

Top pharma firms show no growth in July-Sept

Combined adjusted profit of 10 drug majors stagnant at ₹1,985 cr

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New Delhi

If profit is any yardstick, top-10 listed companies in the pharma sector did not show any growth in July-September quarter in 2011 over the same period a year ago though net sales rose 20 per cent, an analysis by *Financial Chronicle* showed.

Even as slowdown in domestic market sets in firmly, the quarter presented early signs of bottoming out. Revenues from US grew 9 per cent despite no significant gains were made due to exclusive opportunities.

With factors like foreign exchange losses and rising costs playing truant, the combined adjusted profit (excluding certain one-off items) of ten most valuable pharma companies stood at Rs 1,985 crore, almost unchanged from Rs 1,990 crore reported in same quarter last year.

Profit growth has remained stagnant even though the net sales grew by 20.15 per cent to Rs 13,404 crore in July-September 2011 as compared to Rs 11,156 crore in the second

On right track

Profit growth of top pharma companies remained stagnant even though the net sales grew by 20.15 per cent

July-September quarter scorecard	Year-on-year profit growth	net sales growth
Biocon	-3.95	20.96
Cadila Health	-39.90	10.24
Cipla	17.47	9.62
Divi's Lab	47.44	38.69
Dr Reddy's Labs	7.31	21.25
GlaxoSmith Pharma	-7.75	4.40
Glenmark Pharma	117.64	45.87
Lupin	24.11	23.58
Ranbaxy Labs	-185.06	7.74
Sun Pharma Inds	18.68	42.30

* Standalone numbers. Data Source: Capitaline data

quarter last year.

However, some companies did report healthy profits growth. For instance, Sun Pharmaceutical Industries reported 18.7 per cent profit growth while Cipla (17.5 per cent) and Lupin (24.1 per cent) reported good profit numbers. Contract research firm Divi's Lab

grew its profit by 47.4 per cent while the best growth in profit was seen in Glenmark (117.6 per cent).

Companies that reported lower profits in July-September 2011 compared to the same last year are led by Ranbaxy, which ended with 185 per cent drop in adjusted

profits. It was followed by Cadila Healthcare (40 per cent drop in profits), Biocon (4 per cent lower) and Glaxo-SmithKline Pharmaceuticals, which saw profits drop by 7.8 per cent.

"Largely, operating margins continued to wilt, led by inflationary trends and a rise in employee expenses. Sun Pharma, Cipla, Glenmark and Divi's are our preferred plays. Currency fluctuation is the biggest risk along with regulatory / price changes both in India and in export markets," said Monica Joshi, analyst, Avendus Securities.

Even though year-on-year sales growth shows 20 per cent rise for top 10 firms, some analysts said that on a quarter-on-quarter basis numbers had slowed down.

Sanjeev Prasad of Kotak Institutional Securities said that sales growth decelerated sharply for several pharma companies. "We highlight that the anti-infective categories probably showed a sharp deceleration in sales, also, consumers may have deferred purchases barring the acute categories," said Prasad.

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