



TM

India Pharmaceuticals

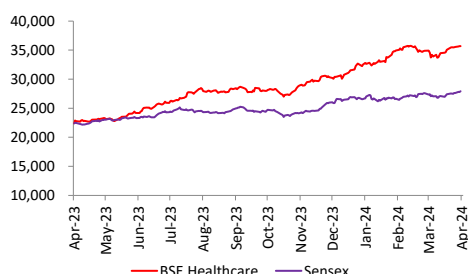
11 April 2024

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

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.

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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

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