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Pharma sales to rise by over one-fifth in March quarter

The domestic pharmaceutical market did better in the March quarter, relative to the December quarter, with volume sales rising by 1.8% compared with 1.1%, according to data from research firm **AIOCD Pharmasofttech AMACS Pvt. Ltd.** Overall growth, including the effect of price hikes and product mix, has also improved to 6.6% from 5.9%.

The sector's growth had been affected by the effect of the government's new drug pricing policy. Even in March, for instance, sales of drugs in the price control list fell by 13.9% in value terms while sales of the remaining drugs rose by 6.8%.

The policy is pulling down overall growth, although it accounts for only 11.5% of the total. The drag should diminish once the high base effect gets over.

Based on this data, March quarter's financial results may see a better showing on the domestic front. A caveat is in order that market data is based on sales to the consumer while a company's sales figures are based on sales to stockists, and can cause a mismatch in growth numbers. Still, eventually, the domestic sales growth of companies should improve. This could provide an impetus to growth, particularly in the case of companies with a higher exposure to the domestic market.

But the US generics market will continue to drive growth for the sector, with overall sales expected to post an average increase of 22% over the year-ago period, and Ebbitda (earnings before interest, taxes, depreciation and amortization) an average increase of 33%. Indian generic companies such as **Sun Pharmaceutical Industries Ltd** and **Lupin Ltd** are expected to lead growth, with a steady pace of generic drug launches in the US market propelling their growth.

The sector seems fairly valued, with the S&P BSE Healthcare index trading at a price to earnings ratio of 29 times, and the index itself has risen by just 5% since early-January. The shift in investor sentiment in favour of cyclical may have hurt this sector's attractiveness, though its performance appears to be on a steady footing.

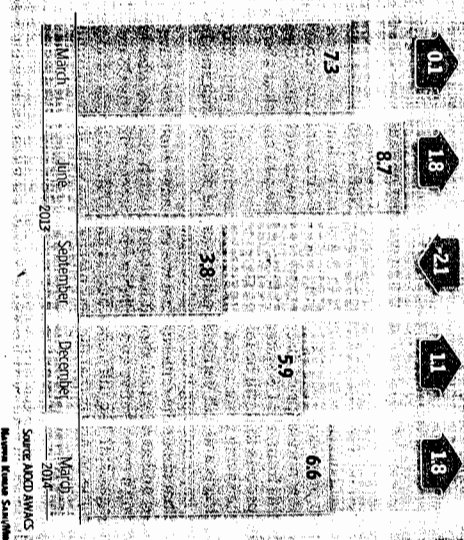
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We welcome your comments at marktomar@livemint.com

GETTING BETTER

The domestic pharmaceutical market is in a recovery mode.

1.3 Sales growth (in %)
1.8 Volume growth



Industry