

# Pharma and Healthcare

## FY25 to end with steady growth and better margin

The India Pharma & Healthcare sector is expected to see steady growth and margin improvement during Q4FY25E. We project sales/EBITDA growth of 13%/19% YoY for our coverage universe. Our assumptions are: (1) pharma coverage will see 12% YoY sales growth, driven by a 14% YoY increase in the India business along with 7% QoQ growth in the US sales (+7% YoY). In the US, price erosion in base business will be offset by steady traction in key products (gSpiriva - Lupin, gMyrbetriq – Zydus and Lupin), the specialty scale-up (Sun Pharma) and gRevlimid sales (Dr Reddy's, Zydus, Aurobindo, Sun). (2) EBITDA margins for the pharma segment are expected to expand by 135 bps YoY, driven by growth in key markets (India and US) and better product mix (gRevlimid and stable input costs to drive gross margin expansion of ~71 bps YoY), as well as decline in freight costs (-11% YoY and -10% QoQ). This will be partly offset by an expected increase in R&D. (3) The hospital business is projected to grow by 18% YoY, as muted occupancy (festive season) will partly be supported by steady ARPOB, and M&As (Max Healthcare). EBITDA margin expansion is expected for Apollo Hospital due to reduced spending on Apollo 24/7, while Max Healthcare may see a margin decline due to integration impact of acquired hospitals. (4) The diagnostics segment is anticipated to deliver 8% YoY sales growth, driven by patient/test volume increases while rising input costs and M&A costs will have some impact on margins. (5) The retail pharmacy business (Medplus and Apollo Pharmacy) is expected to see steady growth. Overall, we foresee strong performances from Lupin, IPCA, and Apollo Hospital, while Aurobindo and Max Healthcare may show muted results.

- **US business to see steady QoQ growth:** The US generics market is expected to see 7% QoQ growth as (1) gRevlimid sales (Dr Reddy's, Aurobindo, Sun Pharma, Zydus), (2) New generic launches (Aurobindo, Lupin, Zydus, Dr Reddy's), (3) stable sales from key products like gSpiriva (Lupin) and gMyrbetriq (for Lupin and Zydus), (4) specialty scale-up (Sun Pharma), will be offset by (a) price erosion in the base business and (b) competitive pressure in key products like gAsacol HD (Zydus) and Albuterol/gSuprep (Lupin).
- **India coverage growth is expected at 14% YoY vs IPM at ~7%:** Indian pharma market (IPM) saw a steady growth of 7% in Q4FY25 (as per IQVIA), led by steady growth of 9% in the chronic segment, which was partly offset by ~6% growth in the acute segment for Q4FY25(as per IQVIA). We expect our coverage universe to see 14% YoY growth in India business, led by M&As (ERIS –Biocon India business, Mankind – BSV acquisition, and Dr Reddy's– Sanofi's India vaccine business), specialty traction (Sun Pharma, Zydus), and traction in the chronic segments (Sun, Torrent, and Lupin) and gastro (Alkem, Torrent). On the other hand, muted growth in anti-infectives (Alkem, Mankind) could impact the overall growth momentum.
- **Healthcare coverage to see steady growth:** Hospital companies with a focus on case/payor-mix have seen steady ARPOB growth. However, occupancy in Q4FY25E is expected to remain muted due to festival season and lower international footfall. Retail pharmacy continues focusing on store expansion while balancing growth and margin. Diagnostics will see 8% growth on steady volume growth; expansion and M&As led costs to restrict margins.
- **Stable input costs and favourable mix offset by higher R&D:** We expect gross margin expansion (~71 bps YoY) as marginal rise in input costs of key raw materials is offset by better business mix (India and US led by gRevlimid). However, an increase in R&D could be a drag on the EBITDA margin expansion in our coverage companies.

YE March	Rec.	TP (INR/share)
<b>Pharma</b>		
Alkem	ADD	5,700
Aurobindo	ADD	1,350
Dr. Reddy's	REDUCE	1,280
Eris Life	BUY	1,500
IPCA	BUY	1,800
Lupin	ADD	2,330
Mankind	ADD	2,830
Sun Pharma	BUY	1,970
Torrent Pharma	ADD	3,640
Zydus Life	ADD	1,120
<b>Healthcare</b>		
Apollo Hospitals	BUY	7,520
Max Healthcare	REDUCE	1,020
Medplus	BUY	900
Dr Lal Path labs	ADD	2,910
Metropolis	ADD	2,050

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## Exhibit 1: HSIE estimates snapshot

Companies (INR mn)	Revenues			EBITDA			EBITDA Margin %			Adjusted Net Profit		
	Q4FY25E	YoY gr.	QoQ gr.	Q4FY25E	YoY gr.	QoQ gr.	Q4FY25E	YoY bps	QoQ bps	Q4FY25E	YoY gr.	QoQ gr.
Alkem Labs	31,309	7%	-7%	4,288	7%	-44%	13.7	1	-882	3,231	6%	-48%
Aurobindo	82,002	8%	3%	18,175	8%	12%	22.2	-10	177	10,206	1%	18%
Dr. Reddy's	83,305	17%	-1%	22,371	23%	-2%	26.9	136	-27	13,857	7%	7%
Eris Lifesciences	7,159	30%	-2%	2,506	69%	0%	35.0	806	59	891	26%	7%
IPCA	22,236	9%	-1%	4,058	33%	-9%	18.2	327	-162	2,095	17%	-9%
Lupin	56,451	14%	-2%	13,176	32%	-9%	23.3	325	-183	7,730	48%	-17%
Mankind	31,279	28%	-3%	8,313	41%	0%	26.6	237	89	4,061	-14%	-5%
Sun Pharma	1,31,602	10%	-4%	35,483	15%	-15%	27.0	117	-370	28,921	5%	-4%
Torrent Pharma	28,517	4%	2%	9,337	6%	2%	32.7	58	21	5,045	12%	0%
Zydus Life	63,109	14%	20%	18,997	17%	46%	30.1	75	540	13,429	14%	41%
<b>Pharma Total</b>	<b>5,36,970</b>	<b>12%</b>	<b>0%</b>	<b>1,36,703</b>	<b>18%</b>	<b>-3%</b>	<b>25.5</b>	<b>135</b>	<b>-82</b>	<b>89,466</b>	<b>9%</b>	<b>0%</b>
<b>Hospitals</b>												
Apollo Hospital	55,167	12%	0%	7,683	20%	1%	13.9	98	15	3,617	38%	-3%
Max Healthcare^	24,454	36%	7%	6,692	33%	8%	27.4	-58	10	4,192	25%	32%
<b>Hospitals Total</b>	<b>79,621</b>	<b>18%</b>	<b>2%</b>	<b>14,375</b>	<b>26%</b>	<b>4%</b>	<b>18.1</b>	<b>110</b>	<b>34</b>	<b>7,808</b>	<b>31%</b>	<b>13%</b>
<b>Diagnostic</b>												
DLPL	6,039	11%	1%	1,581	9%	3%	26.2	-35	38	979	16%	1%
Metropolis	3,437	4%	6%	784	-2%	9%	22.8	-136	51	351	-10%	12%
<b>Diagnostic Total</b>	<b>9,476</b>	<b>8%</b>	<b>3%</b>	<b>2,365</b>	<b>5%</b>	<b>5%</b>	<b>25.0</b>	<b>-68</b>	<b>39</b>	<b>1,330</b>	<b>8%</b>	<b>4%</b>
<b>Retail Pharmacy</b>												
MedPlus	16,116	8%	3%	1,327	25%	0%	8.2	114	-26	421	40%	-8%
<b>Coverage total</b>	<b>6,42,183</b>	<b>13%</b>	<b>1%</b>	<b>1,54,770</b>	<b>19%</b>	<b>-2%</b>	<b>24.1</b>	<b>126</b>	<b>-67</b>	<b>99,025</b>	<b>10%</b>	<b>1%</b>

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs, ^ Max Healthcare financial includes partnered healthcare facilities

## Exhibit 2: HSIE estimates for Q4FY25E – Pharma coverage...

INR mn	Q4FY24	Q3FY25	Q4FY25E	YoY ch	QoQ ch	Comments
Alkem Labs						
Revenue	29,358	33,743	31,309	7%	-7%	Sales growth to be moderate due to ~8% growth in India formulation business and ~8% growth in international business (ex-US) to partly offset by muted US business (-1% QoQ). Gross margin to see YoY improvement but higher costs towards growth initiatives to keep EBITDA under pressure.
EBITDA	4,020	7,594	4,288	7%	-44%	
EBITDA margin %	13.7%	22.5%	13.7%	1 bps	-882 bps	
PAT	3,039	6,258	3,231	6%	-48%	
EPS (INR/sh)	25.4	52.3	27.0	6%	-48%	
Aurobindo Pharma						
Revenue	75,802	79,785	82,002	8%	3%	US business to see QoQ recovery in injectable business, gRevlimid sales, and steady growth in the OSD sales. Europe to sustain steady growth momentum. Gross margin to remain steady but EBITDA margin to decline due to opex related to recently commissioned plants (Pen-G, 6-APA, Injectable).
EBITDA	16,871	16,278	18,175	8%	12%	
EBITDA margin %	22.3%	20.4%	22.2%	-10 bps	177 bps	
PAT	10,094	8,626	10,206	1%	18%	
EPS (INR/sh)	17.4	14.9	17.6	1%	18%	
Dr Reddy's Lab						
Revenue	71,138	83,812	83,305	17%	-1%	US business to see 4% QoQ growth due to gRevlimid sales which will partly offset by price and market share erosion in the base business price due to incremental competition in key products. India to see 15% YoY growth on incremental sales from acquired Vaccine business from Sanofi. We have factored NRT business. We expect gross margin and EBITDA margin to remain steady.
EBITDA	18,139	22,726	22,371	23%	-2%	
EBITDA margin %	25.5%	27.1%	26.9%	136 bps	-27 bps	
PAT	12,957	13,002	13,857	7%	7%	
EPS (INR/sh)	15.5	15.6	16.6	7%	7%	
Eris Life						
Revenue	5,509	7,275	7,159	30%	-2%	Eris Q4FY25E sales includes Biocon's Insulin and Swiss Parentals business, Biocon India formulation business leading to growth. We expect base business to see 9% YoY growth. Gross margin to correct due to integration impact of lower margin Biocon India formulation business. EBITDA margin to see steady improvement.
EBITDA	1,484	2,503	2,506	69%	0%	
EBITDA margin %	26.9%	34.4%	35.0%	806 bps	59 bps	
PAT	710	836	891	26%	7%	
EPS (INR/sh)	5.2	6.1	6.6	26%	7%	
IPCA Labs						
Revenue	20,330	22,454	22,236	9%	-1%	We assume India formulation business to see 13% YoY growth, export formulation and API business to remain muted. We assume ~24% YoY growth in Unichem sales (steady growth in the US). Gross and EBITDA margin to improve YoY on better sales mix and cost controls.
EBITDA	3,046	4,461	4,058	33%	-9%	
EBITDA margin %	15.0%	19.9%	18.2%	327 bps	-162 bps	
PAT	1,790	3,126	2,095	17%	-33%	
EPS (INR/sh)	7.1	12.3	8.3	17%	-33%	
Lupin						
Revenue	49,608	57,677	56,451	14%	-2%	US business to see steady traction from its key products like gSpiriva, gMyrbetriq, gPred Forte, and traction in new launches. This will partly offset competition in Albuterol and gSuprep. India business to see 13% YoY growth. Gross margin to remain strong (+170 bps YoY) leading to EBITDA margin expansion.
EBITDA	9,968	14,515	13,176	32%	-9%	
EBITDA margin %	20.1%	25.2%	23.3%	325 bps	-183 bps	
PAT	5,224	9,318	7,730	48%	-17%	
EPS (INR/sh)	11.4	20.4	16.9	48%	-17%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

## Exhibit 3: ...HSIE estimates for Q4FY25E – Pharma coverage

INR mn	Q4FY24	Q3FY25	Q4FY25E	YoY ch	QoQ ch	Comments
<b>Mankind</b>						
Revenue	24,411	32,300	31,279	28%	-3%	We assume ex-BSV, India business to see steady growth of 10% YoY led by scale-up in chronic segment and exports to see 8% QoQ (YoY up 19% on US supply opportunities). We have factored BSV sales of ~INR 4.2 bn in Q4. Higher gross margin (+133 bps YoY) on improving business mix to support the EBITDA margin expansion. EBITDA may see some one-time impact of integration costs related to BSV.
EBITDA	5,911	8,298	8,313	41%	0%	
EBITDA margin %	24.2%	25.7%	26.6%	237 bps	89 bps	
PAT	4,712	4,282	4,061	-14%	-5%	
EPS (INR/sh)	11.4	10.4	9.8	-14%	-5%	
<b>Sun Pharma</b>						
Revenue	1,19,829	1,36,755	1,31,602	10%	-4%	US generic business to see QoQ growth led by gRevlimid sales and steady Taro sales. Specialty sales to remain strong with growth of ~10% YoY. India to see 13%YoY growth. Steady gross margin and costs (inch-up in R&D) leading to EBITDA margin expansion.
EBITDA	30,915	41,924	35,483	15%	-15%	
EBITDA margin %	25.8%	30.7%	27.0%	117 bps	-370 bps	
PAT	27,498	30,037	28,921	5%	-4%	
EPS (INR/sh)	11.5	12.5	12.1	5%	-4%	
<b>Torrent Pharma</b>						
Revenue	27,450	28,090	28,517	4%	2%	India formulation business to see growth of 13% YoY as steady traction in key therapies and supply resumption from its insulin plant. Brazil business to decline YoY on adverse currency movement. US to remain flat QoQ and steady growth in Germany business. EBITDA margin to see YoY expansion led by higher gross margin and steady costs.
EBITDA	8,830	9,140	9,337	6%	2%	
EBITDA margin %	32.2%	32.5%	32.7%	58 bps	21 bps	
PAT	4,490	5,030	5,045	12%	0%	
EPS (INR/sh)	13.3	14.9	14.9	12%	0%	
<b>Zydus Life</b>						
Revenue	55,338	52,691	63,109	14%	20%	The US to see strong 26% QoQ growth led by gRevlimid sales and steady traction in gMyrbetriq. This will partly impact by generic competition in gAsacol HD. India business to see 8% growth. Gross margin expansion (+240 bps YoY) and steady costs leading to steady operating performance.
EBITDA	16,248	13,017	18,997	17%	46%	
EBITDA margin %	29.4%	24.7%	30.1%	75 bps	540 bps	
PAT	11,746	9,509	13,429	14%	41%	
EPS (INR/sh)	11.7	9.5	13.3	14%	41%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

**Exhibit 4: HSIE estimates for Q4FY25E – Hospital companies' coverage**

INR mn	Q4FY24	Q3FY25	Q4FY25E	YoY ch	QoQ ch	Comments
<b>Apollo Hospitals</b>						
Revenue	49,439	55,269	55,167	12%	0%	We expect 8% YoY growth in hospital business (lower occupancy due to festival season in India as well as lower footfall from international patients, and single digit ARPOB growth), Healthco business to see 15% YoY growth and AHLL to see 12% YoY growth. Steady margin in hospital and YoY reduction Apollo 24/7 spend to help overall EBITDA margin expansion.
EBITDA	6,405	7,615	7,683	20%	1%	
EBITDA margin %	13.0%	13.8%	13.9%	98 bps	15 bps	
PAT	2,621	3,723	3,617	38%	-3%	
EPS (INR/sh)	18.2	25.9	25.2	38%	-3%	
<b>Max Healthcare</b>						
Revenue	18,000	22,810	24,454	36%	7%	Strong sales growth is largely led by the steady growth in the company's existing network and integration of acquired hospitals (Lucknow, Noida, and Nagpur). Max Lab to see steady growth. Integration impact of lower margin acquired hospitals and break-even at Dwarka (Delhi) to drag down the overall margin for the company.
EBITDA	5,030	6,220	6,692	33%	8%	
EBITDA margin %	27.9%	27.3%	27.4%	-58 bps	10 bps	
PAT	3,360	3,184	4,192	25%	32%	
EPS (INR/sh)	3.5	3.3	4.3	25%	32%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs, Max Healthcare financial includes partnered healthcare facilities

**Exhibit 5: HSIE estimates for Q4FY25E – Diagnostics companies coverage**

INR mn	Q4FY24	Q3FY25	Q4FY25E	YoY ch	QoQ ch	Comments
<b>Dr Lal Path labs</b>						
Revenue	5,454	5,967	6,039	11%	1%	Steady sales growth of 11% YoY led by the YoY growth in the volume and increasing bundle test business. Gross margin to sustain at 80.3% and steady margin at 26.2%.
EBITDA	1,447	1,540	1,581	9%	3%	
EBITDA margin %	26.5%	25.8%	26.2%	-35 bps	38 bps	
PAT	845	967	979	16%	1%	
EPS (INR/sh)	10.1	11.6	11.7	16%	1%	
<b>Metropolis</b>						
Revenue	3,310	3,228	3,437	4%	6%	The company to see 4% YoY growth and ~10% YoY growth (~INR 180 mn sales impact related to accounting adjustment of its subsidiaries in Q4FY24) driven by patient and test volume growth and change in product mix coupled with realization benefits. Core Diagnostic integrated for 11 days. Lower EBITDA due to acquisition related costs and higher material costs. As per company update, B2C revenues grew at ~14% YoY for Q4FY25E.
EBITDA	800	720	784	-2%	9%	
EBITDA margin %	24.2%	22.3%	22.8%	-136 bps	51 bps	
PAT	389	314	351	-10%	12%	
EPS (INR/sh)	7.6	6.1	6.9	-10%	12%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

**Exhibit 6: HSIE estimates for Q4FY25E – Retail pharmacy**

INR mn	Q4FY24	Q3FY25	Q4FY25E	YoY ch	QoQ ch	Comments
<b>Medplus</b>						
Revenue	14,905	15,614	16,116	8%	3%	We expect moderate growth in Pharmacy business (+8% YoY) as increasing private label sales to drive volume growth but lower value growth. Diagnostic business at INR 286 mn (+23% YoY). Gross margin to expand (+240 bps YoY) with increasing share from private label leading to EBITDA margin expansion. Operating margin (post rentals) to be at ~4.8% in Q4FY25E vs. 3.9% YoY.
EBITDA	1,059	1,325	1,327	25%	0%	
EBITDA margin %	7.1%	8.5%	8.2%	114 bps	-26 bps	
PAT	300	459	421	40%	-8%	
EPS (INR/sh)	2.5	3.8	3.5	40%	-8%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

**Exhibit 7: The US business to see 6% QoQ on sales from gRevlimid, traction in the key products and new launches**

(USD mn)	US revenues								YoY	QoQ
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25E		
Alkem	85	93	82	75	77	71	75	74	-1%	-1%
Aurobindo	402	419	456	438	426	421	435	456	4%	5%
Dr. Reddy's	390	382	403	391	462	445	395	413	5%	4%
Lupin	181	213	212	209	227	220	235	233	11%	-1%
Sun	471	430	477	476	466	517	474	496	4%	5%
Torrent	36	30	33	32	31	32	32	31	-3%	-3%
Zydus	298	225	221	304	371	288	285	360	18%	26%
<b>Total</b>	<b>1,862</b>	<b>1,791</b>	<b>1,884</b>	<b>1,926</b>	<b>2,060</b>	<b>1,994</b>	<b>1,932</b>	<b>2,062</b>	<b>7%</b>	<b>7%</b>

Source: Companies, HSIE Research

**Exhibit 8: India formulation business to maintain growth momentum**

(INR mn)	India formulations business								YoY	QoQ
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25E		
Alkem Labs	19,007	23,278	22,328	19,724	20,223	24,610	23,649	21,370	8%	-10%
Aurobindo	524	660	600	480	610	710	700	561	17%	-20%
Dr. Reddy's	11,482	11,860	11,800	11,265	13,252	13,971	13,464	12,913	15%	-4%
Eris Lifesciences	4,600	5,005	4,835	4,923	6,426	6,570	6,461	6,379	30%	-1%
IPCA Labs	7,827	8,450	7,796	6,898	8,734	9,405	8,772	7,836	14%	-11%
Lupin	16,384	16,915	17,251	16,015	19,259	20,096	19,305	18,126	13%	-6%
Mankind	22,110	23,360	22,510	20,180	24,280	25,640	25,800	24,414	21%	-5%
Sun Pharma	35,604	38,425	37,785	37,078	41,445	42,652	43,004	42,042	13%	-2%
Torrent Pharma	14,260	14,440	14,150	13,800	16,350	16,320	15,810	15,546	13%	-2%
Zydus Life	12,270	13,341	14,273	13,806	13,758	14,569	14,982	14,919	8%	0%
<b>Total</b>	<b>1,44,068</b>	<b>1,55,734</b>	<b>1,53,328</b>	<b>1,44,169</b>	<b>1,64,337</b>	<b>1,74,542</b>	<b>1,71,946</b>	<b>1,64,105</b>	<b>14%</b>	<b>-5%</b>

Source: Companies, HSIE Research

**Exhibit 9: Gross margin to expand on favorable business mix to partly offset by marginal rise in input costs**

Gross margin %	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25E	YoY bps	QoQ bps
Alkem	59.6%	61.4%	60.8%	62.3%	64.5%	64.7%	64.3%	62.9%	64	(139)
Aurobindo	53.9%	55.2%	57.1%	59.6%	59.4%	58.8%	58.4%	60.9%	131	248
Dr. Reddys	71.3%	71.0%	69.9%	70.6%	71.7%	70.6%	69.2%	69.4%	(122)	17
Eris	83.2%	81.3%	81.7%	78.5%	74.9%	74.9%	75.7%	75.5%	(302)	(16)
IPCA Labs	67.5%	66.7%	66.0%	66.3%	69.2%	67.8%	70.2%	68.4%	213	(185)
Lupin	65.9%	66.2%	66.8%	68.3%	68.8%	70.2%	70.2%	70.0%	170	(18)
Mankind	68.2%	69.5%	68.3%	69.8%	71.9%	71.6%	71.0%	71.1%	133	8
Sun Pharma	76.9%	77.1%	77.9%	80.1%	78.9%	79.7%	80.0%	80.2%	10	27
Torrent Pharma	74.9%	75.2%	74.5%	75.3%	75.7%	76.5%	76.0%	75.7%	43	(35)
Zydus Life	67.4%	66.3%	67.4%	70.9%	74.4%	71.9%	69.9%	73.3%	239	332
<b>Total Pharma gross margin</b>	<b>68.4%</b>	<b>68.6%</b>	<b>68.9%</b>	<b>70.7%</b>	<b>71.4%</b>	<b>71.2%</b>	<b>70.8%</b>	<b>71.4%</b>	<b>71</b>	<b>55</b>

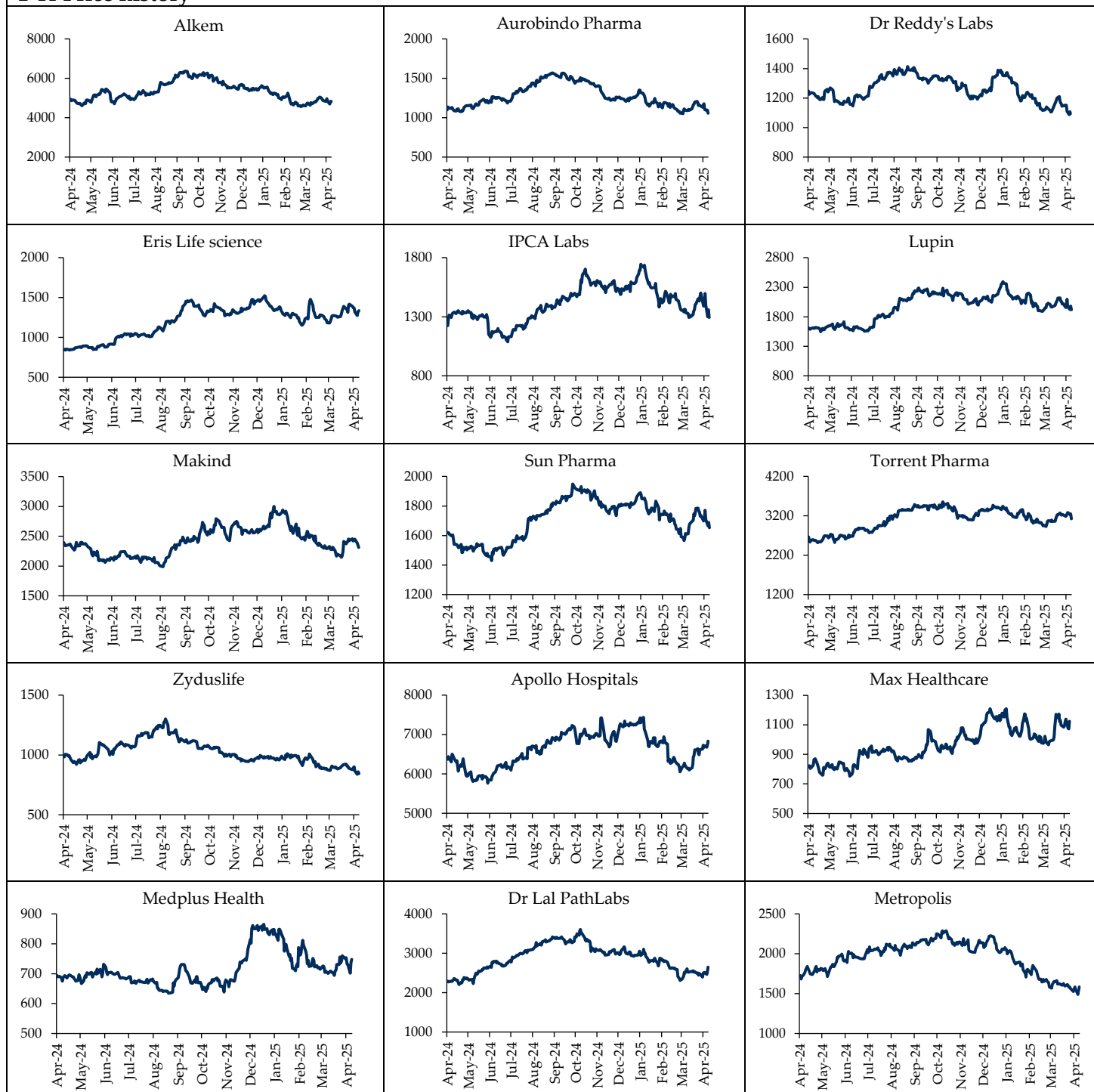
Source: Companies, HSIE Research

**Exhibit 10: Currency movement**

Currency vs. INR	(Q4FY25) (Avg)	% chg		(Q4FY25) (Spot)	% chg	
		YoY	QoQ		YoY	QoQ
USD	86.6	4	3	85.5	2	-0
RUB	0.7	4	3	0.7	0	0
BRL	14.8	-12	3	15.0	-12	8
ZAR	4.7	6	-1	4.7	3	3
EUR	91.1	1	1	92.6	0	4
YEN	0.6	2	2	0.6	1	5
AUD	54.3	-1	-1	53.5	-4	1
CAD	60.3	-2	-0	59.5	-6	-0

Source: Bloomberg



**1 Yr Price history****Rating Criteria**

**BUY:** >+15% return potential  
**ADD:** +5% to +15% return potential  
**REDUCE:** -10% to +5% return potential  
**SELL:** > 10% Downside return potential

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