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Top Indian pharma cos rake in moolah beating odds

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DESPITE the fact the year 2017-18 was a difficult one with several warning letters from US FDA regarding quality problems and GST implementation, successfully overcoming headwinds like quality problems, price cuts and stiff competition in the international markets, top Indian pharmaceutical companies could register strong net profit growth of 21.7 per cent as well as net sales growth of 13.5 per cent during the first half ended September 2018.

The focus on R&D activities and rupee depreciation against US dollar also assisted well during first half. These companies launched several new products with the help of R&D push up and consolidation of activities. A few players also received favourable Establishment Inspection report (EIR) from US FDA.

During the first nine months ended January-September 2018, Indian pharma companies and their subsidiaries received final approval for 193 ANDAs from US FDA and 43 tentative approvals. The US FDA approved 535 ANDAs and also offer 128 tentative approvals during the first nine months of 2018. Thus, Indian pharma companies approvals worked out to 36 per cent of total final approvals. Aurobindo Pharma and Zydus

Tentative Approvals: Jan- Sept 2018	
Ajanta Pharma	4
Alembic Pharma	3
Alkem Labs	2
Aurobindo Pharma	8
Cipla	3
Dr Reddy's Labs	1
Gland Pharma	1
Hetro Labs	2
Lupin	5
Micro Labs	4
Sun Pharma Global	2
Taro Pharma	3
Torrent Pharma	1
Zydus Pharma USA	4
Indian Companies	43

Pharma received final approval for 34 ANDAs and 32 ANDAs respectively during the first nine months of current year. This was followed by Cipla (20 ANDA approvals), Dr Reddy's (10), Lupin (12) and Strides Pharma (13). During full year ended December 2017, Indian companies received 304 final ANDA approvals from total 846 approvals by US FDA.

Indian pharma companies have established strong presence in international market with the help of R&D investments during the last few years. During the first half ended September 2018, Sun Pharma's R&D expenditure was at Rs 952 crore and this worked out to 6.8 per cent of sales. It has a comprehensive product offering in the US market consisting of approve ANDAs for 432 products while filings for 134 ANDAs await US FDA approval. Lupin's R&D expenditure declined by 22.9 per cent to Rs 751 crore from Rs 974 crore in the corresponding half of last year. Its cumulative ANDA filings stood at 405 as of September 2018, with the company having received 247 approvals.

Torrent Pharma's R&D spending increased to Rs 263 crore from Rs 208 crore and that of Wockhardt reached at Rs 143 crore. DRL's R&D expenditure stood at Rs 826 crore for the first half and that of Cipla's worked out to Rs 594 crore. Jubilant Life Sciences R&D spending reached Rs 113 crore during the first half of 2018 and it received 10 ANDA approvals. Several other companies, like Alembic, Ajanta Pharma, Biocon, Alkem Laboratories, Glenmark Pharma, Indoco Remedies, etc also investing substantial amount on R&D activities.

Divi's Laboratories is investing Rs 1,200 crore for two brown-field projects. It is investing Rs 600 crore in DCV SEZ Unit at Visakhapatnam and Rs 600 crore in Bhuvangiri-Yadadri district of Telangan state. These projects are likely to go on stream by end of the year 2019. It is also taking up debottlenecking programs at Unit-1 as well as Unit-2 by investing an aggregate amount of Rs 300 crore.

The net sales of Pharmabiz sample of top 50 pharmaceutical companies increased by 13.5 per

cent to Rs 1,08,213 crore during the first half ended September 30, 2018 from Rs 95,348 crore in the corresponding period of last year. Their other operating income moved up by 17.1 per cent to Rs 1,547 crore from Rs 1,321 crore and other income increased by 53.5 per cent to Rs 2,957 crore from Rs 1,926 crore. Thus, total income increased by 14.3 per cent to Rs 1,12,717 crore from Rs 98,595 crore.

These 50 companies achieved a net sales of Rs 1,98,965 crore during full year ended March 2018 and their contribution to Pharmabiz study of 100 companies worked out to 96 per cent. Similarly these 50 companies posted net profit of Rs 23,464 crore in the full year ended March 2018.

Among the top 10 companies in respect of sales viz., Sun Pharmaceuticals Industries, Aurobindo Pharma, Lupin, Cipla, Dr Reddy's Laboratories, Cadila Healthcare, Piramal Enterprises, Glenmark Pharmaceuticals, Jubilant Life Sciences and Alkem Laboratories contributed 65 per cent to the aggregate sales of 50 companies. Out of top 10 players, only four companies registered double digit growth in sales during the first half. The net sales of Aurobindo Pharma increased by 11 per cent to Rs 8,849 crore in the first half, Piramal Enterprises (diversified into pharma (36 per cent) and financial and other activities (64 per cent)) by 26.5 per cent to Rs 6,047 crore, Jubilant Life by 35.8 per cent to Rs 4,292 crore and Alkem Labs by 12.9 per cent to Rs 3,578 crore. Piramal Enterprises pharma sales increased only by 2.4 per cent to Rs 2,153 crore in the first half.

Sun Pharma clocked sales growth of 9.6 per cent to Rs 13,985 crore and Dr Reddy's Labs of 8.9 per cent to Rs 7,337 crore. The net sales of Lupin declined slightly to Rs 7,666 crore and that of Glenmark increased only by 2.6 per cent to Rs 4,669 crore. Cipla and Cadila registered net sales growth of five per cent and 6.9 per cent to Rs 7,794 crore and Rs 5,613 crore respectively.

Few other major players like Torrent Pharma, Biocon, Divi's Laboratories, Alembic Pharmaceuticals, Natco Pharma, Nectar Lifesciences, Granules India, Syngene International, Hikal,

IOL Chemicals & Pharma, Vinati Organics and Unichem Laboratories registered strong sales growth of over 25 per cent during the first half ended September 2018. IOL Chemicals clocked sales growth of 81.2 per cent to Rs 785 crore, Nectar Lifesciences 67.1 per cent to Rs 1,255 crore, Vinati Organics 50 per cent to Rs 518 crore and Unichem Laboratories 47.1 per cent to Rs 447 crore.

The net sales of Strides Pharma Sciences, Indoco Remedies, Bliss GVS Pharma, Ind-Swift Laboratories, Shilpa Medicare, Panacea Biotech and Novartis India declined during the first half ended September 2018. Further, net sales of Ajanta Pharma, Pfizer, FDC and Marksans Pharma increased in the range of 2-5 per cent only.

The earning before interest, tax, depreciation and adjustments (EBITDA) of Pharmabiz sample of 50 companies increased strongly by 20.2 per cent to Rs 26,639 crore from Rs 22,154 crore in the same half of last year. Interest cost went up by 26.3 per cent to Rs 3,894 crore from Rs 3,082 crore and depreciation provision increased by 12.6 per cent to Rs 5,607 crore from Rs 4,980 crore. Tax provision increased by 20.7 per cent to Rs 4,275 crore from Rs 3,541 crore. The net profit before adjustments and forex gain/loss increased by 21.9 per cent to Rs 12,863 crore from Rs 10,551 crore. After adjustments and forex gain/loss, net profit of 50 companies increased by 21.7 per cent to Rs 11,558 crore from Rs 9,499 crore in the similar half of last year. Equity capital of 50 companies stood at Rs 2,252 crore as at the end of September 2018 as against Rs 2,237 crore.

The net profit of Aurobindo Pharma, Lupin, Piramal Enterprises, Torrent Pharma, Laurus Labs, Nectar Lifesciences, Eris

US FDA Approvals : Jan-Sept 2018	
Companies	Jan-Sept 2018
Ajanta Pharma	5
Alembic Pharma	3
Alkem Labs	3
Aurobindo Pharma	34
Cipla	20
Dr Reddy's Labs	10
Gland Pharma	5
Glenmark Pharma	9
Granules India	4
Hetero Labs	6
Jubilant Life Sciences	2
Laurus Labs	2
Lupin	12
Macleods Pharma	5
Micro Labs	4
Strides Pharma	13
Piramal Healthcare	2
Sun Pharma Global	5
Taro Pharma	5
Torrent Pharma	7
Unichem Labs	2
Vivimed Labs	3
Zydus Pharma USA	32
Indian Companies	193

Lifesciences, Suven Life, Morepen Laboratories, AstraZeneca Pharma and Novartis declined during the first half ended September 2018. Lupin's net profit declined by 42.3 per cent to Rs 468.74 crore and that of Aurobindo Pharma declined by 17.9 per cent to Rs 1,067 crore. Cipla's net profit declined by 5.5 per cent to Rs 813 crore. Wockhardt reduced its net loss to Rs 109 crore from Rs 413 crore. However, Strides Pharma incurred a net loss of Rs 9.49 crore as against a net profit of Rs 30.27 crore. Ind-Swift turned the corner and earned a net profit of Rs 29 crore as against a net loss of Rs 30 crore.

The net profit of Dr Reddy's Laboratories, Biocon, Ipcal Laboratories, Natco Pharma, Sequent Scientific and Vinati Organics went up sharply by over 100 per cent during the first half ended September 2018. Similarly, the net profit of Jubilant Life Sciences, Divi's Laboratories, Alembic Pharma and Marksans Pharma has taken a quantum jump of over 50 per cent. ♦