

Another strong quarter

- **2QFY25E to report another healthy quarter driven by good traction across geographies, cost rationalisation leading to margin increment**
- **Domestic sales growth for our coverage companies to report 9.6% surpassing IPM growth of ~8% driven by value growth and new launches**
- **US sales growth for our coverage companies to be 7.9%, driven by niche, specialty and complex new product launches**

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All round growth in 2QFY25E: We expect sales for our coverage companies to grow by 7.4% YoY, driven by 9.6% growth in the domestic region and 7.9% growth in the US region. We expect EBITDA growth of 13.8% YoY and 3% QoQ to be driven by healthy product mixes, EBITDA margins to increase by 139bps YoY and 26bps QoQ to 26% and expect PAT growth of 15.6% YoY from our coverage companies. We expect ALKEM to post strong sequential growth of 16.9%, and ALPM 10% QoQ growth.

Healthy traction in both Acute and Chronic sales to drive domestic growth: We expect domestic sales for our coverage companies to grow by 9.6% YoY against IPM growth of 8% driven by (1) seasonality in the acute segment, (2) value growth, (3) new product launches, (4) increase in MR productivity, (5) pick up in trade generics and (6) steady traction in the Chronic segment. From our coverage companies, we believe domestic sales for LPC, DRRD and SUNP will grow by 15%, 12% and 12% respectively.

US sales growth to be driven by niche launches: We expect US sales for our coverage companies to grow by 7.9% YoY and -0.8% QoQ and driven by (1) easing of price erosion in generics and (2) new launches in specialty and complex products. From our coverage companies, we expect LPC to report 20% growth in the US driven by g Myrbetriq and CIPLA 11% growth in the US driven by g Lanreotide.

Margins continue to expand due to healthy product mix: We expect margins of our coverage companies to expand by 139bps YoY and 26bps QoQ to 26% driven by increasing productivity and healthy traction in chronic sales. We expect ERIS to report 36% EBITDA margin due to its heavy chronic portfolio, and SUNP to report 29.5% due to its specialty portfolio during the quarter.



Fig 1 – Pharmaceuticals 2QFY25E preview

Y/E March	Net Sales (Rs mn)			EBITDA (Rs mn)			EBITDA Margin (%)			Adjusted PAT (Rs mn)		
	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (bps)	QoQ (bps)	Q2FY25E	YoY (%)	QoQ (%)
Sun Pharma	129,410	6.1	2.1	32,135	18.8	4.4	29.5	314	59	29,252	23.1	3.2
Dr. Reddy's	73,852	7.3	(3.7)	19,940	0.1	(6.3)	27.0	(195)	(72)	13,221	(10.7)	(5.0)
Cipla	69,428	4.0	3.7	18,745	8.1	9.3	27.0	104	137	13,130	16.1	11.2
Lupin	56,813	12.8	1.4	13,351	45.5	3.8	23.5	529	53	8,276	69.0	3.3
Aurobindo Pharma	77,645	9.1	4.1	16,535	17.8	2.1	21.0	(19)	(40)	9,180	21.2	(0.1)
Ajanta	11,367	10.5	(0.7)	3,012	3.6	(8.8)	26.5	(176)	(235)	2,206	13.0	(10.2)
Alkem	35,441	3.0	16.9	7,832	4.9	28.7	22.1	39	202	6,819	9.9	25.1
Alembic Pharma	17,199	7.8	10.1	2,084	(10.5)	4.9	15.0	194	(16)	1,512	10.6	12.8
Eris	6,006	20	(16.1)	2,134	17.8	(14.6)	35.5	(32)	60	689	(44.1)	(17.1)
Divi's	21,954	15	3.7	6,586	34.4	5.9	30.0	433	63	4,548	26.7	5.8
Glenmark Life	5,459	(3.9)	2.8	1,861	11.4	2.4	34.1	468	(14)	1,354	14.0	2.6
Laurus Labs	12,865	5.1	7.7	1,994	6.1	16.5	15.5	16	117	309	(16.3)	1.5
Total	517,438	7.4	2.7	126,210	14.2	3.5	25.6	139.6	26.1	90,496	15.7	3.7

Source: Companies, BOBCAPS Research

Fig 2 – Domestic sales

(Rs mn)	Q1FY25	Q2FY24	Q2FY25E	YoY (%)	QoQ (%)
Sun Pharma	41,445	38,425	43,036	12.0	3.8
Dr. Reddy's	13,252	11,860	13,283	12.0	0.2
Cipla	28,980	28,170	29,297	4.0	1.1
Lupin	19,259	16,915	19,452	15.0	1.0
Ajanta	3,530	3,550	3,870	9.0	10
Alkem	20,223	23,278	25,140	8.0	24
Alembic Pharma	5,720	5,770	6,232	8.0	8.9
Total	132,409	127,968	140,310	9.6	6.0

Source: Companies, BOBCAPS Research

Fig 3 – US sales

(Rs mn)	Q1FY24	Q2FY24	Q2FY25E	YoY (%)	QoQ (%)
Sun Pharma	38,894	35,504	36,569	3.0	(6.0)
Dr. Reddy's	38,462	31,700	34,236	8.0	(11.0)
Cipla	20,870	18,870	20,946	11.0	0.4
Lupin	20,408	18,666	22,399	20.0	9.8
Aurobindo Pharma	35,550	34,700	37,129	7.0	4.4
Ajanta	2,280	2,370	2,536	7.0	11.2
Alkem	6,416	7,675	7,291	(5.0)	13.6
Alembic Pharma	4,610	4,440	4,973	12.0	7.9
Total	167,490	153,925	166,079	7.9	(0.8)

Source: Companies, BOBCAPS Research

Fig 4 – Company-wise sales

	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Sun Pharma						
Sales (Rs mn)	129,410	121,924	6.1	126,528	2.3	Sales growth to be driven by specialty sales in the US. Expect specialty to report sales of US\$ 293mn in 2QFY25E. EBITDA margin expected to be 29%, driven by healthy product mix primarily from specialty sales growth, and domestic sales expected to grow by 12% YoY surpassing IPM growth of 8%.
EBITDA (Rs mn)	38,176	32,135	18.8	36,581	4.4	
Adj.PAT (Rs mn)	29,252	23,755	23.1	28,357	3.2	
EBITDA Margin (%)	29.5	26.4		28.9		
Adj. PAT Margin (%)	22.6	19.5		22.4		
Cipla						
Sales (Rs mn)	69,428	66,782	4.0	66,939	3.7	US sales expected to grow at 11% YoY, driven by gLanreotide, gAlbuterol and gRevlimid. Domestic sales expected to grow by 8% driven by One portfolio and health Rx and Gx sales. Healthy US and domestic sales to lead to 27% EBITDA margin in Q2FY25E.
EBITDA (Rs mn)	18,745	17,338	8.1	17,158	9.3	
Adj.PAT (Rs mn)	13,130	11,309	16.1	11,809	11.2	
EBITDA Margin (%)	27.0	26.0		25.6		
Adj. PAT Margin (%)	18.9	16.9		17.6		
Dr. Reddy's						
Sales (Rs mn)	73,852	68,802	7.3	76,727	(3.7)	Domestic business to grow by 12% due to integration of Sanofi's vaccine portfolio. US sales to decline QoQ due to higher base, from gRevlimid and no new major product launches. Lower product mix and higher R&D cost for Horizon 2 to drag EBITDA margin lower to 27%.
EBITDA (Rs mn)	19,940	19,916	0.1	21,270	(6.3)	
Adj.PAT (Rs mn)	13,221	14,855	(11.0)	13,925	(5.1)	
EBITDA Margin (%)	27.0	28.9		27.7		
Adj. PAT Margin (%)	17.9	21.6		18.1		
Aurobindo Pharma						
Sales (Rs mn)	77,645	71,507	8.6	74,577	4.1	Blended sales growth to be driven by rebound in the Eugia business and easing of price erosion in the oral solids business which would raise EBITDA margin to 21% in 2QFY25E.
EBITDA (Rs mn)	16,535	14,032	17.8	16,196	2.1	
Adj.PAT (Rs mn)	9,184	7,808	17.6	9,196	(0.1)	
EBITDA Margin (%)	21	20		22		
Adj. PAT Margin (%)	12	11		12		
Eris Lifescience						
Sales (Rs mn)	6,006	5,005	20.0	7,156	(16.1)	Sales growth to be driven from double-digit growth in the base portfolio, gradual recovery from Biocon's integrated business and continued momentum expected from the Oaknet portfolio. Recovery of acquired business to lead to sequential margin increment.
EBITDA (Rs mn)	2,134	1,811	17.8	2,500	(14.6)	
Adj.PAT (Rs mn)	754	1,223	(38.3)	894	(15.6)	
EBITDA Margin (%)	35.5	36.2		34.9		
Adj. PAT Margin (%)	12.6	24.4		12.5		
Ajanta Pharma						
Sales (Rs mn)	11,367	10,284	10.5	11,449	(0.7)	Blended sales to be driven by 9% YoY growth in the domestic market and stable 7% growth in the US region. Lower product mix and higher SG&A expense to result in lower EBITDA margin.
EBITDA (Rs mn)	3,012	2,907	3.6	3,304	(8.8)	
Adj.PAT (Rs mn)	2,206	1,953	13.0	2,458	(10.2)	
EBITDA Margin (%)	26.5	28.3		28.9		
Adj. PAT Margin (%)	19.4	19.0		21.5		
Alkem						
Sales (Rs mn)	35,441	34,402	3.0	30,318	16.9	Expect strong sequential growth due to seasonality in the acute business in the domestic region. Healthy product mix and controlled expenses to lift EBITDA margin.
EBITDA (Rs mn)	7,832	7,467	4.9	6,087	28.7	
Adj.PAT (Rs mn)	6,870	6,726	2.1	5,503	24.8	
EBITDA Margin (%)	22.1	21.7		20.08		
Adj. PAT Margin (%)	19.4	19.5		18.2		
Alembic Pharma						
Sales (Rs mn)	17,199	15,950	7.8	15,617	10.1	Sales growth expected from good traction in Specialty business in the domestic segment and new product launches in the US region. Healthy product mix and R&D cost rationalisation to result in higher EBITDA margin.
EBITDA (Rs mn)	2,580	2,084	23.8	2,368	8.9	
Adj.PAT (Rs mn)	1,513	1,372	10.3	1,342	12.8	
EBITDA Margin (%)	15.0	13.1		15.2		
Adj. PAT Margin (%)	8.8	8.6		8.6		

	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Divi's						
Sales (Rs mn)	21,954	19,090	15.0	21,180	3.7	
EBITDA (Rs mn)	6,586	4,900	34.4	6,220	5.9	Expect sales growth to be driven by higher traction in the Custom Synthesis (CS) business. Higher CS sales, easing of price erosion in APIs and lower employee cost to increase EBITDA margin in 2QFY25E.
Adj.PAT (Rs mn)	4,548	3,480	30.7	4,300	5.8	
EBITDA Margin (%)	30	26		29		
Adj. PAT Margin (%)	21	18		20		
Glenmark Life Science						
Sales (Rs mn)	5,459	5,681	(3.9)	5,311	2.8	Expect moderate sales growth on a sequential basis. Cost rationalisation to increase EBITDA margin in 2QFY25E.
EBITDA (Rs mn)	1,861	1,671	11.4	1,818	2.4	
Adj.PAT (Rs mn)	1,354	1,188	14.0	1,320	2.6	
EBITDA Margin (%)	34.1	29.4		34.2		
Adj. PAT Margin (%)	24.8	20.9		24.9		
Lupin						
Sales (Rs mn)	56,813	50,386	12.8	56,003	1.4	We expect US sales growth of 20% to be driven by niche product launches like gSpiriva, gProlensa, gMyrbetriq. Domestic sales to continue growing in the mid double digits post turnaround in strategy. Healthy product mix to result in EBITDA margin increment in the quarter.
EBITDA (Rs mn)	13,351	9,178	45.5	12,864	3.8	
Adj.PAT (Rs mn)	8,276	4,897	69.0	8,013	3.3	
EBITDA Margin (%)	23.5	18.2		23.0		
Adj. PAT Margin (%)	14.6	9.7		14.3		
Laurus Labs						
Sales (Rs mn)	12,865	12,245	5.1	11,949	7.7	Expect sequential recovery in non anti-retroviral (ARV) segments like Onco API, Others API, Formulations, Custom Synthesis and Laurus Bio to report growth which will likely increase EBITDA margin.
EBITDA (Rs mn)	1,994	1,879	6.1	1,712	16.5	
Adj.PAT (Rs mn)	306	393	(22.1)	122	150.8	
EBITDA Margin (%)	15.5	15.3		14.3		
Adj. PAT Margin (%)	2.4	3.2		1.0		

Source: Companies, BOBCAPS Research

Fig 5 – Valuation Table

Companies	CMP (Rs)	MCAP (Rs mn)	P/E (x)				EV/Sales (x)				EV/EBITDA (x)			
			2024A	2025E	2026E	2027E	2024A	2025E	2026E	2027E	2024A	2025E	2026E	2027E
AJP	3,340	421,889	51.7	47.0	42.6	39.0	10.0	8.8	8.0	7.2	35.8	32.2	29.6	27.1
ALPM	1,185	233,983	38.0	34.9	27.8	21.7	3.9	3.5	3.1	2.8	25.7	21.3	16.9	13.6
ALKEM	6,084	728,574	38.0	32.9	29.0	24.2	5.7	5.1	4.7	4.2	32.1	24.9	22.3	18.8
ARBP	1,479	868,333	25.5	21.5	17.8	15.2	3.0	2.7	2.4	2.1	14.7	12.3	10.5	9.0
CIPLA	1,563	1,260,383	29.2	26.9	23.8	20.6	4.8	4.4	3.9	3.4	19.5	17.6	15.3	13.3
DIVI	6,130	1,625,829	103.6	86.5	71.0	60.4	20.2	17.6	15.7	13.9	72.0	56.0	46.7	40.3
DRRD	6,709	1,118,036	20.1	22.2	21.2	19.3	3.9	3.6	3.3	2.9	13.9	13.4	12.4	11.1
ERIS	1,373	186,306	47.5	44.4	31.4	24.4	9.5	6.6	5.9	5.1	28.1	19.3	16.9	14.2
GLS	1,783	143,746	30.5	23.1	21.1	18.9	6.1	5.3	4.7	4.3	20.7	16.0	14.3	12.8
LAURUS	478	258,714	160.4	68.7	45.3	40.2	5.5	5.0	4.5	4.0	35.9	24.8	19.5	17.4
LPC	2,193	998,862	51.9	40.4	33.7	30.3	5.1	4.6	4.1	3.7	26.8	22.1	19.2	17.4
SUNP	1,896	4,554,502	45.4	42.6	38.2	30.2	9.1	8.3	7.5	6.8	33.9	30.2	27.0	24.0

Source: Companies, BOBCAPS Research

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