

## October-December Qtr. 2013 - Results Preview

### Pharma

The key companies in the pharma space are expected to continue the positive momentum seen in the first half of this fiscal year. Strong base of generics in US, launch of potential drugs in the first half of this year in US, European markets and in other key geographic locations are the primary drivers for this expected growth. Shortage of key molecules in US market, acquisitions done in the recent quarters and the strong performance of foreign subsidiaries are the additional key factors which are likely to boost the growth.



Transition to the new pricing policy and issues between manufacturers & retailers over margins on price controlled drugs witnessed in H1FY14 are expected to put pressure on the domestic pharma sector and register single digit growth. But the top Indian companies are positive in maintaining a double digit growth. Except these top companies in the Index, the subdued trend witnessed in the small and midcap companies in H1FY14 are likely to continue in the current quarter also. Gastrointestinal, respiratory, Anti-diabetic, Derma and Cardiac markets segments witnessed good growth in November 2013 month in domestic market.

Rupee depreciation further going to support and boost the growth. Few companies could feel the pressure because of translational losses and because of hedging contracts.

Sun Pharma is expected to register growth in its newly launched molecules Duloxetine, Doxil and Doxycycline along with the growth from its base business. Performance of its subsidiary Taro is to be watched as the management opines that the strong growth registered in Q2FY14 is not sustainable. Growth from domestic market further going to support the growth of the company.

Dr Reddy's is also expected to show positive growth mainly from its new product launches, growth from domestic market and recovery in its PSAI segment. Decitabine, Donepezil, Anaemia drug azacitidine and Bipolar disorder drug Divalproex are the key molecules launched in the recent quarters and are expected to boost the sales. Management expects the margins to normalize as compared to first half of this fiscal.

Consolidation of Medpro, change in product mix, less reliance on tender businesses and supply of few key molecules to Global Pharma MNC's are expected to drive the growth of the Cipla.

### Estimates of Key Companies in Pharma Sector for Q3 FY-14 (October to December '13)

Company Name	Total Income (E)	% Growth (YoY)	PAT(E)	% Growth (YoY)	Rs. Cr.
					EBITDA%
Sun Pharma	3549.39	21.00	967.84	9.81	41.04
Cipla	2485.22	15.00	384.75	2.12	26.29
DrReddy's Lab	3321.24	15.00	440.00	21.36	17.01

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