

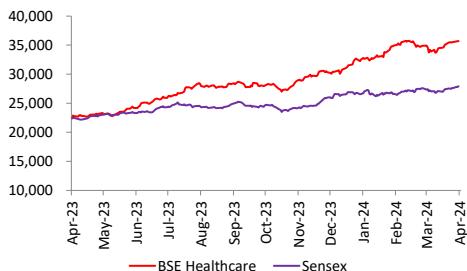
India Pharmaceuticals

11 April 2024

4QFY24 RESULT PREVIEW

Industry Pharmaceuticals

BSE Healthcare v/s BSE Sensex



Source: Bloomberg, Systematix Institutional Research

Sector recommendations

Ticker	Mkt Cap (Rs bn)	TP (Rs)	Rating
SUNP	3,853	1,488	HOLD
DIVI	992	2,541	SELL
CIPLA	1,151	1,349	HOLD
DRRD	1,026	5,725	HOLD
ZYDUSLIF	1,000	699	HOLD
LPC	729	1,171	SELL
MANKIND	948	1,824	HOLD
AJP	270	2,048	HOLD
PLM	149	1,483	HOLD
INDR	32	358	HOLD
PFIZ	192	5,036	BUY
ORCP	59	960	HOLD
SASV	10	596	BUY

Source: Systematix Institutional Research

Vishal Manchanda
vishalmanchanda@systematixgroup.in
+91 9737437148

Vivek Mane
vivekmane@systematixgroup.in
+91 22 6704 8046

US to drive Q4 Earnings Performance

We expect Q4 earnings performance to be driven by growth in the US. India branded formulation growth for most players will remain in the high single digit to low double digit range. Based on AIOCD AWACS, IPM grew by 9% during the quarter. For the acute focussed names, domestic sales will witness QoQ weakness on account of seasonality. In the US, we haven't seen any notable / meaningful new product launches from companies in our coverage, but we might still see a positive trajectory on QoQ basis driven by gRevlimid market share expansion. Mild cost pressure on account of rising freight cost (Red sea) may be offset by selective softening in API prices.

Zydus (ZYDUSLIF) – We expect a strong QoQ revenue growth of ~22% led by seasonality benefit in consumer business and gRevlimid sales in the US.

Mankind (MANKIND) – Exports should continue to witness expansion led by strong ramp up in their inhalation portfolio (US) during the quarter. The exports are expected to grow by ~15% QoQ. The consumer business which has been struggled during the year is also expected to rebound and deliver high single digit growth (~8%).

Divis (DIVI) -Expect QoQ ~10% growth as Q4 is a strong quarter for their CRAMS business.

Sun Pharma (SUNP) – Potential expansion in market share in gRevlimid should support growth in US for Sun during the quarter. India Business expected to grow low double digit, driven by growth across all segments.

Dr Reddy (DRRD) – Expect a flat quarter (QoQ), in absence of new launches. gRevlimid market share expansion can push numbers higher than expectations.

Pfizer (PFIZ) – **Growth should rebound on a an adjusted base.** Base quarter (Q4FY23) numbers incorporates the impact of patent expiry and divestments. The adverse impact of antibiotic supply disruption will continue though.

Cipla (CIPLA) – Expect a modest quarter, with no major launches in US, but they might benefit from gRevlimid market share expansion as per settlement terms. India growth will be in line with IPM ~10% YoY.

Ajanta Pharma (AJP) – A strong performance in Export branded formulation (Asia and Africa) by ~18% YoY should drive Ajanta pharma performance. Domestic business is expected to grow by 10% YoY led by growth across key segments.

Indoco Remedies (INDR) – Regulated market sales is expected to be flat QoQ and growth in India branded formulation subdued with (low to mid single digit).

Orchid Pharma (ORCP) – Recent commercialization of new sterile block should help company expand its topline and margins.

Sasta Sundar Ventures (SASV) – Strong growth in Retailer Shakti (~179% YoY) will be partially offset by weakness in Health buddy supplies (-14% YoY), leading to some softness in growth during the quarter.

Poly Medicure (PLM) – PLM should continue to deliver growth in the mid-twenties led by expansion in exports (US foray) and growth in domestic market through ongoing ramp up of new divisions (Cardiology, Critical Care and renal segment).

Lupin (LPC) - Spiriva ramp up continue to aid US business performance, while the adverse impact of competition in gSuprep may not be profound, owing to a delayed ramp of supplies from competition. We expect some weakness (QoQ) in Europe and rest of world sales.

Exhibit 1: 4QFY24 result estimates

Company	4QFY24E				Change in revenue		Change in EBITDA		Change in PAT	
	Revenue	EBITDA	PAT	EPS	YoY	QoQ	YoY	QoQ	YoY	QoQ
	(Rs mn)	(Rs mn)	(Rs mn)	(Rs)	(%)	(%)	(%)	(%)	(%)	(%)
SUNP	127,172	36,253	27,560	11.5	16.3	2.7	29.4	4.3	38.9	9.2
DIVI	20,424	5,517	4,137	15.6	4.7	10.1	13.1	12.8	28.9	15.6
CIPLA	61,764	14,024	9,800	12.1	7.6	-6.5	19.5	-19.7	86.4	-7.2
DRRD	71,456	21,699	14,368	86.1	13.5	-1.0	33.0	2.8	49.8	4.2
ZYDUSLIF	54,922	15,059	10,607	10.5	9.6	21.9	19.9	36.6	257.6	34.3
LPC	51,352	9,338	4,936	10.8	15.9	-1.2	61.6	-8.6	109.2	-19.5
MANKIND	24,406	5,299	3,728	9.3	18.9	-6.4	27.2	-12.6	30.6	-17.8
AJP	10,155	2,663	1,721	13.7	15.2	-8.1	78.3	-15.2	40.8	-18.1
PLM	3,744	1,033	757	7.9	22.0	10.2	24.1	14.5	28.7	16.4
INDR	4,325	472	114	1.2	1.0	-5.9	-27.1	-25.0	-56.0	-27.1
PFIZ	5,604	1,572	1,386	30.3	-2.1	3.8	-13.6	3.0	6.9	6.6
ORCP	2,225	320	268	5.3	6.0	0.9	-19.3	-9.5	-54.6	-8.8
SASV	3,709	-38	-23	-0.7	19.0	1.1	-70.0	-11.3	-93.3	208.7

Source: Company, Systematix Institutional Research

Exhibit 2: 4QFY24 US and Domestic sales growth estimates

Company	Segment	YoY	QoQ
Sun Pharma	Domestic	11.1	-1.1
	US sales	24.2	10.4
Cipla	Domestic	10.0	-13.1
	US sales	14.3	0.0
Dr. Reddy's	Domestic	-8.1	0.0
	US sales	29.5	-2.1
Zydus Life	Domestic	8.0	-2.4
	US sales	12.9	37.9
Lupin	Domestic	11.0	-4.9
	US sales	21.8	0.0
Mankind	Domestic	12.0	-8.2
Ajanta	Domestic	10.0	2.5
	US sales	27.9	0.0
Indoco Remedies	Domestic	3.5	-10.2
	US sales	20.0	0.0
Pfizer	Domestic	-2.1	3.8

Source: Company, Systematix Institutional Research

Exhibit 3: Valuation snapshot

Company	Rating	CMP	Target Price	Upside (%)	Mkt.Cap (Rs bn)	CAGR over FY23-26E (%)			Valuation on FY26E	
						Revenue	EBITDA	EPS	PE (x)	EV/EBITDA (x)
SUNP	HOLD	1,606	1,488	-7.3	3,853	9.8	12.2	16.0	29.1	21.4
DIVI	SELL	3,739	2,541	-32.0	992	7.6	8.7	7.4	44.1	30.8
CIPLA	HOLD	1,426	1,349	-5.4	1,151	9.8	15.1	22.5	22.2	13.1
DRRD	HOLD	6,152	5,725	-6.9	1,026	6.5	6.1	9.6	17.2	10.3
ZYDUSLIF	HOLD	993	699	-29.6	1,000	7.6	9.6	21.7	28.4	18.6
LPC	SELL	1,601	1,171	-26.9	729	12.5	33.9	74.6	31.8	17.6
MANKIND	HOLD	2,368	1,824	-23.0	948	14.2	20.6	28.3	35.0	26.4
AJP	HOLD	2,144	2,048	-4.5	270	10.3	22.9	22.2	25.7	19.1
PLM	HOLD	1,553	1,483	-4.5	149	21.7	32.2	34.0	34.7	23.5
INDR	HOLD	352	358	1.7	32	8.6	5.0	5.1	19.6	10.7
PFIZ	BUY	4,190	5,036	20.2	192	5.6	5.5	7.2	25.0	17.1
ORCP	HOLD	1,160	960	-17.2	59	45.4	59.6	60.6	36.2	23.2
SASV	BUY	312	596	91.0	10	36.0	NA	NA	71.0	12.6

Source: Company, Systematix Institutional Research

Institutional Equities Team

Nikhil Khandelwal	Managing Director	+91-22-6704 8001	nikhil@systematixgroup.in
Equity Research			
Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Abhishek Mathur	FMCG	+91-22-6704 8059	abhishekmathur@systematixgroup.in
Ashish Poddar	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Himanshu Nayyar	Consumer Staples & Discretionary	+91-22-6704 8079	himanshunayyar@systematixgroup.in
Manjith Nair	Banking, Insurance	+91-22-6704 8065	manjithnair@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Sameer Pardikar	IT & ITES	+91-22-6704 8041	sameerpardikar@systematixgroup.in
Santosh Yellapu	Capital Goods	+91-22-6704 8094	santoshyellapu@systematixgroup.in
Sudeep Anand	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Chetan Mahadik	Consumer Staples & Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Deeksha Bhardwaj	Strategy & Economics	+91-22-6704 8017	deekshabhardwaj@systematixgroup.in
Devanshi Kamdar	IT & ITES	+91-22-6704 8098	devanshikamdar@systematixgroup.in
Hinal Kothari	Metals & Mining	+91-22-6704 8076	hinalkothari@systematixgroup.in
Jennisa Popat	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8066	jennisapopat@systematixgroup.in
Kalash Jain	Midcaps	+91-22-6704 8038	kalashjain@systematixgroup.in
Krishna Zaveri	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8023	krishazaveri@systematixgroup.in
Mahek Shah	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8040	mahekshah@systematixgroup.in
Nirali Chheda	Banking, Insurance	+91-22-6704 8019	niralichheda@systematixgroup.in
Pashmi Chheda	Banking, Insurance	+91-22-6704 8063	pashmichheda@systematixgroup.in
Pratik Oza	Midcaps	+91-22-6704 8036	pratikoz@systematixgroup.in
Pravin Mule	NBFCs & Diversified Financials	+91-22-6704 8034	pravinmule@systematixgroup.in
Prathmesh Kamath	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Purvi Mundhra	Macro-Strategy	+91-22-6704 8078	purvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Ronak Dhruv	NBFCs & Diversified Financials	+91-22-6704 8045	ronakdhruv@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Swati Saboo	Midcaps	+91-22-6704 8043	swatisaboo@systematixgroup.in
Vivek Mane	Pharmaceuticals and Healthcare	+91-22-6704 8046	vivekmane@systematixgroup.in
Yogeeta Rathod	Midcaps	+91-22-6704 8081	yogeetarathod@systematixgroup.in
Equity Sales & Trading			
Name		Desk-Phone	E-mail
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Jignesh Desai	Sales	+91-22-6704 8068	jigneshdesai@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Shreya Chaudhary	Sales	+91-22-6704 8033	shreyachaudhary@systematixgroup.in
Rahul Khandelwal	Sales	+91-22-6704 8003	rahul@systematixgroup.in
Chintan Shah	Sales	+91-22-6704 8061	chintanshah@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in
Corporate Access			
Mrunal Pawar	Vice President & Head Corporate Access	+91-22-6704 8088	mrunalpawar@systematixgroup.in
Darsha Hiwrale	Associate Corporate Access	+91-22-6704 8083	darshahiwrale@systematixgroup.in
Production			
Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in
Operations			
Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in

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Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in

Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in

Details of Email id grievance redressal cell : grievance@systematixgroup.in

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