

ANALYST OUTLOOK

Rupree weakness a boon for drug exports

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WE believe the Indian pharma space is an attractive bet given its growth-plus-defensive character. Patent expiry opportunity, strong domestic and emerging market growth, along with weakness of the Indian rupee have kept the pharma sector buoyant. Nevertheless, the big domestic pharma companies are trading at highest historical

premium, and concurrently, market interest has also shifted to mid-cap pharma stocks. Lupin, a mid-cap two years ago, has made it to the Nifty now. For big companies, we expect higher pressure on margins and revenue growth led by decline in blockbuster opportunities and intensifying price war from higher competition in base business in the US. Sun Pharma and Ranbaxy who have attained higher scale could feel the spasm on organic growth, while we believe companies with lower

base and strong pipeline, such as Lupin, Cadila and Glenmark will sustain their double-digit growth trajectory. At present, we believe that near-term expectations of strong performance are already reflected in mid-cap valuations. Mid-caps like Divis Lab, Glenmark, Cadila and Ipca Lab have promising fundamentals and are all in race to reach all-time highs. We believe, US patent expiries and robust domestic and other emerging market growth are medium-term opportunities for the phar-

ma companies and we are sure mid-cap generic companies like Glenmark, Cadila, Torrent and Ipca Labs are well placed to grab its share, whereas Glenmark offers an upside from its generic as well as innovative drug portfolio.

In contract research, we like Divis Lab, but one should wait for some correction before investing. Shasun Pharma and Aurobindo also look promising, given their cheap valuation, but we remain cautious on these counters.

Industry