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Industry

Pharma sector expects strong FY15

Rise in prices and volumes expected, with lower import material cost

SOHINI DAS
Ahmedabad, 13 April

The country's pharmaceutical industry expects to be back on a strong growth path in 2014-15, after a tough year battling price control and trade issues. On the whole, it expects growth of 12-14 per cent.

Pankaj Patel, chairman and managing director, Cadila Healthcare, said: "We expect the market to pick up after June-July and the growth should be in double digits. Last year, there was some shrinkage in revenue as prices of several essential drugs came under control."

Centrum Broking said, "We expect the domestic pharma market to grow at 12-14 per cent in FY15, compared to around six per cent in FY14."

THINGS LOOKING UP

- Growth of 12-14% expected in FY15 against 6% in FY14
- Most pharma companies have already raised prices of products currently outside price control by 3-10%
- Rising rupee against the dollar likely to boost margins
- Rise in prices of active pharmaceutical ingredients expected, due to their exemption from price control

Price control

The lower growth in FY14 was largely because of the adverse impact of the Drug Price Control Order (DPCO), 2013, and subsequent trade related issues.

Centrum believes the prices of controlled products would increase by 6.3 per cent and of the other products by 10 per cent. Price increase and a rise in volumes is likely to drive growth to 12-14 per cent.

A senior official of Ahmedabad-based Intas Pharmaceuticals, a mid-size company, said: "While companies are allowed to raise prices of controlled products by about 6.3 per cent, based on the Wholesale Price Index in April, that solely would not drive growth to a 12-14 per cent range. Demand growth is also expected this year, and driven by that, overall growth would be in double digits."

Already, most pharma companies have raised prices of products currently outside price control by three to 10 per cent, say industry insiders.

Ebitda seen rising

Also, the operating earnings' margin could improve this financial year.

Centrum says, "We expect Ebitda (earnings before interest, taxes, depreciation and amortisation) margin for most pharma companies to improve by 100-200 basis points in FY15. This is due to lower imported material cost, with appreciation of the rupee against the dollar and a rise in price and volumes of marketed products. We expect a rise in prices of active pharmaceutical ingredients, due to their exemption from price control. With the appreciation of the rupee, margins could improve."

"We expect the market to pick up after June-July," said Pankaj Patel, CMD, Cadila Healthcare

Shakti Chakraborty, group president, India & CIS, Lupin, agreed. "At a broad level, we do expect the market to come back to double-digit growth during FY15 and it's definitely going to be much better than the last financial year. Lupin, of course, would continue to aim at maintaining our growth momentum, having clocked close to 18-20 per cent compounded annual growth over the past five years. This was largely due increasing our market share in key therapy areas like cardiovascular and diabetics, as well as the respiratory segment."