



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### Net profit of pharma cos to zoom by 50% in 2009-10: Pharmabiz study

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The pharmaceutical companies in the country are well set to achieve a far better performance during 2009-10 despite worldwide recessionary conditions, stiff competition, strict approval policy in highly regulatory markets, volatile exchange rates, limited outcome from R&D activities, cost cutting measures by western countries, lower CRAMS revenues and patent & quality problems.

Based on a Pharmabiz analysis of leading 25 pharmaceutical companies for the nine months period ended December 2009, the overall growth in consolidated revenues for the current year is likely to be 10 to 14 per cent and growth in net profit by over 50 per cent on account of lower foreign exchange losses and other adjustments in the current year. However, the earnings before interest, depreciation, taxation and adjustments for the year 2009-10 is likely to go up by 13 to 15 per cent. Thus the better financial position will allow managements to declare higher returns to their investors in the form of dividends.

The un-audited results of 25 leading companies (see table) selected by Pharmabiz with consolidated net sales above Rs 500 crore, achieved net sales growth of 11.9 per cent during the first nine months ended December 2009 to Rs 41,619 crore from Rs 37,185 crore in the corresponding period of last year. Study included only those companies having year ending in March and therefore could not include a few major companies like Ranbaxy, Wockhardt, GlaxoSmithKline Pharma, Aventis Pharma, Pfizer, Abbott India, Stride Arcolab, Sterling Biotech.

Dr Reddy's Laboratories remained on top with consolidated net sales of Rs 5,283 crore during the nine months ended December 2009 as against Rs 4,862 crore in the same period of last year indicating a relatively lower growth of 8.7 per cent. Cipla, the second largest company among the sample, also reported single digit growth of 8.1 per cent to Rs 4,041 crore from Rs 3,738 crore. Lupin climbed to third spot, keeping Sun Pharmaceutical behind, with strong net sales growth of 26.5 per cent to Rs 3,456 crore from Rs 2,733 crore. Sun Pharmaceutical received a setback due to US FDA action against Caraco, a US based subsidiary, and its consolidated net sales declined by 4.6 per cent to Rs 2,994 crore from Rs 3,138 crore.

Among the 25 leading companies, Biocon and Surya Pharmaceutical have notched up net sales growth of 49.8 per cent and 47.9 per cent respectively during the nine months period ended December 2009. Biocon's net sales touched to Rs 1,711 crore from Rs 1,142 crore and that of Surya Pharma reached at Rs 779 crore from Rs 527 crore. Ind-Swift Laboratories achieved net sales growth of 33.4 per cent to Rs 580 crore from Rs 435 crore. Cadila Healthcare's net sales surged by 27.7 per cent to Rs 2,758 crore, Nectar Lifesciences by 26.9 per cent to Rs 705 crore and Ipca Laboratories' by 24.4 per cent to Rs 1,180 crore.

Besides lower sales by Sun Pharmaceuticals, Dishman Pharmaceutical, Divi's Laboratories and JB Chemicals also experienced fall in net sales during first nine months of 2009-10. Divi's Laboratories net sales declined

sharply by 26.9 per cent to Rs 628 crore from Rs 859 crore in the corresponding period of last year. Dishman's net sales also declined by 13.3 per cent to Rs 667 crore from Rs 770 crore. Both the companies may not be able to generate net sales of Rs 1,000 crore in the current year. Orchid Chemicals managed to push its net sales marginally by 0.3 per cent to Rs 920 crore as against Rs 917 crore. Similarly, Alembic's net sales remained almost flat at Rs 875 crore.

The net profit of 25 companies after considering foreign exchange loss or gain adjustments, improved by 30.8 per cent to Rs 5,498 crore during the nine months period ended December 2009 from Rs 4,202 crore in the corresponding period of last year. The net profit of few majors like Dr Reddy's Labs, Sun Pharmaceutical, Glenmark Pharmaceuticals, Divi's Laboratories and Elder Pharmaceutical remained under pressure and declined during the period under review. Divi's net profit declined sharply by 49.3 per cent to Rs 156.92 crore from Rs 309.25 crore. Sun Pharma's net also declined by 32.8 per cent to Rs 956.60 crore from Rs 1422.85 crore and that of Dr Reddy's net profit moved down by 27.3 per cent to Rs 245.67 crore. Glenmark's net dipped by 27.3 per cent to Rs 228.41 crore from Rs 314.17 crore.

Jubilant Organosys has earned a net profit of Rs 284.30 crore as against a net loss of Rs 137.53 crore and Panacea Biotec also managed to turn the corner and record a net profit of Rs 22.50 crore as against a net loss of Rs 28.88 crore. Orchid Chemicals reduced its net loss to Rs 59.82 crore from Rs 78.62 crore and Shasun Chemicals also managed to cut down its net loss to Rs 6.31 crore from Rs 91.86 crore.

The net profit of Aurobindo Pharma zoomed and touched to Rs 441.54 crore from Rs 19.85 crore in the previous period ended December 2008. Similarly, net profit of Biocon, Ipca Labs, Alembic, went by over 100 per cent. Biocon's net profit went up by 212 per cent to Rs 212.63 crore from Rs 68.24 crore and that of Alembic's moved up by 218 per cent to Rs 39.12 crore from Rs 12.29 crore. Similarly, net profit of Cipla, Cadila Healthcare and Piramal Healthcare achieved net profit growth of over 50 per cent to Rs 806 crore, Rs 386 crore and Rs 328 crore respectively. Thus the pharma companies improved their bottom line during first nine months of the current year and likely to maintain the trend in remaining part of the fiscal year.

The earnings before depreciation, interest, taxation and adjustments, of 25 companies moved up by 13.3 per cent to Rs 9,990 crore from Rs 8,817 crore, relatively slower growth than the net profit. These companies provided Rs 1,153 crore for interest during the nine months ended December 2009 as compared to Rs 974 crore, a growth of 18.4 per cent. The interest burden of Jubilant Organosys went up by 70 per cent to Rs 116 crore, Glenmark Pharma by 84.2 per cent to Rs 126.22 crore and that of Orchid's moved up by 63 per cent to Rs 162 crore. This put significant pressure on bottom line. DRL, Ipca Labs, Alembic, Shasun Chemicals and J B Chemicals successfully reduced their interest burden. DRL's interest came down to Rs 27.32 crore from Rs 76.51 crore and that of Shasun's declined to Rs 2.37 crore from Rs 13.49 crore.

The depreciation provision of 25 companies went up by 12.3 per cent to Rs 1,786 crore from Rs 1,591 crore. DRL and Jubilant reduced their depreciation provision to Rs 314 crore and Rs 93 crore respectively from Rs 364 crore and Rs 118 crore. Piramal Healthcare's depreciation reached at Rs 119.38 crore from Rs 85.26 crore and that of Glenmark's up by 42.5 per cent to Rs 104 crore from Rs 73 crore.

The profit after interest and depreciation, but before taxation and adjustments improved by 12.8 per cent to Rs 7,051 crore from Rs 6,252 crore in the corresponding period of last year. Thus, based on working of nine months period, the pharma segment is likely to achieve growth mentioned above in the current year.