

# Q4 FY21E Pharmaceuticals Earnings Preview



Sector Report

16<sup>th</sup> April 2021

## Recovery in progress

We expect the companies under our pharmaceutical coverage to clock 31% (YoY) earnings growth with a 5.5% (YoY) rise in the revenue base due to moderate growth in the domestic market supported by a partial recovery in the acute segment, reasonable traction in the chronic segment. The US revenues are likely to remain subdued impacted by the lack of meaningful launches while overall prescriptions remained low due to a surge in COVID cases during the quarter. We expect continued traction in API sales backed by strong demand. Overall, our pharmaceutical coverage would post Revenue/EBITDA/PAT growth of 5.5%/33.6%/31.1% YoY in Q4FY21. We expect the EBITDA margin of our coverage universe to improve by 478bps YoY, led by base effect (select pack), cost rationalization measures, and a favourable product mix.

### Aurobindo Pharma

We expect Aurobindo Pharma's revenues to grow by 3.6% YoY to INR 63.8bn. US sales are expected to decline due to Natrol divestment and price erosion. EU is expected to decline YoY on a higher base. EM, ARV, and API to grow at a steady pace. The company's EBITDA margin to decline by 50bps due to higher R&D spend and other expenses. PAT expects to de-grow by 2.7% to INR8.1bn due to muted operational performance.

### Dishman Carbogen Amcis

Dishman Carbogen is expected to report a 2.2% decline in revenue due to lower commercial orders. We expect a contraction in the EBITDA margin by 414bps to 22.1% compared to last year same quarter. The net profit would fall by 73.3% YoY to INR 192mn due to weak operational performance.

### Fermenta Bio

Fermenta bio expected to report revenue growth of 33.1% YoY to INR 859mn led by strong traction in Human VD3 business (63% of overall VD3 sales 9MFY21). We expect the EBITDA margin to improve by 715bps to 21.8% from 14.6% in Q4FY20 due to a favourable base. We expect Adj PAT to grow by 152.7% YoY to INR 79mn.

### Granules India

Granules India's expected to report revenue growth of 28.5% YoY to INR 7.71bn due to favourable base and steady growth in both (API + Formulation) business. We expect the EBITDA margin to improve by 694bps to 23.6% from 16.7% in Q4FY20. However, on a sequential basis, it can decline by 145bps impacted by the higher price of key raw materials (PAP and DCBA) and higher other expenses. We expect Adj PAT to grow by 14.3% YoY to INR 1066mn.

### Lupin

We expect Lupin's revenues to grow marginally by 1.5% YoY owing to a decline in US sales due to weak flu season. EMEA and growth markets to grow with steady demand and stable currency. Domestic business to show some pickup with the growth of 8% YoY led by chronic segment. EBITDA margin to expand by 533bps at 19% from 13.7%, due to better product mix and cost-saving initiatives. Adj PAT expects to witness a 6.2% decline to INR 3bn.

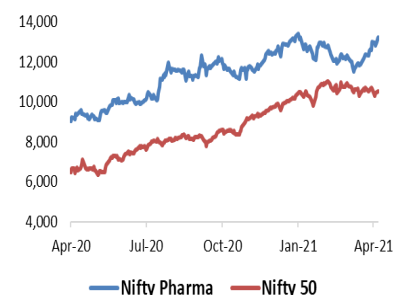
### Neuland Lab

We expect Neuland's revenue to grow by 16.7% to INR 2.24bn on account of strong growth in CMS and the speciality API segment. The greater contribution from the margin-accretive segments are likely to lift the EBITDA margin by 338bps to 19.1%. PAT is expected at INR202mn (compared to a loss of INR93mn in Q4FY20) on the back of better operational performance.

Performance (%)	1m	3m	1Yr
Aurobindo Pharma	8	-2	100
Dishman Carbogen	0	-16	57
Fermenta Biotech	-5	-10	9
Granules India	-1	-8	97
Lupin	0	-3	28
Neuland Lab	20	111	507
SeQuent Scientific	15	21	259
Sun Pharma	7	7	39
Suven Pharma	0	-4	241

Company Name	Reco	CMP	Target price
Aurobindo Pharma	Hold	953	985
Dishman Carbogen	Hold	123	148
Fermenta Biotech	Buy	271	402
Granules India	Buy	327	449
Lupin	Buy	1055	1217
Neuland Lab	Hold	2425	1608
Sequent scientific	Hold	255	264
Sun Pharma	Buy	646	673
Suven Pharma	Hold	481	485

Relative Price Chart



#### Our Top Picks:

- ⇒ Lupin
- ⇒ Neuland Lab
- ⇒ Fermenta Bio

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### Sequent Scientific

Sequent Scientific to post revenue growth of 9.5% on the back of continued growth in API sales to regulated markets and volume growth in formulation sales across geographies. EBITDA margin to decline by 197bps mainly due to higher employee cost (ESOP). PAT is expected to decline by 4.5% to INR 161mn.

### Sun Pharma

Sun Pharma's revenues are likely to grow by 6.4% YoY at INR 87bn, primarily due to the ramp-up of Specialty portfolio led by Cequa and Ilumya. We expect domestic formulations to report growth of 8% YoY. EM and ROW to grow low to mid-teens with steady demand and stable currency. The company's EBITDA margin to increase by 886bps YoY to 25.5% from 16.7% due to improving the operating performance of specialty portfolio and favourable product mix. Adjusted net profit is expected to grow by 99.6% to INR 13.2bn.

### Suven Pharma

Suven Pharma's revenues are likely to increase by 30.6% YoY, mainly due to strong performance from commercial CRAMS business. The company's EBITDA margin expects to enhance by 644bps YoY to 48.3% from 41.9% driven by favourable product mix. The net profit is likely to accelerate by 53.3% YoY to INR 816mn from INR 532mn.

### Estimates for Q4FY21E

Company	Revenues			EBITDA			EBITDA Margin (%)			PAT			PAT Margin (%)	
	Q4FY21E	Q4FY20	Y-o-Y (%)	Q4FY21E	Q4FY20	Y-o-Y (%)	Q4FY21E	Q4FY20	Q4FY21E	Q4FY20	Y-o-Y (%)	Q4FY21E	Q4FY20	
INR in mn														
Aurobindo Pharma	63,797	61,584	3.6%	13,316	13,162	1.2%	20.9%	21.4%	8,148	8,376	-2.7%	12.8%	13.6%	
Dishman Carbogen	4,916	5,028	-2.2%	1,085	1,318	-17.7%	22.1%	26.2%	192	719	-73.3%	3.9%	14.3%	
Fermenta Biotech	859	645	33.1%	187	94	98.3%	21.8%	14.6%	79	31	152.7%	9.2%	4.8%	
Granules India	7,710	5,999	28.5%	1,820	999	82.1%	23.6%	16.7%	1,066	932	14.3%	13.8%	15.5%	
Lupin	39,048	38,457	1.5%	7,427	5,263	41.1%	19.0%	13.7%	3,039	3,241	-6.2%	7.8%	8.4%	
Neuland Lab	2,236	1,916	16.7%	427	301	41.8%	19.1%	15.7%	210	(93)	325.7%	9.4%	-4.9%	
SeQuent Scientific	3,291	3,006	9.5%	425	447	-5.0%	12.9%	14.9%	161	169	-4.5%	4.9%	5.6%	
Sun Pharma	87,093	81,849	6.4%	22,224	13,630	63.1%	25.5%	16.7%	13,184	6,605	99.6%	15.1%	8.1%	
Suven Pharma	2,412	1,848	30.6%	1,165	773	50.6%	48.3%	41.9%	816	532	53.3%	33.8%	28.8%	

Source: Company, BP Equities Research

## Q4 FY21 Pharmaceuticals Earnings Preview

### Forex trend

	USD/INR	EUR/INR	GBP/INR	ZAR/INR	RUB/INR	BRL/INR	TRY/INR
Close rate Q4 FY20	75.4	83.1	93.5	4.2	1.0	14.5	11.4
Close rate Q1 FY21	75.3	82.0	93.9	4.1	1.0	13.7	10.8
Close rate Q2 FY21	73.8	86.5	95.0	4.4	0.9	13.1	9.5
Close rate Q3 FY21	73.1	89.9	100.0	5.0	1.0	14.1	9.8
Close rate Q4 FY21	73.4	86.0	100.9	4.9	1.0	13.2	9.1
% Change since Q4 FY20 Closing	-2.6%	3.5%	7.9%	17.2%	-0.8%	-9.1%	-19.8%
% Change since Q3 FY21 Closing	0.4%	-4.4%	0.9%	-1.7%	-4.9%	-6.7%	-6.8%

	USD/INR	EUR/INR	GBP/INR	ZAR/INR	RUB/INR	BRL/INR	TRY/INR
Close rate Q4 FY20	72.5	79.8	93.0	4.8	1.1	16.3	11.9
Close rate Q1 FY21	76.1	83.4	94.4	4.2	1.0	14.1	11.1
Close rate Q2 FY21	74.5	86.8	96.2	4.4	1.0	13.8	10.3
Close rate Q3 FY21	73.9	87.8	97.6	4.7	1.0	13.7	9.4
Close rate Q4 FY21	72.9	87.8	100.5	4.9	1.0	13.4	9.9
<b>Change %</b>							
YoY	0.6%	10.1%	8.1%	2.6%	-9.7%	-18.0%	-16.1%
QoQ	-1.3%	0.0%	3.0%	3.0%	0.5%	-2.4%	6.1%

INR: Indian Rupee , USD: United States dollar, EUR: Euro, GBP: Pound sterling, ZAR: South African rand, RUB: Russian ruble, BRL: Brazilian real, TRY: Turkish lira

**INR depreciated against all major currencies except, RUB, BRL and TRY. It depreciated 0.6%/10.1%/8.1% against the USD /Euro / GBP YoY whereas it has appreciated 9.7%/18%/16.1% against RUB/ BRL and TRY YoY respectively.**

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