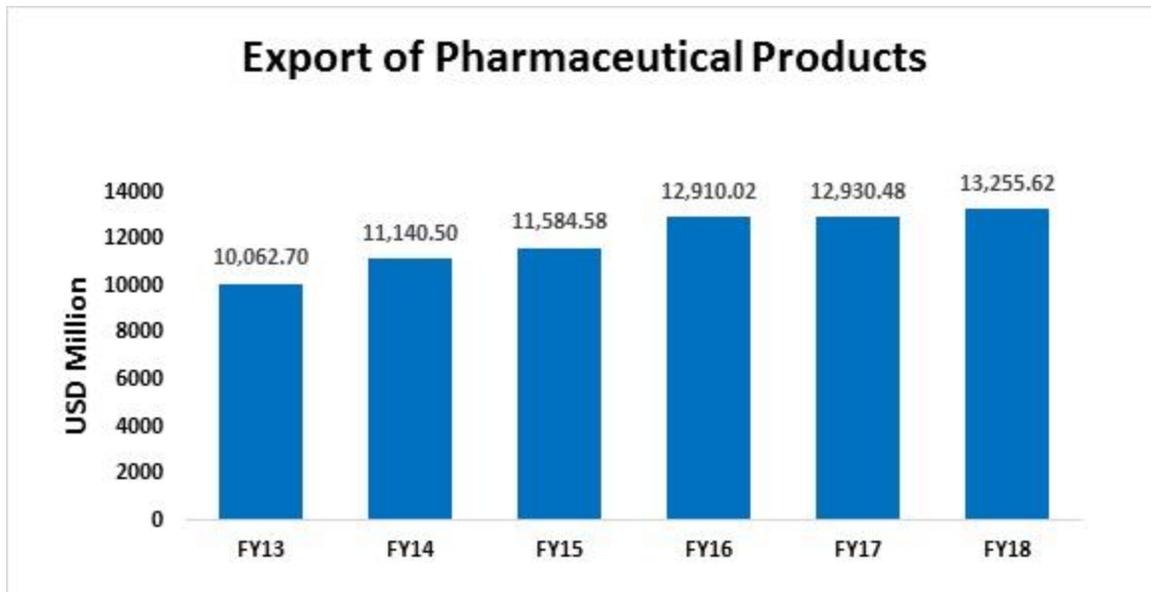


The Pharmaceutical industry is one of the major manufacturing sectors in India and a significant contributor to the growth of the economy. The industry has been growing due to its key factors such as low manufacturing cost, technical growth, skilled workforce and a diverse ecosystem. The sector is highly developed and sources its own bulk drugs & intermediates for most of its formulations. The pharma sector is also contributing immensely to the Make-in-India initiative over the last many years.

India continues to be one of the most lucrative pharma markets in the world, with its high quality, affordable and accessible medicines. The country is also the third-largest global generic Active Pharmaceutical Ingredient (API) manufacturer in terms of market share and largest provider of generic medicines globally by volume at present. Besides, the country accounts for the second largest number of Abbreviated New Drug Applications (ANDAs) and is the world's leader in Drug Master Files (DMFs) applications with the US.

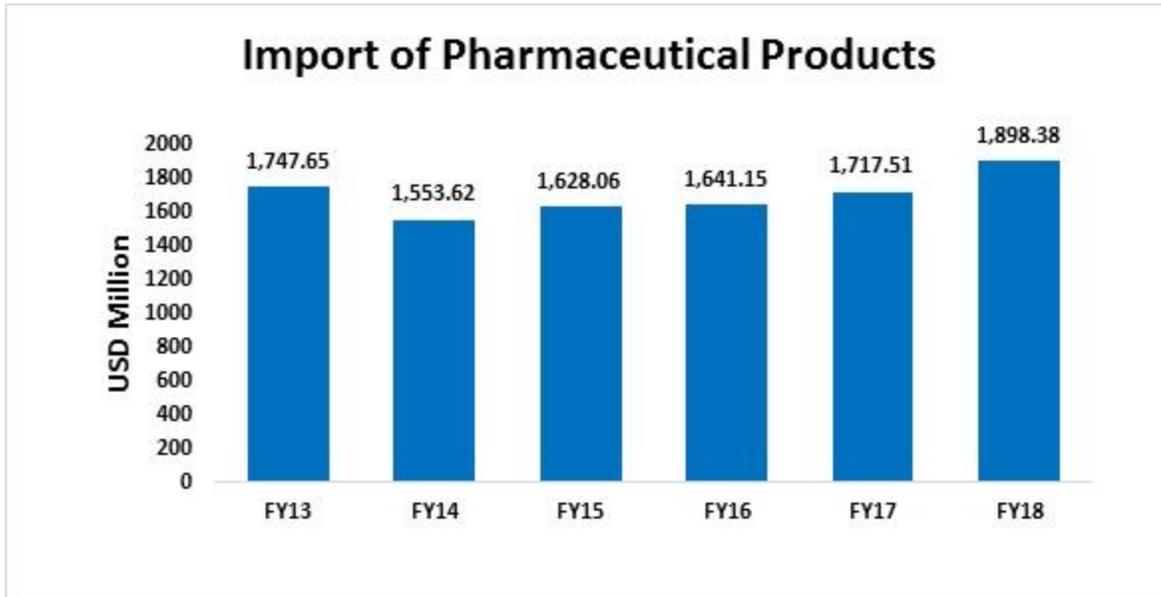
Export of Pharmaceutical Products

The pharmaceutical products' exports from India, a key component of the country's foreign trade basket, reported a marginal rise of 2.51% in the fiscal year 2017-18 to \$13,255.62 million from \$12,930.48 million in the previous fiscal 2016-17, on the back of increasing regulatory concerns and pricing pressures in the global markets. Import alerts by the US Food and Drug Administration, regulatory hurdles and currency fluctuation also contributed to slow growth in the overseas shipments. However, pharmaceutical exports from India are expected to touch \$20 billion by 2020. The US is the top destination for Indian pharma exports, followed by the UK. The other important destinations include South Africa, Russia, Nigeria, Brazil and Germany.



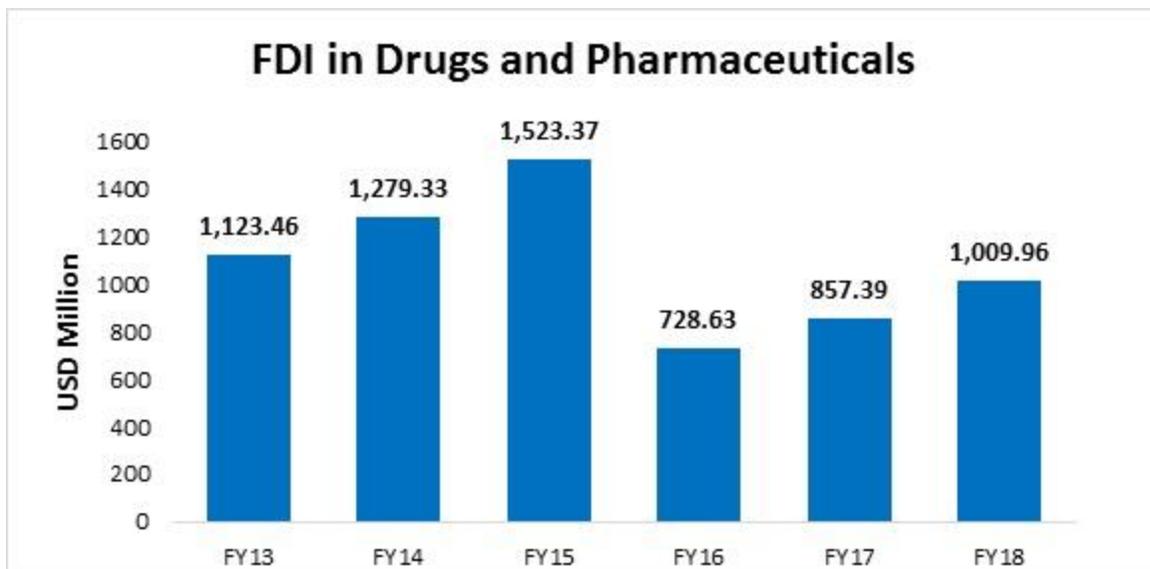
Import of Pharmaceutical Products

India sources around 80 per cent of pharma raw materials to meet growing requirements of drug formulations for Indian pharmaceutical industry and to reduce import dependence of the raw materials, the government is working on a road map to increase production of bulk drugs in the country. Imports of pharmaceutical products increased by 10.53% to \$1,898.38 million in FY18 as compared to \$1,717.51 million in FY17.



FDI in Drugs and Pharmaceuticals

The drugs and pharmaceuticals sector attracted cumulative FDI inflows worth \$15.72 billion between April 2000 and March 2018. Meanwhile, the sector has attracted FDI equity worth Rs 6,502.29 crore or \$1,009.96 million in FY18 as compared to Rs 5,722.69 crore or \$857.39 million in FY17. Further, during FY16, FDI inflows in the drugs and pharmaceuticals sector stood at Rs 4,815.80 crore or \$728.63 million.



Recent Developments

Govt proposes over Rs 460 crore support for development of pharma sector

The government has proposed over Rs 460 crore support for the development of pharmaceuticals industry, in order to reduce cost of bulk drugs and medical devices through setting up of common facility centres and to help SMEs upgrade technology.

Draft Pharmaceutical Policy 2017

The Draft Pharmaceutical Policy 2017 has been introduced by the Department of Pharmaceuticals with an objective to cut the country's dependence on imported APIs and address concerns about the quality of medicines made in India.

The policy with the restrictions and checks it seeks to impose can give a boost to the idea of Ease of Doing Business in the pharmaceutical sector. This in turn will help in promoting the 'Make in India' programme further.

NPPA fixes retail price of 68 drug formulations

The National Pharmaceutical Pricing Authority (NPPA) has fixed/revised ceiling prices/retail prices of 68 formulations including those used for treatment of diabetes, blood pressure and HIV.

The drug price regulator has fixed the retail price of 55 scheduled formulations, while the retail prices of 10 scheduled formulations has been revised. NPPA has also fixed ceiling prices of 3 scheduled formulations.

Uttar Pradesh Govt planning to set up 6 pharma parks

The Uttar Pradesh government is planning to set up six pharma parks in Noida, Bundelkhand, Ghaziabad, Gorakhpur, Lucknow and Allahabad, with an aim to achieve faster growth in the sector. The state has received an investment commitment of about Rs 5,000-6,000 crore from domestic and multinational pharma companies.

Besides, the government is going to allot 100 to 250 acres of land and offer incentives like free electricity, zero stamp duty and interest free loan up to Rs 10 crore for the infrastructure development.

Uttar Pradesh is already a major centre having 30% of manufacturing and exports of pharmaceuticals in the country. The state government has already reached out to 1,000 private and public hospitals and is reaching out to 1,000 more.

Health Ministry bans 328 fixed dose combination drugs

The Ministry of Health and Family Welfare has banned the manufacture, sale or distribution of 328 fixed dose combinations (FDCs) for human use with immediate effect. The ministry has also restricted the manufacture, sale or distribution of six FDCs, subject to certain conditions.

Govt relaxes import norms for certain chemicals used in pharma sector

The government has relaxed import norms for about 34 chemicals used in the pharmaceuticals industry and this move would ease inbound shipments of these items. The chemicals include cocaine, norephedrine, cathine and its salts, ephedrine hydrochloride and concentrates of poppy straw, nicotinic acid and aminorex.

Outlook

The policies of the Government aimed at ensuring access & affordability of healthcare products and services to all is likely to complement growth in the pharma sector. Besides, various favourable factors like rising healthcare spending and rapid urbanization will also help the sector to bloom in the coming time. Improving country's infrastructure, including transportation & port facilities, would improve overall business, export and help the pharma sector to build trust in terms of supply reliability. Consecutively, higher growth in outbound shipments could create more employment opportunities, earn foreign exchange and boost economic activities.

Further, recently launched National health protection Scheme under Ayushman Bharat Programme may trigger a rise in demand for medicines and will also enhance productivity. Growth of the sector would also be driven by increasing number of Abbreviated New Drug Applications (ANDA) approvals. However, the industry is likely to face headwinds from price controls, ad-hoc regulatory changes and new policies that may impact sustainable growth.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Unichem Laboratories Ltd.	192.65	1355.93	385.79	2.60	361.58	0.53
Piramal Enterprises Ltd.	2146.90	39365.52	1078.03	1.16	264.35	8.12
Dr. Reddys Laboratories Ltd.	2582.10	42874.70	725.85	0.77	94.50	27.32
Strides Pharma Science Ltd.	463.30	4148.80	346.52	0.43	70.63	6.56
Ajanta Pharma Ltd.	1095.60	9643.80	248.34	0.00	53.75	20.38
Alkem Laboratories Ltd.	1895.55	22664.14	430.95	0.69	52.64	36.01
Natco Pharma Ltd.	711.30	13104.55	187.17	1.16	47.85	14.87
Aarti Drugs Ltd.	558.95	1318.12	199.62	0.18	37.63	14.85
Aurobindo Pharma Ltd.	740.10	43363.02	180.71	0.34	37.39	19.79
Torrent Pharmaceuticals Ltd.	1760.40	29789.97	281.26	0.80	37.11	47.44
Divis Laboratories Ltd.	1529.20	40595.46	237.46	0.65	33.04	46.29

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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