

**RESEARCH**
**Pharmaceuticals**

Price hike led growth sustain IPM growth amidst weak volumes

**SUMMARY**
**Pharmaceuticals**

- IPM grew 6.6% in Sep'22 on MAT basis (6.2% for the month) led by pricing (4.8%) and launch-led growth (2.5%) while volume shrank 0.8%
- Gynaec. (+14%), pain (+13%) and respiratory (+12%) therapies were top performers; anti-infectives, cardiac and VMN reported modest increases
- SUNP, AJP and ERIS remain our top picks in the sector

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**Daily macro indicators**

Indicator	10-Oct	11-Oct	Chg (%)
US 10Y yield (%)	3.88	3.95	7bps
India 10Y yield (%)	7.48	7.43	(5bps)
USD/INR	82.32	82.33	0.0
Brent Crude (US\$/bbl)	96.2	94.3	(2.0)
Dow	29,203	29,239	0.1
Hang Seng	17,217	16,832	(2.2)
Sensex	57,991	57,147	(1.5)
India FII (US\$ mn)	07-Oct	10-Oct	Chg (\$ mn)
FII-D	55.5	(21.4)	(76.8)
FII-E	(474.3)	(92.8)	381.4

Source: Bank of Baroda Economics Research



## PHARMACEUTICALS

13 October 2022

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**IPM Sep'22 MAT growth healthy at 6.6% on a high base:** As per IQVIA sales data, the Indian pharmaceutical market (IPM) grew 6.6% YoY on moving annual turnover (MAT) basis for the 12M period ended Sep'22. Price hike and new product introductions contributed 4.8% and 2.5% to the growth, offsetting a 0.8% volume decline. For the same period last year, IPM had reported supernormal growth of 17.9% spurred by a Covid-related demand surge.

**Therapy performance:** Gynaecology (+14%, 5% of IPM), pain (+13%, 8% of IPM), respiratory (+12%, 8% of IPM), gastrointestinal (GI: +12%, 11% of IPM), and cardiac (+6.5%, 12% of IPM) together contributed 70% to incremental growth on MAT basis for the period ended Sep'22. Anti-infectives – the second largest therapy in the IPM with 11% share after cardiac – posted a modest 4% rise on a high base of last year (Sep'21 MAT up 22%), as did VMN at 2.5% (vitamins, minerals, nutrients: 8% of IPM). CNS (6% of IPM) posted a healthy 10% uptick while anti-diabetic (9% of IPM) and dermatology (7% of IPM) therapies continued to struggle at 6% and 3.5% respectively.

On a monthly basis, only respiratory therapy recorded a decline of ~8% YoY in Sep'22 while anti-infectives remained flat – possibly due to channel destocking of these products after a strong performance during the previous months.

**Top performers:** From our coverage universe, AJP (+13.9% MAT Sep'22, +13.9% YoY Sep'22), SUNP (+11.7% MAT, +9.8% Sep'22) and ALKEM (+10.7%, +9.5%) were top performers for both the 12M and Sep'22 timeframes. ERIS reported MAT/Sep growth of 8% each. From a Q2FY23 perspective, IQVIA data shows that ALKEM, SUNP and AJP from our coverage were top performers with YoY growth of 13.2%, 12.4% and 12.2% respectively. DRRD, LPC and ALPM grew in single digits at 4.4%, 6.2% and 6.2% respectively.

**Top picks:** Our top picks in the pharma sector remain SUNP (BUY, TP Rs 1,100), AJP (BUY, TP Rs 1500) and ERIS (BUY, Rs 970).

### Recommendation snapshot

Ticker	Price	Target	Rating
AJP IN	1,255	1,500	BUY
ALKEM IN	3,126	3,220	HOLD
ALPM IN	576	770	HOLD
DRRD IN	4,255	4,450	HOLD
ERIS IN	708	970	BUY
LPC IN	687	600	SELL
SUNP IN	968	1,100	BUY

Price &amp; Target in Rupees | Price as of 13 Oct 2022



## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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