

Chronic strong; volume trends reversing



Elara Diet Report—Your Swift and Savvy Guide to a `Breaking News or a Development`

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Pharmaceuticals

As per Pharmatrac, a pharmaceuticals market research company, the domestic pharma market has grown at a better pace of 9.2% YoY in Dec 2023, after a poor show of just 2.9% YoY growth in Nov 2023. Volume growth was muted at 2.2% YoY. Thus, price remains the major driver. CY23 value growth at 6.8% (flat volume) is significantly below original expectations. This has reflected in most listed companies' reported numbers as well.

Our view

We expect marginal improvement in growth rate in CY24/FY25 – volume growth will likely pick up while price increase will likely moderate. We continue to believe that the organic growth expectations built into the pharma stocks (which we believe is in 11-14% range) will disappoint. This could be a risk, specifically for companies with high domestic-business contribution to overall profits.

Chronic therapies drive growth

In Dec 2023, the pick-up was led by Cardiac (up 11.5% YoY), Anti-infectives (up 10.3% YoY), Gastro-intestinal (up 10.0% YoY), Pain (up 10.2% YoY) and Neurology (up 12.0% YoY). Anti-diabetics too saw decent growth of 8.9% YoY. Oncology continued with its strong performance, up 13.7% YoY, but is a smaller part of the overall pie.

Volume growth stood at 0.8% in Q3FY23 vis-à-vis negative growth of ~4% in Q2FY23 and Q1FY23 led by healthy volumes in Chronic therapies, though partly negated by muted growth in Acute. Amongst therapies Anti-neoplastics grew 21% in Q3FY23. Value growth for Q3FY23 was driven by Anti-neoplastics, Cardiac, Respiratory and Anti-diabetic.

Sun Pharma, Cipla, Torrent, Alkem and Glenmark grew in mid-high, single-digit percentage, in Dec 2023, as per data. Mankind Pharma, Zydus Lifesciences and Lupin grew in 10-15% range. Abbott, Ipca, Dr Reddy's and Sanofi grew <10%. AWACS data does not usually correlate with companies' reported numbers and should not be extrapolated to reported growth.

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