

PHARMA & HEALTHCARE Q3FY25 PREVIEW: GROWTH FORESEEN AHEAD

We anticipate that the pharmaceutical companies within our coverage will collectively demonstrate revenue growth of 8.1% YoY and 0.9% QoQ, along with EBITDA growth of 9.2% YoY and 2.4% QoQ. Moreover, adjusted PAT is expected to grow by 10.7% YoY and 2.5% QoQ. This growth will likely be driven by domestic formulations and niche launches in the US market.

In US generics, growth is particularly driven by products such as gRevlimid, gMirabegron, gSpiriva, gAlbuterol, gPrezista, gLenalidomide, gProlensa, gChantix, and various biosimilars. The US market is anticipated to witness low single-digit growth, led by volume growth in existing products and the launch of new products in the last quarter like gMirabegron, despite elevated pricing erosion. Meanwhile, the Indian business is expected to experience a Muted growth compared to the last quarter, driven by sluggish growth in chronic therapies and a recovery in acute therapies. We estimate that Dr. Reddy's, Cipla, and Aurobindo will report gRevlimid sales of \$140 Mn, \$33 Mn, and \$30 Mn, respectively, for Q3FY25E.

Additionally, we anticipate an improvement in margins of 30 basis points on a YoY basis for most companies within our coverage. The primary reasons for this margin improvement are (i) a positive quarter for the domestic

formulations business, (ii) stable freight costs and API prices, and (iii) lower input costs and a better product mix towards niche launches.

The price index of API/KSM, encompassing the top 15 APIs imported from China and predominantly used as raw materials by pharma companies, indicates that aggregate API prices are flat on QoQ. For the past three quarters, API prices have remained range-bound, suggesting they have bottomed out. This stabilization could lead to improved gross margins for API companies in the upcoming quarters. The improvement in API prices could be driven by volume growth and supply checks from China. Furthermore, crude prices were down, and shipping rates in Q3FY25 have shown stability, potentially keeping margins flat for pharma companies in the near future. However, on a yearly basis, the overall profitability of pharma companies' aggregate Q3FY25 EBITDA margins improved by 30bps YoY.

Healthcare: In our coverage, we anticipate that the healthcare sector will register revenue growth of 15.6% YoY and -4.6% QoQ, largely driven by an expected improvement in occupancies of up to 100 basis points and ARPOB growth of 5-6%. Our analysis indicates that Fortis and Max could achieve growth of 11% and 24% YoY, respectively, due to additional beds being installed and new hospitals added to their portfolios.

However, Medanta may lag behind its peers due to sluggish growth in Gurugram, although it has been observed that Lucknow shows signs of gradual recovery. HCG could report topline growth despite a soft quarter in healthcare because the Vizag hospital will contribute to topline growth. Additionally, we project an adjusted EBITDA growth of 9.5% YoY and -7.4% QoQ for our hospital coverage.

We recommend BUY on Lupin, Aurobindo, Abbott India, Fortis, and Max Health.

These companies may surpass industry growth, driven by a superior product portfolio and a strong product pipeline. In hospitals, Fortis is expected to achieve higher occupancies and realizations as the company continues to gain market share consistently and expand its margins.

Abbott India: We expect Abbott India to report revenue growth of 8% compared to the IPM growth of 8% for Q3FY25E, which is in line, driven by a strong uptick in the Hormones and Gastro segments. Abbott India's strong pricing power is expected to aid in improving its gross margins moving forward.

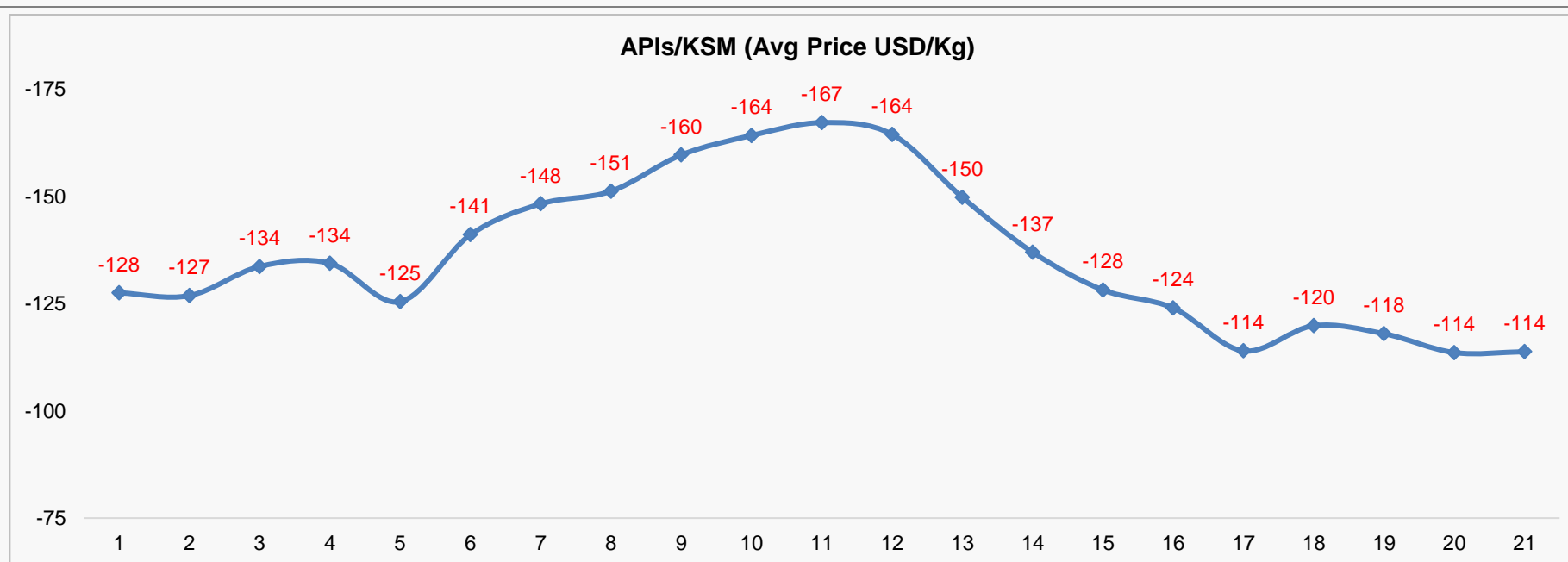
DR REDDY: We anticipate \$310 Mn in base business and \$140 Mn in gRevlimid sales in the US. We expect US sales to remain on the lower side QoQ due to elevated price erosion. Stable gRevlimid sales have been factored in QoQ. Commentary on the US base business and margin trends will be key monitorables.

CIPLA Ltd: CIPLA could face challenges in maintaining a stable market share in Albuterol, while it is gaining market share in Brovana. The company is gradually building market share in Lanreotide injections. We anticipate that Albuterol, Lanreotide, gRevlimid, and Brovana will contribute to stable sales of \$238 Mn in the US market. Additionally, we expect \$33 Mn in sales for gRevlimid in the last quarter.

Lupin: We anticipate 10.6% YoY revenue growth in Q3FY25E, driven by a recovery in the domestic business and new launches in the US market. We also expect \$230 million in US-based sales for Lupin, supported by contributions from gSpiriva (\$38 million), gSupreb, and gPrezista, along with greater pricing stability. The launch of three new molecules in Q3FY25E, including gProlensa and gChantix, could add approximately \$13 Mn in incremental sales for Lupin. Additionally, gMirabegron, a niche launch recently, could generate around \$60 million in full-year sales. EBITDA margins could improve by 230 bps YoY due to lower raw material prices and the launch of niche products in the portfolio. Lupin could report PAT growth of 30% YoY for the last quarter.

API/KSM (Raw Material): The price index of API/KSM, encompassing the top 15 APIs imported from China and predominantly used as raw materials by pharma companies, indicates that aggregate API prices are flat on QoQ. For the past three quarters, API prices have remained range-bound, suggesting they have bottomed out. This stabilization could lead to improved gross margins for API companies in the upcoming quarters. The improvement in API prices could be driven by volume growth and supply checks from China. Furthermore, crude prices were down, and shipping rates in Q3FY25E have shown stability, potentially keeping margins flat for pharma companies in the near future. However, on a yearly basis, the overall profitability of pharma companies' aggregate Q3FY25 EBITDA margins improved by 30bps YoY.

API/KSM: The price index of API/KSM, which comprises the top 15 APIs imported from China (majorly used as raw material by Pharma companies), indicates aggregate API price flat on QoQ and ~-25% YoY.



Source: Pharma compass, ASL Research

API/KSM: List of top 15 APIs imported from China. These are majorly used as raw materials by Pharma Companies. The price trends indicate an aggregate price decline of -25% YoY in the last quarter. For the past three quarters, API prices have remained range-bound, suggesting they have bottomed out. This stabilization could lead to improved gross margins for API companies in the upcoming quarters.

USD/KG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Pencillin G	26	28	28	29	28	33	43	33	43	36	55	59	48	39	41	43	48	40	30	60
Azithromycin	91	121	119	118	120	126	127	133	137	136	124	121	116	120	133	128	139	141	140	138
Ceftriaxone	57	69	72	70	71	71	69	73	83	96	97	80	75	71	69	62	62	69	70	71
Vitamin B1	96	58	65	91	65	75	82	61	59	68	67	66	54	42	71	49	60	64	66	67
Amoxicillin	177	193	186	179	170	171	170	169	171	181	189	181	177	194	197	186	170	200	184	186
Gabapentin	37	37	37	37	37	36	36	36	36	35	34	34	34	33	32	31	30	28	28	27
Artemisinin	172	172	167	161	169	109	193	224	267	270	250	174	150	135	123	104	100	103	102	128
Lamivudine	63	59	58	74	107	111	118	156	112	112	112	117	100	95	112	122	105	92	89	87
Vitamin E	17	14	14	15	14	17	17	16	20	17	17	17	16	18	21	16	14	16	15	18
Meropenem	736	803	825	660	875	979	1,000	1,000	1,000	1,000	996	864	790	703	594	494	591	537	508	470
Clarithromycin	139	161	163	162	146	166	164	210	214	242	224	218	211	202	216	199	206	208	210	198
Acyclovir	100	100	100	100	116	143	73	94	99	88	110	91	94	94	82	94	107	108	106	109
Ibuprofen	17	12	16	14	14	13	11	10	10	12	10	12	12	13	14	13	12	12	11	14
Erythromycin	53	55	60	64	65	69	66	67	78	80	81	79	74	72	74	81	83	74	79	78
Losartan	122	123	106	108	119	105	99	113	134	135	101	134	104	92	81	88	71	78	66	56
Avg. Index Price	127	134	134	125	141	148	151	160	164	167	164	150	137	128	124	114	120	118	114	114

Source: Pharma compass, ASL Research

Pharma

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
Abbott India						
Revenues	1559	1633	-4.5%	1437	8.5%	→ Revenue growth of 8% YoY, in line with the pharma industry growth.
Gross Profit	697	731	-4.6%	660	5.6%	
Gross margin (%)	45%	45%	-0.1%	46%	-2.7%	→ Stable gross margins driven by stable API prices.
EBITDA	419.3	439.0		387.8		
EBITDA margin (%)	27%	27%	0.01%	27%	-0.4%	
PAT	345	358.6		311.3		
EPS (Rs)	162	169	-3.9%	146	10.8%	
Aarti Drugs						
Revenues	616	598	3.0%	606	1.7%	→ API prices have stabilized at the bottom and are expected to rebound.
Gross Profit	211	204	3.3%	201	5.2%	
Gross margin (%)	34.3	34.2		33.1		→ Price erosion is reflecting a decline on a YoY basis.
EBITDA	71	67	6.1%	70	1.4%	
EBITDA margin (%)	11.6	11.2		11.6		
PAT	38	35	8.7%	37	3.4%	
EPS (Rs)	4.1	3.8	8.7%	4.0	3.4%	
Aurobindo Pharma						
Revenues	7,882	7,796	1.1%	7,352	7.2%	→ In the US, sales \$415 Mn excluding grevlimid. gRevlimid sales could be \$30 mn. Stable Gross margins due to stable API prices in the last quarter.
Gross Profit	4,500	4,586	-1.9%	4,201	7.1%	
Gross margin (%)	57.1	58.8		57.1		→ Stable gross margins and EBITDA margins are anticipated due to the decline in raw material prices.
EBITDA	1,654	1,566	5.6%	1,601	3.3%	
EBITDA margin (%)	21.0	20.1		21.8		
PAT	948	817	16.0%	940	0.9%	
EPS (Rs)	451.4	389.0	16.0%	447.6	0.9%	

Pharma (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
Biocon						
Revenues	3,775	3,590	5.2%	3,604	4.7%	<ul style="list-style-type: none"> ➔ In the US, three biosimilars are maintaining market share. ➔ improved gross margins and EBITDA margins are expected due to the decrease in raw material prices.
Gross Profit	2,500	2,408	3.8%	2,372	5.4%	
Gross margin (%)	66.2	67.1		65.8		
EBITDA	787	685	14.9%	683	15.2%	
EBITDA margin (%)	20.8	19.1		19.0		
PAT	93	27	244.4%	54	72.2%	
EPS (Rs)	0.8	0.2	244.4%	0.5	72.2%	
DR REDDY						
Revenues	8,277	8,038	3.0%	7,237	14.4%	<ul style="list-style-type: none"> ➔ Expect \$310 Mn in base business and \$140 Mn in gRevlimid sales in the US. ➔ Anticipate flat growth in US sales QoQ, with stable gRevlimid sales factored in. ➔ Commentary on US base business and margin trends will be key areas to monitor.
Gross Profit	5,800	5,672	2.3%	5,061	14.6%	
Gross margin (%)	70.1	70.6		69.9		
EBITDA	2,303	2,077	10.9%	2,023	13.8%	
EBITDA margin (%)	27.8	25.8		28.0		
PAT	1,460	1,342	8.8%	1,381	5.7%	
EPS (Rs)	88.0	80.8	8.8%	83.2	5.7%	
Lupin Ltd						
Revenues	5,747	5,673	1.3%	5,197	10.6%	<ul style="list-style-type: none"> ➔ Expect USD \$230 Mn in US base sales, bolstered by contributions from gSpiriva (\$38 Mn), gSupreb, and gPrezista, alongside greater pricing stability. EBITDA margins are anticipated to remain flat, with slight gains in API prices and logistic costs factored in. ➔ Anticipate flat EBITDA margins due to slight gains in API prices and logistic costs.
Gross Profit	4,000	3,983	0.4%	3,471	15.2%	
Gross margin (%)	69.6	70.2		66.8		
EBITDA	1,280	1,340	-4.5%	1,038	23.3%	
EBITDA margin (%)	22.3	23.6		20.0		
PAT	800	860	-7.0%	613	30.5%	
EPS (Rs)	17.7	19.0	-7.0%	13.5	30.5%	

Pharma (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
Gland Pharma						➔ Top line degrowth yearly basis as higher base last year.
Revenues	1,428	1,406	1.6%	1,545	-7.6%	
Gross Profit	840	831	1.1%	946	-11.2%	
Gross margin (%)	58.8	59.1		61.2		
EBITDA	311	297	4.7%	357	-12.9%	
EBITDA margin (%)	21.8	21.1		23.1		
PAT	176	164	7.3%	192	-8.3%	
EPS (Rs)	11.4	10.6	7.3%	12.4	-8.3%	
CIPLA						➔ Anticipate \$238 Mn in base sales in the US market, primarily driven by gRevlimid (\$33 Mn), Albuterol, and Lenotirade.
Revenues	6,952	7,051	-1.4%	6,604	5.3%	
Gross Profit	4,600	4,768	-3.5%	4,384	4.9%	
Gross margin (%)	66.2	67.6		66.4		
EBITDA	1,790	1,886	-5.1%	1,748	2.4%	
EBITDA margin (%)	25.7	26.7		26.5		
PAT	1,217	1,305	-6.7%	1,069	13.8%	
EPS (Rs)	15.1	16.2	-6.7%	13.2	13.8%	

Healthcare

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
HCG						
Revenues	553	554	0.0%	470	17.7%	
Gross Profit	411	409	0.5%	356	15.6%	
Gross margin (%)	74.3	73.9		75.7		→ Expect steady ARPOB and a dip in occupancy in the last quarter.
EBITDA	100	102	-1.6%	79	27.1%	→ Stable EBITDA growth is anticipated in the last quarter.
EBITDA margin (%)	18.1	18.4		16.8		
PAT	18.5	20.7	-10.6%	3.5	425.3%	
EPS (Rs)	1.33	1.49		0.25		
KIMS						
Revenues	671	777	-13.7%	606	10.7%	
Gross Profit	533	622	-14.3%	480	10.9%	
Gross margin (%)	79.4	80.0		79.3		→ Stable occupancies to drive growth
EBITDA	166	218	-23.9%	147	12.8%	→ Stable EBITDA growth in the last quarter
EBITDA margin (%)	24.7	28.0		24.3		
PAT	82.02	121	-32.0%	77	7.1%	
EPS (Rs)	2.0	2.9	-32.0%	1.8	7.1%	

Healthcare (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
Global Health						
Revenues	920	957	-3.8%	836	10.1%	
Gross Profit	709	729	-2.7%	646	9.7%	➔ Gurugram Unit Remains Soft due to Seasonality
Gross margin (%)	77.0	76.2		77.3		➔ Lucknow Units Showing Gradual recovery & Margins are expected to remain flat on Sequential Basis
EBITDA	222	234	-5.4%	222	-0.1%	➔ Noida Hospitals now expected in H2FY26E for commercialization.
EBITDA margin (%)	24.1	24.5		26.6		
PAT	129.1	131.0	-1.5%	124.0	4.1%	
EPS (Rs)	4.81	4.88		4.62		
Max Healthcare Institute						
Revenues	2,098	2,125.0	-1.3%	1,689.0	24.2%	
Gross Profit	1,280	1,282.0	-0.2%	1,039.0	23.2%	➔ Occupancies are expected to improve and ARPOB grew by 1.5%-2.0% due to lower ARPOB Beds addition in network on yoy basis like Dwarka, Lucknow & Jaypee. Furthermore, addition of new beds would benefit the topline growth.
Gross margin (%)	39%	39%		39%		
EBITDA	551	546	0.9%	468.0	17.7%	
EBITDA margin (%)	26%	26%		27.7		
PAT	346.2	349.0	-0.8%	339.0	2.1%	
EPS (Rs)	3.57	3.59		3.49		

Healthcare (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result expectations
Fortis Healthcare						
Revenues	1,864	1,988	-6.2%	1,680	11.0%	
Gross Profit	1,435	1,528	-6.0%	1,286	11.6%	
Gross margin (%)	77%	77%		77%		
EBITDA	382	435	-12.1%	382	0.0%	
EBITDA margin (%)	21%	22%		23%		
PAT	194.0	184.6	5.1%	125.0	55.2%	
EPS (Rs)	2.57	2.45		1.66		

- ➔ Occupancies to be improved by 100 bps yoy & 6% ARPOB growth.
- ➔ 200bps Improvement expected in Hospitality segment EBITDA%
- ➔ Diagnostic arm Agilus Could report Muted growth

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