

PHARMACEUTICAL INDUSTRY



Capital
—SPROUT—

NEWSLETTER – FEB 24

The Chairman's Message



Greetings from Capital Sprout!

It gives me pleasure to share with you Feb-24 issue of Capital Sprout's Wealth Bulletin. This month's bulletin is about Pharmaceutical sector & its impact on Capital market.

Human life without allopathy medicine is hard to imagine in today's era. According to National Library of Medicine, (a global medicine data compilation agency) average 35% - 40% of world population is taking some sort of medicine in different modes across the world. There is a significant increase in medicine & drugs consumption in human body due to ever changing lifestyle, diet habits, environmental changes and many other factors. One part of population believes in taking alternate mode of medicines science viz Ayurved, Homeopathy and Naturopathy. But long recovery time, slow effect in human body, inability against chronic diseases like Cancer and other various factors goes in favor of allopathy medicines.

India is emerging leader in Pharma sector especially during Covid pandemic. India is among the leaders in the Vaccine segment. During the COVID-19 pandemic, it showcased exceptional performance, making a mark on the global stage. Despite a nationwide lockdown, the industry ensured a steady supply of medicines and vaccines. It played a vital role in vaccinating 2.20 billion Indian doses and providing over 290 million vaccine doses to more than 100 countries through the 'Vaccine Maitri' The world saluted India's Pharma industry with both hands.

It is just the beginning for Pharma sector for India. World's prominent economists have made forecast that India will become top 5 countries by value. Still Indian Pharma sector is lacking in Research & Development segment which is crucial in Pharma sector. With the supportive Government policy, Indian Pharma sector will be able to achieve desired level of R&D.

I hope that readers will find this bulletin valuable.

CA DR Rajesh Khandol

Pharmaceuticals Industry - Importance

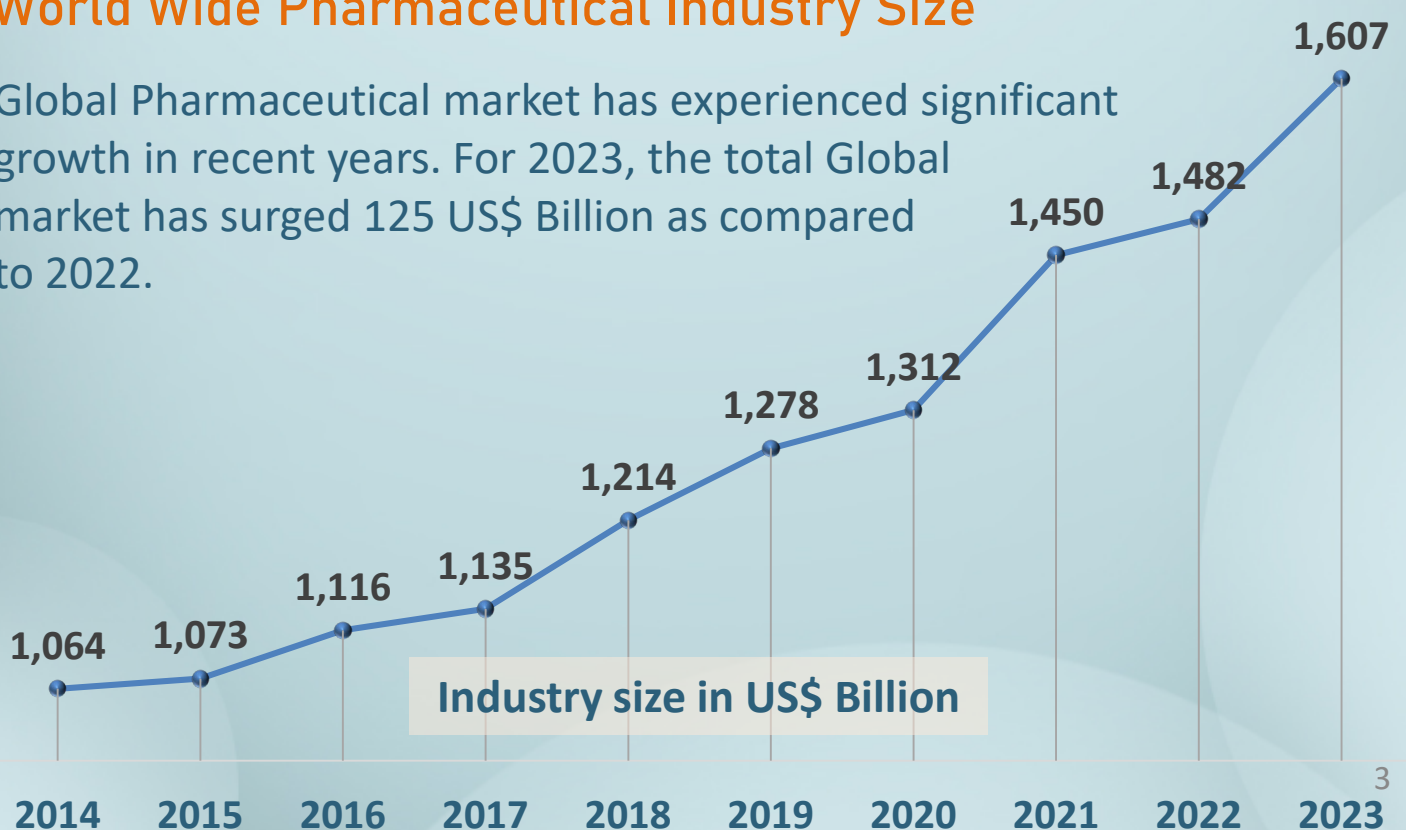
Modern Human life without medicine / drugs is hard to imagine. Changing lifestyle, Changing Diet habits, increased consumption of Junk food, Non-organic Agriculture Farming, Pollution, Global warming & various Genetic factors have given birth to many chronic disease. Like, "Necessity is the mother of invention; Disease is the mother of Medicines & drugs"

Covid-19 & Pharmaceuticals Industry

The world has felt the importance of Pharmaceutical industry in Covid & Post Covid era like never before. Pharmaceutical industry has contributed massively to curb the unprecedented global pandemic. There won't be any exaggeration to say that the world has survived the brutal phase of Covid-19 mainly due to Pharmaceutical industry. Till Covid Vaccine comes, the world was fighting against the pandemic with Medicines & Drugs only. It could have been difficult to fight against Covid 19 without the Pharma industry.

World Wide Pharmaceutical Industry Size

Global Pharmaceutical market has experienced significant growth in recent years. For 2023, the total Global market has surged 125 US\$ Billion as compared to 2022.

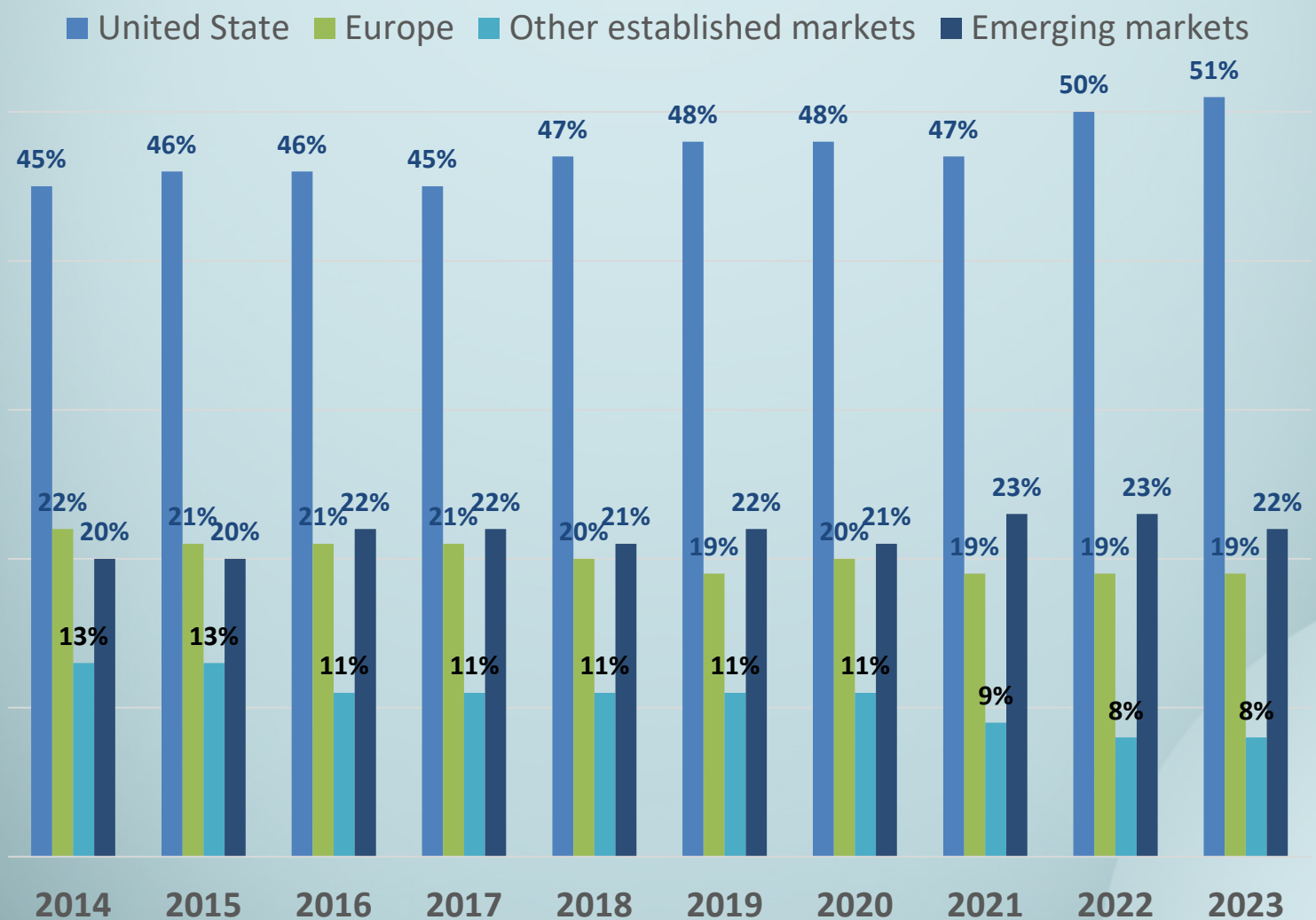


Pharmaceuticals Industry - Global

As of 2023, the U.S. market accounted for 51 %, Emerging markets accounted for 23%, and Europe accounted for 19% of the global pharmaceutical market. Revenue generated by the pharmaceutical market has continued to rise in North America, generating some 666 billion U.S. dollars in 2022.

This shows US dominance in Pharmaceutical industry continues. Other continents are nowhere near to USA. USA has spent 100.80 US\$ BILLION for Research & Development in Pharma sector.

Geographical distribution of the total global pharmaceutical market sales from 2014 to 2023

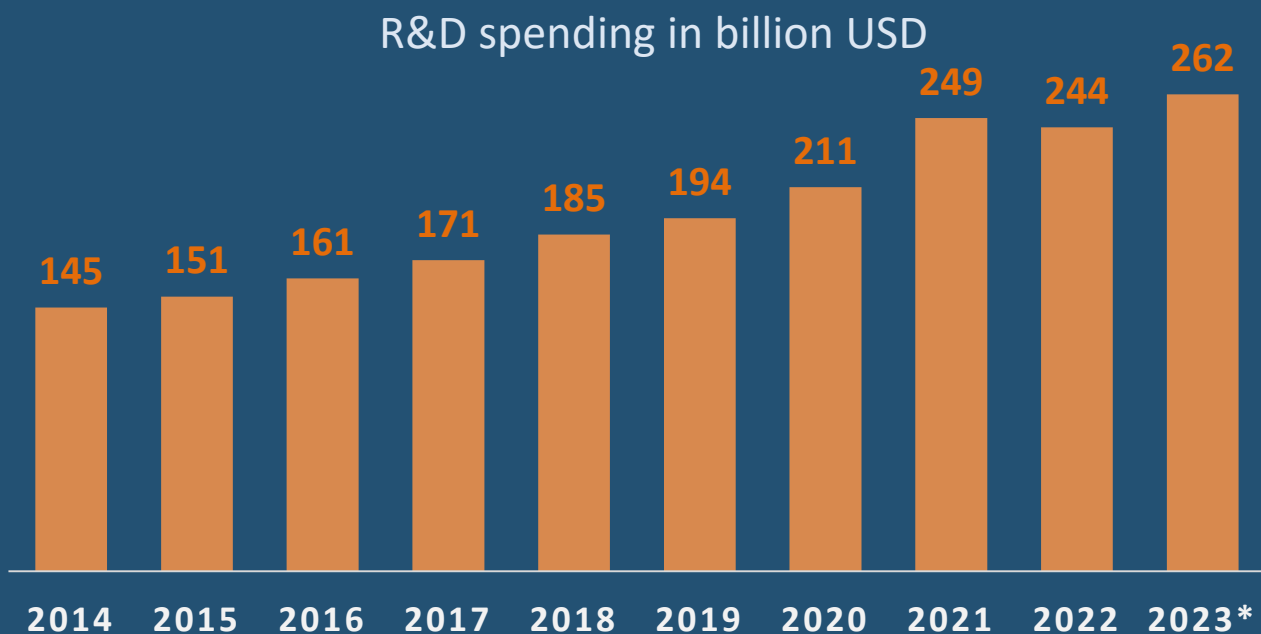


Research & development

Research & Development (R & D) activity in Pharma sector assumes the same importance as R&D in Space sector & Rocket science. The goal of R&D is to produce new drugs to curb new diseases, improvement existing drugs etc. Globally, the U.S. pharmaceutical industry created the largest number of new drugs and compounds between 2017 and 2021, followed by Europe.

Company successful in innovating & launching new drugs through R&D can enjoy big success in Pharma sector and taste the fruits of years of hard works in Research & Development work.

Global spending on pharmaceutical research & development



USA alone has spent 100.80 USD Billion (38.16 %) out of total Research & Development Global spending of Rs. 262 USD Billion which shows the reason behind dominance of USA in Pharmaceutical industry

Top pharmaceuticals company revenue & R&D expenditure

Name Of Company	Country	Revenue US\$ Billion 2022	R&D Exp. US\$ Billion	R&D Exp. as % of Sale
Pfizer	USA	100.33	12.38	12%
Johnson & Johnson	USA	94.94	14.14	15%
Roche	Switzerland	63.28	14.78	23%
Merck & co.	USA	59.28	11.84	20%
Abbvie	USA	58.05	6.44	11%
Novartis	Switzerland	50.54	9.09	18%
Bristol Myers Squibb	USA	46.16	10.02	22%
Sun Pharmaceutical Industries (2022-23)	India	4.63	0.29	6%
Dr.Reddy's Laboratories	India	2.8	0.24	9%
Cipla Ltd	India	2.602	0.17	7%



Indian pharmaceuticals industry

India's pharmaceutical industry is the 3rd largest in the world by volume & 13th largest by value and is a major exporter of pharmaceuticals to over 200 countries. The Indian pharmaceutical industry is currently valued at \$50 Billion & it is expected to reach \$65 billion by 2024, and \$130 billion by 2030.



India is the world's largest provider of generic medicines by volume, with a 20% share of total global pharmaceutical exports.

It is also the largest vaccine supplier in the world by volume, accounting for more than 60% of all vaccines manufactured in the world.

Market size in 2023	\$50 billion
Rank in the world based on volume in 2023	3rd
Rank in the world based on value in 2023	13th
Export of pharmaceuticals in 2023	\$ 25.30 billion 200 countries
Cumulative foreign direct investment (FDI) inflow in India Apr-2000 to Sep-2023	\$ 21.58 billion Constitutes almost 3.30% of the total FDI inflow received across sectors.



Indian pharmaceuticals industry & capital market

India's Pharma sector has remained favorite for Stock market & Mutual fund industry. This sector has given handsome returns to investors in long run. Like any sectorial stocks / funds, it also carried high Beta which means High Risk Reward Ratio.

Investor might need to wait more than 5 years to yield good return in sectorial stocks & funds.

Top listed companies in pharma

Name of company	Financial data of 2022-2023		Capital market data (As on 09-03-2024)		
	Turnover Rs. in Cr.	Net profit Rs. in Cr.	Current Price in Rs.	Market cap Rs. in Cr.	P/E ratio
SunPharma	43,886	8,513	1606	3,85,261	41.2
Cipla	22,753	2,833	1,483	1,19,744	30.3
Dr Reddy's Labs	24,670	4,507	6,324	1,05,495	20.2
Zybus Lifesciences	17,237	2,092	977	98,867	30.2
Mankind Pharma	8,127	1,248	2,154	86,295	52.3
Lupin	16,642	430	1,670	76,078	42.5
Aurobindo Pharma	24,855	1,928	1,059	62,042	22.1

Comparison of pharma index returns of world's stock market

Particulars (As on 12-03-2024)	Country	Annualized return in %			
		1 Year	3 Years	5 Years	10 Years
Dow Jones U.S. Pharmaceuticals Index	USA	8.05%	12.76%	12.96%	5.10%
NIFTY Pharma	India	65.57%	21.53%	21.65%	14.17%
FTSE 350 Pharmaceuticals & Biotechnology	UK	0.96%	11.17%	7.95%	6.51%
FTSE China A 600 - Pharmaceuticals & Biotechnology	China	-6.05%	-15.15%	-4.21%	5.00%

Above statistics clearly shows Average CAGR return generated by Nifty Pharma Companies outperformed return generated by other Indices represented by world's Pharma giant companies.

Comparison of some pharma fund of world's mutual funds

Particulars (As on 12-03-2024)	Country	AUM \$US Billion	Annualized return			
			1 Year	3 Years	5 Years	10 Years
Vanguard Health Care Fund Investor Shares	USA	47.2	14.02%	7.90%	9.36%	9.38%
Fidelity® Select Pharmaceuticals Portfolio	USA	1.1	34.35%	12.80%	14.14%	9.60%
JPM Global Healthcare A (acc) -	UK	4.7	5.54%	6.39%	9.12%	9.70%
Invesco Pharmaceuticals ETF	USA	49.07	2.16%	1.07%	3.32%	4.74%
ICICI Prudential Pharma Fund	India	0.04	65.32%	19.97%	24.92%	21.12%
Nippon India Pharma Fund	India	0.09	60.28%	19.77%	23.60%	17.21%

Above Pharma sector fund of Indian Mutual fund have out performed compare to some of giants in Mutual fund industries even after considering Rupees depreciation effect

Conclusion

So what lies ahead for India!! Where India's pharmaceutical industry is the 3rd largest in the world by volume & 13th largest by value. Indian Pharma industry has huge potential to become 5th largest by Value in the world. Indian Pharma companies have increased their spending on Research & Development as % of Sales significantly in last 5 years. Pharma sector is backed by strong & dynamic Government policy support. Up to 100%, FDI has been allowed through automatic route for Greenfield pharmaceuticals projects.

India has an added advantage of producing cost effective medicine & drugs as compared to USA & UK. Still India has lot to do in Research & Development sector. Still R&D spending in Pharma sector is very low as compared to USA & UK. Digital technology, data analytics, and artificial intelligence (AI)/machine learning (ML) hold the potential to transform the entire R&D value chain, from the intricate stages of drug discovery to the complexities of clinical development. This transformation can enhance efficiency and productivity, reduce costs and timelines, and improve patient access and diversity. With tons of opportunities lies ahead to Indian Pharma sector.



Performances



Equity Market

Indices	01 st Feb, 2024	29 th Feb, 2024	High	Low
BSE S&P SENSEX	71,998.78	72,500.30	73,413.93	70,809.84
NIFTY 50	21,780.65	21,982.80	22,297.50	21,530.20

Mutual Fund

AUM Data of Mutual Fund for the Month of Feb 2024

(INR. In Lakh Crore)

Particulars	AUM As On 31-01-2024	Fresh Fund Mobilize During Feb- 24	Redemption During Feb-24	AUM As On 29-02-2024
Total AUM of all mutual funds scheme	53.07	9.76	8.58	54.25
AUM of equity oriented (growth) schemes	22.85	0.59	0.32	23.12

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
Feb-2024	19,187	10,52,566

FII & DII Inflow/Outflow Position

FII's Selling in the month of February-24 is (0.16) Lakh.
DII's Buying in the month of February-24 is 0.25 Lakh.

Inflow/Outflow position in the month of Feb 2024

(INR. In Crore)

FII /DII	Gross Purchase	Gross Sale	Net
FII	3.46Lakh	3.62Lakh	(0.16) Lakh
DII	2.40 Lakh	2.15 Lakh	0.25Lakh

