY)
Apollo Hospital (ADD)
Aster DM (BUY)
Aurobindo (ADD)
Biocon (ADD)
Cadila Healthcare (HOLD)
Cipla (BUY)
Divis Labs (ADD)
Dr Lal Pathlabs (ADD)
Dr Reddy's (ADD)
Fortis Healthcare (ADD)
Glenmark (ADD)
GSK Pharma (HOLD)
Healthcare Global (ADD)
JB Chemicals (ADD)
Jubilant Life Sciences (ADD)
Lupin (HOLD)
Metropolis (ADD)
Natco (HOLD)
Pfizer (REDUCE)
Sanofi India (ADD)
Shilpa Medicare (HOLD)
Strides Pharma Science (ADD)
Sun Pharma (BUY)
Thyrocare Technologies (REDUCE)
Torrent Pharma (ADD)

Research Analysts:

Sriram Rathi
Sriram.rathi@icicisecurities.com
+91 22 6637 7574
Vinay Bafna
vinay.bafna@icicisecurities.com
+91 22 6637 7339

INDIA



Pharmaceuticals & Healthcare

India growth to recover; US to remain stable

We expect pharma and healthcare companies under our coverage to report moderate growth during the quarter ended Dec'20. We expect easing of lockdown to support some recovery in acute portfolio and injectable products. US revenues may witness marginal growth sequentially led by improvement in volumes of injectables, specialty portfolio and new launches. We estimate India business to grow in high single digit as seen in secondary sales data. We forecast the EBITDA margin of covered companies at ~22% (+130bps YoY) led by revenue growth and cost control measures. Hospitals and diagnostic centres can report significant recovery QoQ with rise in occupancy levels and pathology test volumes. Overall, we expect our coverage universe to report ~8% revenue growth.

- ▶ **India secondary sales:** The Indian pharma market witnessed a growth of 6.4% in value terms for Q3FY21 (source: AWACS). Volumes declined 1.9%, while prices and new introductions grew 4.9% and 3.4%, respectively. We expect primary sales YoY growth for under coverage companies similar or faster than the industry.
- ▶ **US generics:** US sales may grow ~2% QoQ in Q3FY21. Dr Reddy's and Glenmark will have largely flattish sales. We expect Lupin, Alkem, Alembic and Strides to show QoQ growth in US sales led by injectables, specialty products and new launches. Other companies would remain largely flattish in a stable environment.
- ▶ **Companies to watch:** We expect relatively better results from: 1) Aurobindo with new product approvals and stable pricing; 2) Dr Reddy's & Biocon with new product launches in the US; 3) Sun & Alembic with traction in existing and specialty products and 4) Divis lab led by strong demand for APIs from India. Healthcare companies would report decent recovery in non-COVID business as lockdown restrictions have been eased.
- ▶ **Key factors to watch out during management commentary:** i) Growth outlook in India for the industry and respective companies, ii) update on restart of USFDA inspections, iii) price scenario in base US business and traction in specialty products, iv) growth in emerging markets with demand outlook and v) sustainability of recovery in diagnostics and hospitals.

Quarterly summary

| Company (Rs mn) | Sales | | | EBITDA | | | Adj. PAT | | |
|--------------------|---------|-------|--------|---------|--------|--------|----------|--------|---------|
| | % Chg | | (QoQ) | % Chg | | (QoQ) | % Chg | | (QoQ) |
| | Q3FY21E | (YoY) | | Q3FY21E | (YoY) | | Q3FY21E | (YoY) | |
| Abbott India | 11,429 | 6.0 | 8.4 | 2,594 | 8.2 | 7.8 | 2,004 | 7.3 | 10.9 |
| Alembic Pharma | 14,409 | 19.2 | (1.1) | 4,034 | 24.1 | (9.0) | 2,554 | 9.0 | (23.4) |
| Alkem | 23,640 | 8.3 | 0.1 | 5,319 | 17.3 | (11.4) | 3,893 | 1.9 | (17.5) |
| Apollo Hospital | 30,361 | 4.3 | 10.0 | 3,719 | (13.5) | 24.0 | 588 | (36.2) | 136.6 |
| Aster DM | 23,809 | 2.5 | 5.0 | 3,928 | 2.0 | 44.9 | 1,332 | (14.9) | 305.4 |
| Aurobindo | 63,104 | 7.0 | (2.7) | 13,126 | 8.7 | (8.4) | 7,888 | 11.3 | (1.6) |
| Biocon | 19,481 | 11.4 | 11.6 | 4,951 | 11.5 | 26.5 | 2,399 | 18.3 | 41.7 |
| Cadila | 38,479 | 6.2 | 0.4 | 8,065 | 20.0 | (8.2) | 4,497 | 25.4 | (23.4) |
| Cipla | 48,025 | 9.9 | (4.7) | 10,109 | 24.7 | (14.1) | 5,434 | 40.2 | (18.3) |
| Divis Labs | 16,705 | 19.6 | (4.5) | 6,473 | 31.1 | (12.7) | 4,556 | 26.9 | (12.3) |
| Dr Lal Pathlabs | 4,119 | 25.6 | (4.6) | 1,153 | 40.0 | (9.4) | 801 | 48.1 | (6.0) |
| Dr Reddy's | 50,069 | 14.2 | 2.3 | 12,029 | 18.1 | (1.5) | 6,191 | 18.4 | (25.5) |
| Fortis Health. | 11,338 | (3.0) | 14.0 | 1,757 | 12.0 | 46.4 | 430 | 67.7 | (1,135) |
| Glenmark | 28,561 | 4.4 | (3.3) | 5,216 | 18.5 | (8.5) | 2,178 | 14.1 | (19.7) |
| GSK | 8,642 | 11.0 | (1.7) | 2,031 | 63.3 | (0.9) | 1,472 | 64.6 | 27.9 |
| HCG | 2,715 | (2.3) | 9.5 | 380 | (16.9) | 26.6 | (165) | (27.8) | (26.1) |
| JB Chemicals | 5,175 | 20.7 | 16.7 | 1,268 | 41.5 | 15.1 | 897 | 35.3 | 21.3 |
| Jubilant Life | 25,255 | 9.1 | 6.3 | 5,430 | 7.0 | 11.7 | 2,590 | 8.8 | 15.6 |
| Lupin | 40,109 | 6.4 | 4.6 | 6,738 | 57.0 | 15.9 | 3,663 | 236.1 | 73.6 |
| Metropolis | 2,940 | 31.9 | 2.0 | 863 | 35.8 | (5.0) | 571 | 35.7 | (5.3) |
| Natco Pharma | 4,921 | 2.0 | (38.7) | 1,378 | (4.1) | (50.2) | 1,078 | (7.6) | (46.7) |
| Pfizer | 5,920 | 10.0 | (0.6) | 1,764 | 32.2 | (13.2) | 1,187 | 5.2 | (9.7) |
| Sanofi India** | 7,671 | (7.2) | 11.7 | 2,096 | 17.6 | 9.1 | 1,534 | 40.3 | 15.3 |
| Shilpa Medicare | 2,574 | 8.7 | (7.7) | 643 | (12.8) | (6.3) | 387 | (29.7) | (14.8) |
| Strides Pharma | 8,207 | 12.0 | 3.4 | 1,632 | (9.8) | 3.8 | 601 | (23.7) | 20.7 |
| Sun Pharma | 88,617 | 8.7 | 3.6 | 19,496 | 5.9 | (11.1) | 10,895 | 19.3 | (31.5) |
| Thyrocare | 1,523 | 44.0 | (0.6) | 598 | 36.6 | (3.3) | 394 | 43.3 | (8.5) |
| Torrent Pharma | 20,541 | 4.5 | 1.8 | 6,368 | 17.9 | 0.3 | 3,387 | 35.0 | 9.3 |

Source: I-Sec research; Note: Q4CY20 estimates for Sanofi India

Please refer to important disclosures at the end of this report

Domestic market trends: Secondary data

AWACS data for Dec'20 shows India Pharma Market (IPM) had a growth rate of 3.1% in value terms over the year (MAT Dec'20). Adjusting for seasonality and free samples, industry grew at similar levels (3.2%) for the 12 months ended Dec'20. Chronic products portfolio grew at 8.5%, while acute portfolio remained flattish with a growth of 0.4% over the year in MAT terms.

Top-growing categories (MAT Dec'20):

- Anti-infectives declined 2.1%, while respiratory grew 0.2%, YoY.
- Chronic products segment continued to drive sales in the markets growing at an overall 8.5% rate with 13.4% YoY growth in cardiovascular and 7.8% YoY growth in anti-diabetic segments.
- Gastro-intestinal and derma sales grew 2.7% and 0.7% YoY, respectively, while VMN and Neuro/CNS grew 6.6% and 5.4%, respectively.
- Pain/Analgesics, anti-neoplastics and gynaec declined 2.8%, 3.2% and 3.5% YoY, respectively.
- Urology grew 7.8%, while ophthalmology declined 8.0% YoY, respectively.

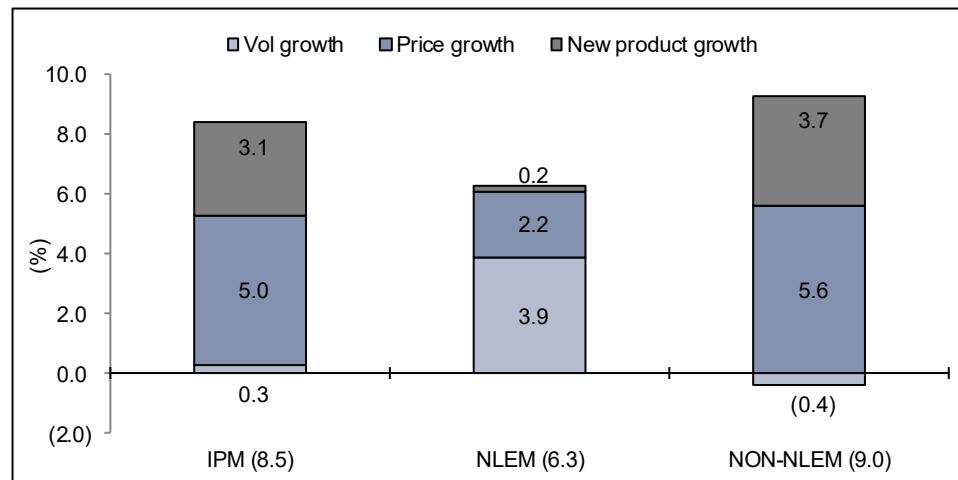
Winners in domestic sales growth (top 20 companies in the Indian market) with MAT in excess of 7% (with bonus units): Cipla, Aristo, Glenmark, Pfizer, USV and Ipca. Losers in domestic sales growth (sales growth less than 4%): Zydus, Lupin, Alkem, Dr Reddy's, GSK and Sanofi.

Table 1: Domestic growth rate of key companies

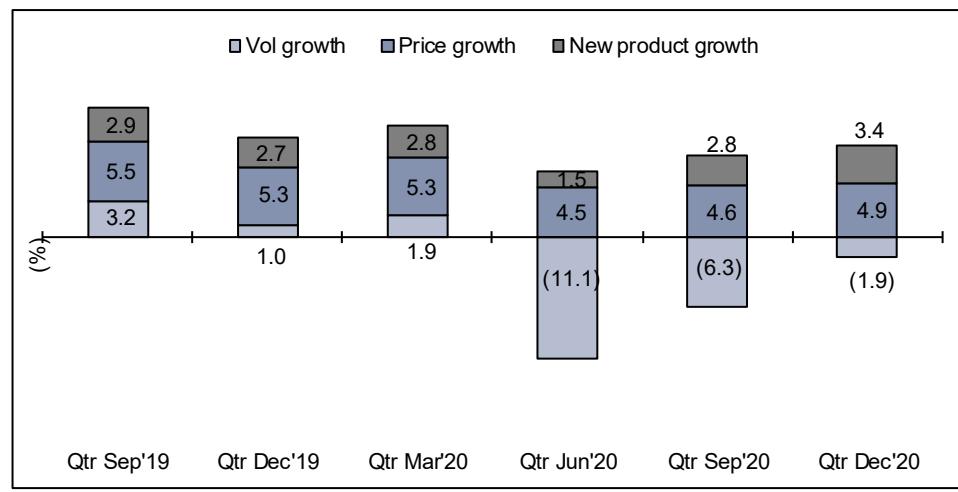
| | YoY Growth (%) | | | Avg. Oct-Dec'20 | MAT Dec'20 |
|----------------------------|----------------|------------|------------|-----------------|------------|
| | Oct'20 | Nov'20 | Dec'20 | | |
| Industry | 9.6 | 1.0 | 8.5 | 6.4 | 3.1 |
| Sun + Ranbaxy | 8.6 | 1.8 | 7.9 | 6.1 | 4.4 |
| Abbott + Abbott HC + Novo | 10.8 | 1.9 | 10.0 | 7.6 | 4.1 |
| Cipla | 22.0 | 12.6 | 15.3 | 16.6 | 8.2 |
| Mankind | 8.8 | (5.4) | 8.8 | 4.1 | 6.0 |
| Zydus | 14.7 | 5.7 | 11.6 | 10.7 | 4.0 |
| Lupin | 9.5 | 3.1 | 11.4 | 8.0 | 4.0 |
| Alkem + Cachet + Indchemie | 12.7 | 2.2 | 8.2 | 7.7 | 0.7 |
| Torrent | 10.8 | 1.9 | 11.0 | 7.9 | 6.9 |
| Intas | 13.9 | 3.1 | 10.7 | 9.2 | 4.4 |
| Macleods | 9.7 | 1.4 | 8.8 | 6.6 | 5.3 |
| Dr. Reddys | 8.0 | 0.3 | 6.2 | 4.8 | 2.1 |
| Aristo | 10.9 | 2.2 | 9.5 | 7.5 | 9.0 |
| Glaxo | 4.5 | (3.2) | 3.8 | 1.7 | (5.4) |
| Emcure + Zuventus | 13.9 | 9.9 | 17.1 | 13.6 | 6.5 |
| Glenmark | 22.9 | 14.5 | 13.6 | 17.0 | 16.1 |
| Pfizer | 5.5 | (3.1) | 7.5 | 3.3 | 7.4 |
| Sanofi India | 15.0 | 9.3 | 10.4 | 11.6 | 4.0 |
| USV | 15.1 | 4.1 | 12.3 | 10.5 | 10.1 |
| Micro | 6.4 | (0.6) | 9.9 | 5.2 | 4.4 |
| Ipca | 15.8 | 4.9 | 16.6 | 12.4 | 11.4 |

Note: Abbott includes Novo, Cadila includes Biochem, Alkem includes Cachet and Indchemie and Emcure includes Zuventus

Source: AWACS data, I-Sec research

Chart 1: Growth drivers for Dec'20

Source: AIOCD AWACS data, I-Sec research

Chart 2: Quarterly growth drivers (YoY)

Source: AIOCD AWACS data, I-Sec research

Table 2: Estimates for Q3FY21

| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|------------------------|--------|--------|---------|--------|---------|----------|----------|--|
| Abbott India | | | | | | | | |
| Revenue | 10,783 | 9,612 | 10,643 | 10,549 | 11,429 | 6.0 | 8.4 | 1) India to grow at 6% with recovery in the acute segment and continued traction in its Novo portfolio. |
| EBITDA | 2,397 | 1,384 | 2,334 | 2,407 | 2,594 | 8.2 | 7.8 | 2) EBITDA margin to benefit from the cost saving measures implemented during lockdown which would sustain partially. |
| EBITDA Margin (%) | 22.2 | 14.4 | 21.9 | 22.8 | 22.7 | 50bps | (10)bps | |
| PAT | 1,867 | 1,110 | 1,804 | 1,807 | 2,004 | 7.3 | 10.9 | |
| EPS (Rs) | 87.9 | 52.2 | 84.9 | 85.1 | 94.3 | 7.3 | 10.9 | |
| Alembic Pharma | | | | | | | | |
| Revenue | 12,091 | 12,068 | 13,413 | 14,571 | 14,409 | 19.2 | (1.1) | 1) India to grow at 7% with recovery in the acute segment and continued traction in the chronic portfolio. |
| EBITDA | 3,251 | 3,275 | 4,074 | 4,434 | 4,034 | 24.1 | (9.0) | 2) US is expected to grow 4% QoQ to \$81mn with new launches and stable pricing environment. |
| EBITDA Margin (%) | 26.9 | 27.1 | 30.4 | 30.4 | 28.0 | 110bps | (240)bps | 3) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| PAT | 2,342 | 2,329 | 3,015 | 3,334 | 2,554 | 9.0 | (23.4) | |
| EPS (Rs) | 11.9 | 11.9 | 15.3 | 17.0 | 13.0 | 9.0 | (23.4) | |
| Alkem | | | | | | | | |
| Revenue | 21,818 | 20,490 | 20,035 | 23,628 | 23,640 | 8.3 | 0.1 | 1) India to grow at 7% with recovery in the acute segment and continued traction in the chronic portfolio. |
| EBITDA | 4,533 | 3,030 | 5,332 | 6,005 | 5,319 | 17.3 | (11.4) | 2) US is expected to grow 4% QoQ to \$88mn with new launches and stable pricing environment. |
| EBITDA Margin (%) | 20.8 | 14.8 | 26.6 | 25.4 | 22.5 | 170bps | (290)bps | 3) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| PAT | 3,820 | 2,034 | 4,220 | 4,721 | 3,893 | 1.9 | (17.5) | |
| EPS (Rs) | 32.0 | 17.0 | 35.3 | 39.5 | 32.6 | 1.9 | (17.5) | |
| Apollo Hospital | | | | | | | | |
| Revenue | 29,117 | 29,224 | 21,715 | 27,607 | 30,361 | 4.3 | 10.0 | 1) Expect occupancy ratio to improve to 65% (Q2FY21-56% and Q3FY20-69%) driven by easing of lockdown restrictions and some pent up demand driven by delayed elective procedures. |
| EBITDA | 4,300 | 3,801 | 355 | 2,998 | 3,719 | (13.5) | 24.0 | 2) ARPOB would remain stable QoQ but still be lower YoY with lower occupancy, test mix and lack of international patients. |
| EBITDA Margin (%) | 14.8 | 13.0 | 1.6 | 10.9 | 12.3 | (250)bps | 140bps | 3) Margins remain low as newer hospitals are negatively affecting the profitability but QoQ growth is driven by improving occupancy. |
| PAT | 921 | 211 | (2,082) | 248 | 588 | (36.2) | 136.6 | |
| EPS (Rs) | 6.6 | 1.5 | (15.0) | 1.8 | 4.2 | (36.2) | 136.6 | |
| Aster DM | | | | | | | | |
| Revenue | 23,217 | 23,014 | 17,606 | 22,677 | 23,809 | 2.5 | 5.0 | 1) Expect occupancy ratio to improve to 60% (Q2FY21-56% and Q3FY20-62%) driven by easing of lockdown restrictions and some pent up demand driven by delayed elective procedures in India as well as GCC hospitals benefiting from higher occupancy as expats are unable to travel. |
| EBITDA | 3,851 | 4,040 | 1,427 | 2,711 | 3,928 | 2.0 | 44.9 | 2) ARPOB would remain stable QoQ but still be lower YoY with lower occupancy, test mix and lack of international patients. |
| EBITDA Margin (%) | 16.6 | 17.6 | 8.1 | 12.0 | 16.5 | (10)bps | 450bps | 3) Margins remain stable as GCC segment performance is largely stable but QoQ growth is driven by improving performance in the Indian business segments. |
| PAT | 1,565 | 1,574 | (829) | 329 | 1,332 | (14.9) | 305.4 | |
| EPS (Rs) | 3.1 | 3.1 | (1.6) | 0.7 | 2.6 | (14.9) | 305.4 | |

| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|-------------------|--------|--------|--------|--------|---------|--------|----------|---|
| Aurobindo | | | | | | | | |
| Revenue | 58,950 | 61,584 | 59,248 | 64,834 | 63,104 | 7.0 | (2.7) | 1) US is expected to decline 4% QoQ to \$413mn post divestment of the Natrol business. Adjusting for it the business remains stable with recovery in the injectable business and supported by new launches. |
| EBITDA | 12,080 | 13,424 | 12,574 | 14,328 | 13,126 | 8.7 | (8.4) | 2) EU and EM are expected to have stable growth driven by steady demand without logistical hurdles. API segment would grow 5% with demand in the non-Betalactam segment. |
| EBITDA Margin (%) | 20.5 | 21.8 | 21.2 | 22.1 | 20.8 | 30bps | (130)bps | 3) EBITDA margin to remain stable with QoQ drop as some of the cost control initiatives unwind with easing of restrictions. |
| PAT | 7,084 | 8,608 | 7,646 | 8,018 | 7,888 | 11.3 | (1.6) | |
| EPS (Rs) | 12.1 | 14.7 | 13.0 | 13.7 | 13.5 | 11.3 | (1.6) | |
| Biocon | | | | | | | | |
| Revenue | 17,481 | 15,575 | 16,713 | 17,448 | 19,481 | 11.4 | 11.6 | 1) Biosimilars is expected to grow 13% driven by launch of Glargine in US and partnered Enbrel in EU. |
| EBITDA | 4,442 | 3,370 | 4,133 | 3,914 | 4,951 | 11.5 | 26.5 | 2) Generics and Research services would expect to growth at a stable 8-10% with steady demand and consistent nature of the business. |
| EBITDA Margin (%) | 25.4 | 21.6 | 24.7 | 22.4 | 25.4 | - | 300bps | 3) Margins are expected to improve QoQ with new biosimilar launches. |
| PAT | 2,028 | 1,418 | 1,494 | 1,693 | 2,399 | 18.3 | 41.7 | |
| EPS (Rs) | 1.7 | 1.2 | 1.2 | 1.4 | 2.0 | 18.3 | 41.7 | |
| Cadila | | | | | | | | |
| Revenue | 36,228 | 37,288 | 36,273 | 38,326 | 38,479 | 6.2 | 0.4 | 1) India to grow at 11% with recovery in the acute segment, continued traction in the chronic portfolio and COVID related drugs. |
| EBITDA | 6,719 | 7,650 | 8,027 | 8,786 | 8,065 | 20.0 | (8.2) | 2) Consumer health is expected to grow at 12% with growing demand in the segment. |
| EBITDA Margin (%) | 18.5 | 20.5 | 22.1 | 22.9 | 21.0 | 250bps | (190)bps | 3) US is expected to grow 3% QoQ to \$235mn with new launches and stable pricing environment. |
| PAT | 3,586 | 4,170 | 4,413 | 5,871 | 4,497 | 25.4 | (23.4) | 4) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| EPS (Rs) | 3.5 | 4.1 | 4.3 | 5.7 | 4.4 | 25.4 | (23.4) | |
| Cipla | | | | | | | | |
| Revenue | 43,710 | 43,762 | 43,462 | 50,383 | 48,025 | 9.9 | (4.7) | 1) India to grow at 10% with recovery in the acute segment, continued traction in the chronic portfolio and demand in COVID related drugs. |
| EBITDA | 8,108 | 7,210 | 10,487 | 11,766 | 10,109 | 24.7 | (14.1) | 2) US is expected to grow 3% QoQ to \$145mn with traction in ProAir, new launches and stable pricing environment. |
| EBITDA Margin (%) | 18.5 | 16.5 | 24.1 | 23.4 | 21.1 | 260bps | (230)bps | 3) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| PAT | 3,877 | 3,106 | 5,779 | 6,654 | 5,434 | 40.2 | (18.3) | |
| EPS (Rs) | 4.8 | 3.9 | 7.2 | 8.3 | 6.8 | 40.2 | (18.3) | |
| Divis Labs | | | | | | | | |
| Revenue | 13,963 | 13,897 | 17,305 | 17,493 | 16,705 | 19.6 | (4.5) | 1) Continuity of strong demand in the Custom synthesis and API segments would provide strong double digit growth during the quarter. |
| EBITDA | 4,939 | 4,445 | 7,001 | 7,411 | 6,473 | 31.1 | (12.7) | 2) EBITDA margin would improve YoY driven by high growth across segments however it would contract QoQ with rising prices of raw materials. |
| EBITDA Margin (%) | 35.4 | 32.0 | 40.5 | 42.4 | 38.8 | 340bps | (360)bps | |
| PAT | 3,591 | 3,882 | 4,921 | 5,196 | 4,556 | 26.9 | (12.3) | |
| EPS (Rs) | 13.5 | 14.6 | 18.5 | 19.6 | 17.2 | 26.9 | (12.3) | |

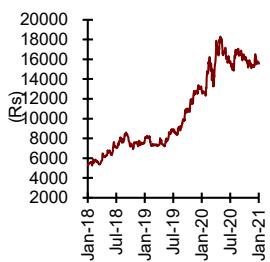
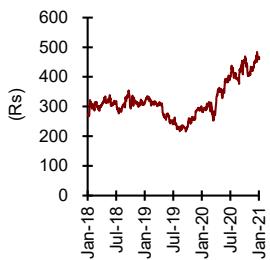
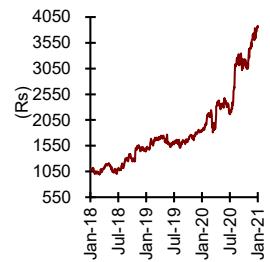
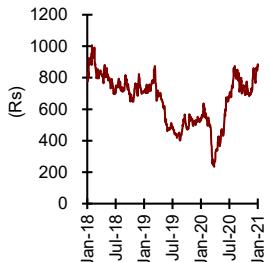
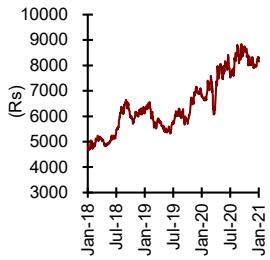
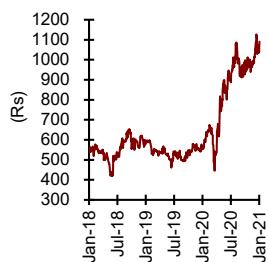
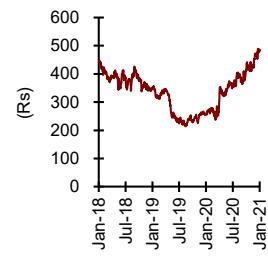
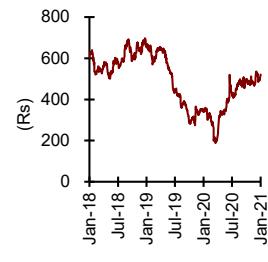
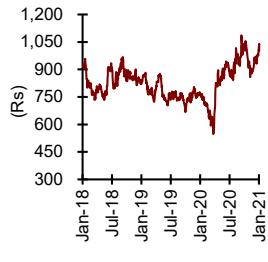
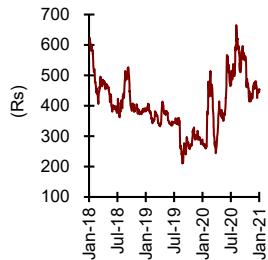
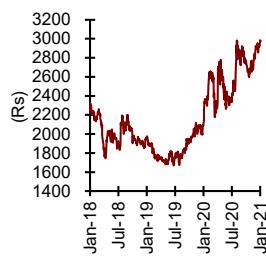
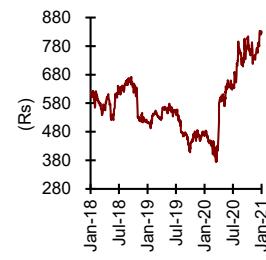
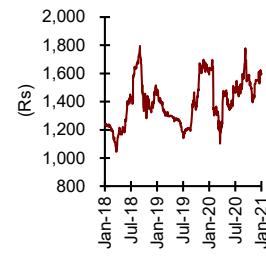
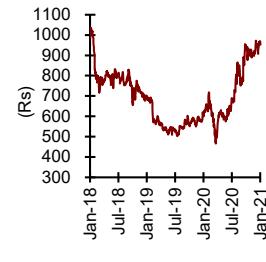
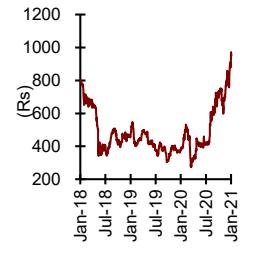
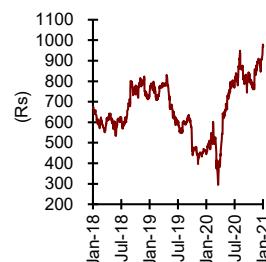
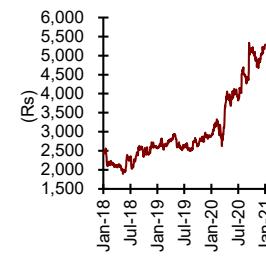
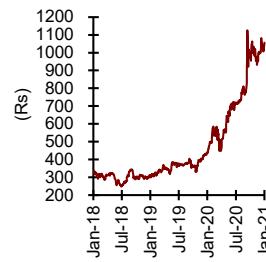
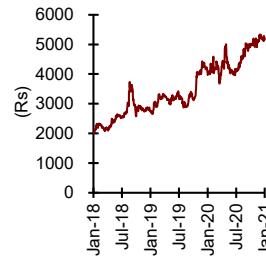
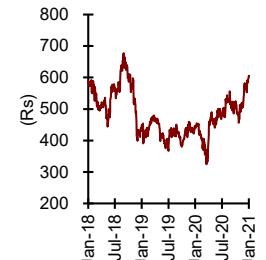
| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|------------------------|--------|--------|---------|--------|---------|--------|-----------|--|
| Dr Lal Pathlabs | | | | | | | | |
| Revenue | 3,279 | 3,017 | 2,660 | 4,319 | 4,119 | 25.6 | (4.6) | 1) Expect ex-COVID business to grow 12% largely driven by volume with stable pricing supported by easing of travel and logistical restrictions. |
| EBITDA | 823 | 573 | 483 | 1,272 | 1,153 | 40.0 | (9.4) | 2) COVID-19 contribution to total revenue would reduce to 11% from 17% QoQ with reduction in test prices despite growing volumes. |
| EBITDA Margin (%) | 25.1 | 19.0 | 18.2 | 29.5 | 28.0 | 290bps | (150)bps | 3) EBITDA margin would be higher YoY benefiting from cost saving due to lockdown but QoQ would decline as they would partially unwind. |
| PAT | 541 | 325 | 284 | 853 | 801 | 48.1 | (6.0) | |
| EPS (Rs) | 6.5 | 3.9 | 3.4 | 10.2 | 9.6 | 48.1 | (6.0) | |
| Dr Reddy's | | | | | | | | |
| Revenue | 43,838 | 44,318 | 44,175 | 48,967 | 50,069 | 14.2 | 2.3 | 1) India to grow at 28% with the Wockhardt integration. Adjusting for it the growth would stand at 12% driven largely by the chronic portfolio and benefit from COVID drugs. |
| EBITDA | 10,188 | 9,406 | 11,129 | 12,215 | 12,029 | 18.1 | (1.5) | 2) US is expected to grow 1% QoQ to \$250mn with limited launches and stable pricing environment. |
| EBITDA Margin (%) | 23.2 | 21.2 | 25.2 | 24.9 | 24.0 | 80bps | (90)bps | 3) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| PAT | 5,231 | 6,384 | 5,793 | 8,314 | 6,191 | 18.4 | (25.5) | |
| EPS (Rs) | 31.5 | 38.5 | 34.9 | 50.1 | 37.3 | 18.4 | (25.5) | |
| Fortis | | | | | | | | |
| Revenue | 11,689 | 11,129 | 6,060 | 9,947 | 11,338 | (3.0) | 14.0 | 1) Expect occupancy ratio to improve to 67% (Q2FY21-57% and Q3FY20-68%) driven by easing of lockdown restrictions and some pent up demand driven by delayed elective procedures. |
| EBITDA | 1,570 | 1,258 | (1,033) | 1,200 | 1,757 | 12.0 | 46.4 | 2) ARPOB would remain stable QoQ but still be lower YoY with lower occupancy, test mix and lack of international patients. |
| EBITDA Margin (%) | 13.4 | 11.3 | (17.0) | 12.1 | 15.5 | 210bps | 340bps | 3) SRL to grow 9% largely driven by volume with stable pricing supported by easing of travel and logistical restrictions. COVID contribution to reduce to 18% from 28% for the diagnostic segment. |
| PAT | 257 | -445 | (1,793) | (42) | 430 | 67.7 | (1,135.0) | 4) Margins would improve YoY and QoQ driven by improving occupancy and several cost control initiatives launched by the new management. |
| EPS (Rs) | 0.3 | -0.6 | (2.4) | (0.1) | 0.6 | 67.7 | (1,135.0) | |
| Glenmark | | | | | | | | |
| Revenue | 27,356 | 27,675 | 23,448 | 29,525 | 28,561 | 4.4 | (3.3) | 1) India to grow at 14% driven largely by the traction in the diabetic segment and benefit from COVID related drugs. |
| EBITDA | 4,401 | 4,657 | 4,781 | 5,699 | 5,216 | 18.5 | (8.5) | 2) US is expected to grow 2% QoQ to \$103mn with limited launches and stable pricing environment. |
| EBITDA Margin (%) | 16.1 | 16.8 | 20.4 | 19.3 | 18.3 | 220bps | (100)bps | 3) EBITDA margin to benefit from the cost saving measures and growth across segments. |
| PAT | 1,908 | 1,733 | 2,057 | 2,712 | 2,178 | 14.1 | (19.7) | |
| EPS (Rs) | 6.8 | 6.1 | 7.3 | 9.6 | 7.7 | 14.1 | (19.7) | |
| GSK | | | | | | | | |
| Revenue | 7,786 | 7,758 | 6,486 | 8,793 | 8,642 | 11.0 | (1.7) | 1) India to grow at 11% with recovery in the acute segment and low base of last year impacted by Ranitidine discontinuation. |
| EBITDA | 1,244 | 1,736 | 1,141 | 2,049 | 2,031 | 63.3 | (0.9) | 2) EBITDA margin growth led by benefit from the cost saving measures which would sustain partially and low base of last year impacted by Ranitidine discontinuation. |
| EBITDA Margin (%) | 16.0 | 22.4 | 17.6 | 23.3 | 23.5 | 750bps | 20bps | |
| PAT | 894 | 1,293 | 791 | 1,151 | 1,472 | 64.6 | 27.9 | |
| EPS (Rs) | 5.3 | 7.6 | 4.7 | 6.8 | 8.7 | 64.6 | 27.9 | |

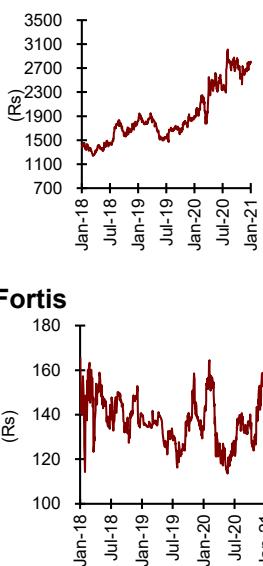
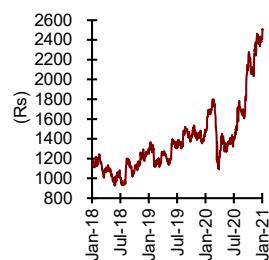
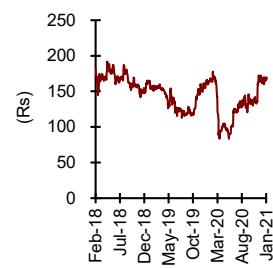
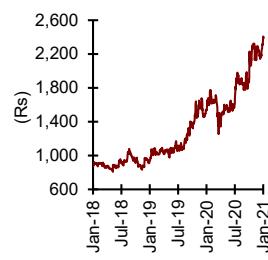
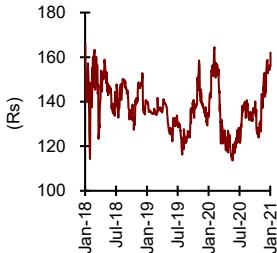
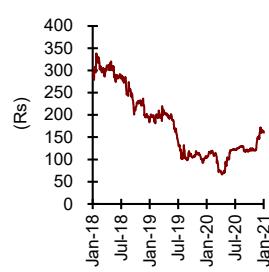
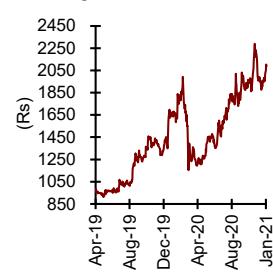
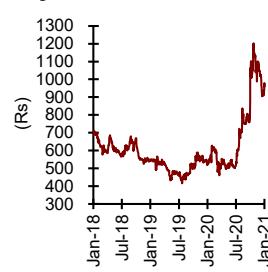
| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|----------------------|--------|--------|--------|--------|---------|----------|----------|--|
| HCG | | | | | | | | |
| Revenue | 2,779 | 2,704 | 1,935 | 2,479 | 2,715 | (2.3) | 9.5 | 1) Expect occupancy improve during the quarter driven by easing of lockdown restrictions. |
| EBITDA | 457 | 360 | 194 | 300 | 380 | (16.9) | 26.6 | 2) ARPOB would remain stable QoQ but still be lower YoY with lower occupancy, test mix and lack of international patients. |
| EBITDA Margin (%) | 16.5 | 13.3 | 10.0 | 12.1 | 14.0 | (250)bps | 190bps | 3) Milann would continue to underperform as footfalls remain low. However, QoQ improvement is expected with normalisations in few months. |
| PAT | (228) | (436) | (398) | (223) | (165) | (27.8) | (26.1) | 4) Margins remain subdued due to low occupancy sequential improvement would support profitability. |
| EPS (Rs) | (2.7) | (5.1) | (4.7) | (2.6) | (1.9) | (27.8) | (26.1) | 5) New fund infusion would help reduce debt substantially. |
| JB Chemicals | | | | | | | | |
| Revenue | 4,286 | 4,436 | 5,223 | 4,436 | 5,175 | 20.7 | 16.7 | 1) India to grow at 12% driven largely by its top products and their line extensions. |
| EBITDA | 896 | 917 | 1,554 | 1,101 | 1,268 | 41.5 | 15.1 | 2) Exports is expected to grow 30% driven by demand and accretion of deferred sales from the previous quarter. |
| EBITDA Margin (%) | 20.9 | 20.7 | 29.8 | 24.8 | 24.5 | 360bps | (30)bps | 2) EBITDA margin to benefit from the cost saving measures which would sustain partially. |
| PAT | 663 | 576 | 1,195 | 739 | 897 | 35.3 | 21.3 | |
| EPS (Rs) | 8.3 | 7.2 | 15.5 | 9.6 | 11.6 | 40.5 | 21.3 | |
| Jubilant Life | | | | | | | | |
| Revenue | 23,152 | 23,914 | 18,929 | 23,749 | 25,255 | 9.1 | 6.3 | 1) Pharma business segment would grow at 9% largely driven by recovery in the radiopharma business and traction in the CDMO segment. |
| EBITDA | 5,074 | 5,366 | 3,022 | 4,862 | 5,430 | 7.0 | 11.7 | 2) LSI business segment would grow at 10% driven by steady growth across segments but especially from the nutritional segment. |
| EBITDA Margin (%) | 21.9 | 22.4 | 16.0 | 20.5 | 21.5 | (40)bps | 100bps | 3) EBITDA margin would remain stable with some sequential improvement driven by operating leverage and cost control initiatives. |
| PAT | 2,380 | 2,605 | 880 | 2,240 | 2,590 | 8.8 | 15.6 | |
| EPS (Rs) | 14.9 | 16.4 | 5.5 | 14.1 | 16.3 | 8.8 | 15.6 | |
| Lupin | | | | | | | | |
| Revenue | 37,693 | 38,457 | 35,279 | 38,350 | 40,109 | 6.4 | 4.6 | 1) India to grow at 6% with recovery in the acute segment and continued traction in the chronic portfolio. |
| EBITDA | 4,291 | 5,253 | 4,881 | 5,812 | 6,738 | 57.0 | 15.9 | 2) US is expected to grow 11% QoQ to \$200mn with traction in ProAir, new launches and stable pricing environment. |
| EBITDA Margin (%) | 11.4 | 13.7 | 13.8 | 15.2 | 16.8 | 540bps | 160bps | 3) EBITDA margin to benefit from the cost saving measures and traction in ProAir in the US market. |
| PAT | 1,090 | 3,241 | 1,069 | 2,110 | 3,663 | 236.1 | 73.6 | |
| EPS (Rs) | 2.4 | 7.2 | 2.4 | 4.7 | 8.1 | 236.1 | 73.6 | |
| Metropolis | | | | | | | | |
| Revenue | 2,229 | 2,070 | 1,431 | 2,884 | 2,940 | 31.9 | 2.0 | 1) Expect ex-COVID business to grow 7% largely driven by volume, with some price erosion, supported by easing of travel and logistical restrictions. |
| EBITDA | 636 | 514 | 121 | 909 | 863 | 35.8 | (5.0) | 2) COVID-19 contribution to total revenue would reduce to 19% from 35% QoQ with reduction in test prices despite growing volumes. |
| EBITDA Margin (%) | 28.5 | 24.8 | 8.5 | 31.5 | 29.4 | 90bps | (210)bps | 3) EBITDA margin would be higher YoY benefiting from cost saving due to lockdown but QoQ would decline as they would partially unwind. |
| PAT | 421 | 272 | 29 | 603 | 571 | 35.7 | (5.3) | |
| EPS (Rs) | 8.4 | 5.4 | 0.6 | 12.0 | 11.4 | 35.7 | (5.3) | |

| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|------------------------|--------|--------|--------|--------|---------|----------|----------|---|
| Natco Pharma | | | | | | | | |
| Revenue | 4,822 | 4,548 | 5,634 | 8,022 | 4,921 | 2.0 | (38.7) | 1) India business would decline 15% with slowdown in the oncology and HepC segment due to travel restrictions led delays and declining patient pool respectively. |
| EBITDA | 1,437 | 1,283 | 1,711 | 2,764 | 1,378 | (4.1) | (50.2) | 2) Export business would grow 26% with benefit from seasonal sales of Tamiflu and low base. |
| EBITDA Margin (%) | 29.8 | 28.2 | 30.4 | 34.5 | 28.0 | (180)bps | (650)bps | 3) EBITDA margin would contract sharply QoQ due as there is an element of settlement income in the previous quarter. Adjusting for it margin would be largely stable. |
| PAT | 1,167 | 941 | 1,228 | 2,024 | 1,078 | (7.6) | (46.7) | |
| EPS (Rs) | 6.4 | 5.2 | 6.7 | 11.1 | 5.9 | (7.6) | (46.7) | |
| Pfizer | | | | | | | | |
| Revenue | 5,382 | 5,020 | 5,149 | 5,954 | 5,920 | 10.0 | (0.6) | 1) India to grow at 10% driven largely by its VMN portfolio. |
| EBITDA | 1,334 | 1,087 | 1,863 | 2,034 | 1,764 | 32.2 | (13.2) | 2) EBITDA margin to benefit from the cost saving measures which would sustain partially and strong growth in the VMN segment. |
| EBITDA Margin (%) | 24.8 | 21.7 | 36.2 | 34.2 | 29.8 | 500bps | (440)bps | |
| PAT | 1,129 | 980 | 1,245 | 1,314 | 1,187 | 5.2 | (9.7) | |
| EPS (Rs) | 24.7 | 21.4 | 27.2 | 28.7 | 25.9 | 5.2 | (9.7) | |
| Sanofi India** | | | | | | | | |
| Revenue | 8,263 | 7,845 | 7,105 | 6,866 | 7,671 | (7.2) | 11.7 | 1) Company to witness a decline of 7% due to divestment post Zentiva transaction. Adjusting for it growth would be 8% driven largely by its chronic portfolio. |
| EBITDA | 1,782 | 1,767 | 1,772 | 1,922 | 2,096 | 17.6 | 9.1 | 2) EBITDA margin to benefit from the cost saving measures which would sustain partially and reduction of the low margin export business post divestment. |
| EBITDA Margin (%) | 21.6 | 22.5 | 24.9 | 28.0 | 27.3 | 570bps | (70)bps | |
| PAT | 1,093 | 1,174 | 1,355 | 1,330 | 1,534 | 40.3 | 15.3 | |
| EPS (Rs) | 47.5 | 51.0 | 58.9 | 57.8 | 66.7 | 40.3 | 15.3 | |
| Shilpa Medicare | | | | | | | | |
| Revenue | 2,369 | 2,200 | 2,229 | 2,789 | 2,574 | 8.7 | (7.7) | 1) API may see steady growth of 12% supported by stable demand. |
| EBITDA | 737 | 456 | 657 | 687 | 643 | (12.8) | (6.3) | 2) Formulation business would remain stable with marginal market share gain in existing products and high base. |
| EBITDA Margin (%) | 31.1 | 20.7 | 29.5 | 24.6 | 25.0 | (610)bps | 40bps | 3) Increasing revenue contribution from formulations will support EBITDA margin, however, YoY decline is attributed to high base last year on launch of new product. |
| PAT | 551 | 346 | 409 | 454 | 387 | (29.7) | (14.8) | |
| EPS (Rs) | 6.9 | 4.3 | 5.1 | 5.7 | 4.8 | (29.7) | (14.8) | |
| Strides Pharma | | | | | | | | |
| Revenue | 7,324 | 6,186 | 7,818 | 7,936 | 8,207 | 12.0 | 3.4 | 1) US is expected to grow 11% QoQ to \$60mn with traction driven by new launches especially from own front end and stable pricing environment. |
| EBITDA | 1,808 | 837 | 1,510 | 1,572 | 1,632 | (9.8) | 3.8 | 2) EU & Aus is expected to grow at 16% with steady demand and contractual agreements in the region. |
| EBITDA Margin (%) | 24.7 | 13.5 | 19.3 | 19.8 | 19.9 | (480)bps | 10bps | 3) Africa and Institutional business would see a strong growth with revenues almost doubling driven by new tenders and growth in the private market. |
| PAT | 787 | -251 | 546 | 498 | 601 | (23.7) | 20.7 | 4) EBITDA margin would witness decline YoY due to lower sales in the US market. |
| EPS (Rs) | 8.8 | -2.8 | 6.1 | 5.6 | 6.7 | (23.7) | 20.7 | |
| Sun Pharma | | | | | | | | |
| Revenue | 81,549 | 81,849 | 75,853 | 85,531 | 88,617 | 8.7 | 3.6 | 1) India to grow at 10% with recovery in the acute segment and continued traction in the chronic portfolio. |
| EBITDA | 18,414 | 13,630 | 18,435 | 21,933 | 19,496 | 5.9 | (11.1) | 2) US is expected to grow 2% QoQ to \$342mn with traction in its specialty segment and stable performance from Taro. |
| EBITDA Margin (%) | 22.6 | 16.7 | 24.3 | 25.6 | 22.0 | (60)bps | 360bps | 3) EBITDA margin to remain stable but QoQ decline as partial cost saving measures implemented during the lockdown unwind. |
| PAT | 9,135 | 6,605 | 11,460 | 15,900 | 10,895 | 19.3 | (31.5) | |
| EPS (Rs) | 3.8 | 2.8 | 4.8 | 6.6 | 4.5 | 19.3 | (31.5) | |

| (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21E | % YoY | % QoQ | Comments |
|-----------------------|--------|--------|--------|--------|---------|----------|----------|---|
| Thyrocare | | | | | | | | |
| Revenue | 1,058 | 1,014 | 563 | 1,533 | 1,523 | 44.0 | (0.6) | 1) Expect ex-COVID business to grow 10% largely driven by volume, with stable price environment, supported by easing of travel and logistical restrictions. |
| EBITDA | 438 | 310 | 85 | 619 | 598 | 36.6 | (3.3) | 2) COVID-19 contribution to total revenue would reduce to 26% from 41% QoQ with reduction in test prices despite growing volumes. |
| EBITDA Margin (%) | 41.4 | 30.5 | 15.0 | 40.4 | 39.3 | (210)bps | (110)bps | 3) EBITDA margin would be lower as its ex-COVID business has not recovered completely since its largely B2B and unwinding of the cost saving due to lockdown. |
| PAT | 275 | 50 | 2 | 431 | 394 | 43.3 | (8.5) | |
| EPS (Rs) | 5.2 | 0.9 | 0.0 | 8.2 | 7.5 | 43.3 | (8.5) | |
| Torrent Pharma | | | | | | | | |
| Revenue | 19,660 | 19,460 | 20,560 | 20,170 | 20,541 | 4.5 | 1.8 | 1) India to grow at 12% largely driven by its strong chronic portfolio and ability to take price hikes. |
| EBITDA | 5,400 | 5,480 | 6,610 | 6,350 | 6,368 | 17.9 | 0.3 | 2) US would largely remain flattish QoQ at \$45mn without any new launches in a stable pricing environment. |
| EBITDA Margin (%) | 27.5 | 28.2 | 32.1 | 31.5 | 31.0 | 350bps | (50)bps | 3) Brazil is expected to decline 16% due to the unfavourable currency fluctuation (expect growth in constant currency) while Germany is expected to grow 15% on a low base with serialisation complete. |
| PAT | 2,510 | 2,610 | 3,210 | 3,100 | 3,387 | 35.0 | 9.3 | 4) EBITDA margin to remain stable but QoQ decline as partial cost saving measures implemented during the lockdown unwind. |
| EPS (Rs) | 14.8 | 15.4 | 19.0 | 18.3 | 20.0 | 35.0 | 9.3 | |

Source: Company data, I-Sec research; Note: CY ending estimates for Sanofi India

Price charts**Abbott India****Biocon****Divis Lab****Jubilant Life****Sanofi India****Alembic Pharma****Cadila****Glenmark****Lupin****Shilpa Medicare****Alkem****Cipla****GSK Pharma****Natco Pharma****Strides Pharma Science****Aurobindo****Dr Reddy's****JB Chemicals****Pfizer****Sun Pharma**

Torrent Pharma**Apollo Hospitals****Aster DM****Dr Lal Pathlab****Fortis****HealthCare Global****Metropolis****Thyrocare**

Source: Bloomberg

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