

Sector Thematic

Pharma

Cardiac: the heartbeat of domestic market

Cardiovascular disease (CVD) is the leading cause of mortality and accounts for one-third of global deaths. With ageing demographics and changes in diet & lifestyle, this number is likely to increase in the coming years. The WHO estimates that by 2030, CVD would be responsible for more than 35% deaths in India (vs. 25% in 2016) with ischemic heart disease and stroke responsible for >80% of this burden. Cardiac has displaced anti-infectives as the leading therapy in the India Pharma Market (IPM), accounting for ~13% share in it and growing at 10% CAGR. In this report, we deep dive into the Indian cardiac market to identify the potential winners in this space. Based on our analysis, Lupin, Glenmark, JB Chemicals & Cipla are likely to gain market share among listed players, and Mankind & USV could gain market share among unlisted players. Our top picks are Cipla, Lupin and Aurobindo.



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Pharma

Cardiac: the heartbeat of domestic market

Cardiac is the largest therapy (Rs183bn in size) in the Indian pharma market (IPM), accounting for ~13% share in it and growing at 10% CAGR. We expect it to remain a dominant therapy for the next 10-15 years and gain 300-400bps share in the same period. Taking into cognizance the importance of this therapy, we deep dive into the Indian cardiac market to identify the potential winners in this space. Based on our analysis, Lupin, Glenmark, JB Chemicals, & Cipla are likely to gain market share among listed players, and Mankind & USV could gain market share among unlisted players.

A silent killer, cardiovascular disease accounts for one-third of global deaths

Cardiovascular disease (CVD) is the leading cause of mortality and accounts for ~18mn deaths every year, globally. With ageing demographics and changes in diet and lifestyle, this number is likely to increase in the coming years. The WHO estimates that by 2030, CVD would be responsible for more than 35% deaths in India (vs. 25% in 2016) with ischemic heart disease and stroke responsible for >80% of this burden.

Gains the leadership crown in India

Cardiac has displaced anti-infectives as the leading therapy in India (July 20) and has grown at 10% CAGR over the last four years, outperforming the IPM by 200bps. More importantly, the volume growth has been ~6%, which is double the industry average. While domestic firms dominate this market, the share of MNCs is restricted to less than 13%. Notwithstanding COVID disruption, the cardiac market grew at 10% YoY vs. 4% decline in IPM from Apr-Aug 20.

Hypertension drugs form 65% of the cardiac market

Broadly, the market is categorised based on treatments for hypertension, hyperlipidemia (high cholesterol), and thrombosis (blood clot). **Hypertension (65%)** – ARBs (sartans), calcium channel blockers (dipines) are growing faster than beta-blockers (prolols) and ace inhibitors (prils) (Exhibit 9). **Hyperlipidemia (19%)** – Statins are by far the biggest and most important drug class to manage cholesterol. **Thrombosis (14%)** – Platelet aggregations inhibitors and clotting factor inhibitors are growing faster than the older drugs such as heparins (Exhibit 13).

Combination regimens, patented molecules are growing faster than market

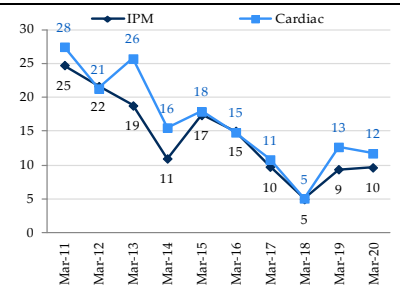
Key distinct trends observed are as follows: (a) combination drugs for statins/sartans/beta blockers/calcium channel blockers are growing faster than monotherapy; (b) Diuretics (hypertension), clotting factor inhibitors (anti-thrombotic) are emerging as the fastest-growing drug class within respective categories; (c) patented/in-licensed molecules such as Entresto, Xarelto and Brilinta (recently went off patent) are growing significantly ahead of the market.

Lupin, Glenmark, JB chemicals, Cipla are potential winners

We have created a framework to rank companies based on key parameters that are critical to identifying potential outperformers in this space. The key determinants, among others, are (a) portfolio exposure to high-growth molecules; (b) covered market; (c) ability to build brands; (d) historical performance vs the IPM. Based on our analysis, Lupin, Glenmark, JB Chemicals, & Cipla are likely to gain market share among listed players, and Mankind & USV could gain market share among unlisted players (Exhibit 27). **Top picks – Cipla, Lupin, and Aurobindo.**

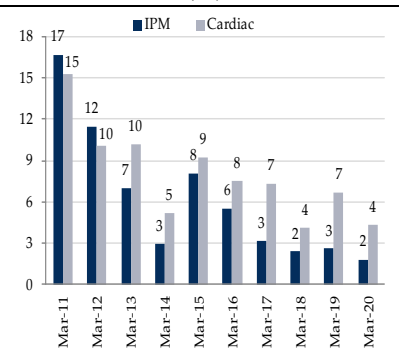
Stock	Rating	CMP	TP
Aurobindo	BUY	800	1,015
Cipla	BUY	775	855
Dr. Reddy's	ADD	5,130	5,375
Lupin	BUY	1,009	1,185
Sun Pharma	ADD	510	570
Torrent	ADD	2,693	2,745

Cardiac vs IPM Growth (%)



Source: AIOCD AWACS

Volume Growth (%)



Source: AIOCD AWACS

We roll forward our target price to Sep 22 EPS (from Mar 22). Our ratings remain unchanged.

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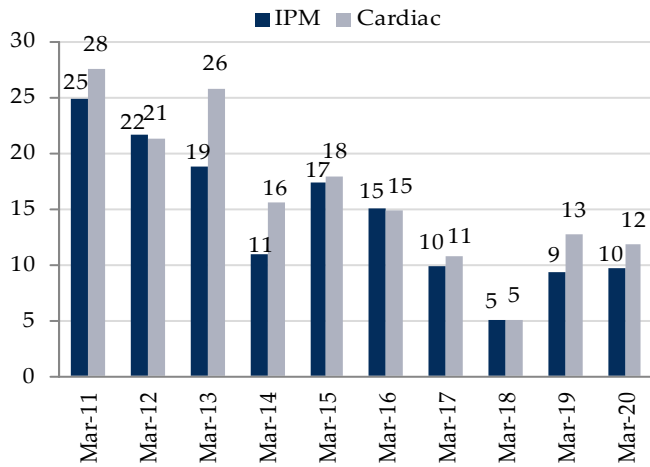
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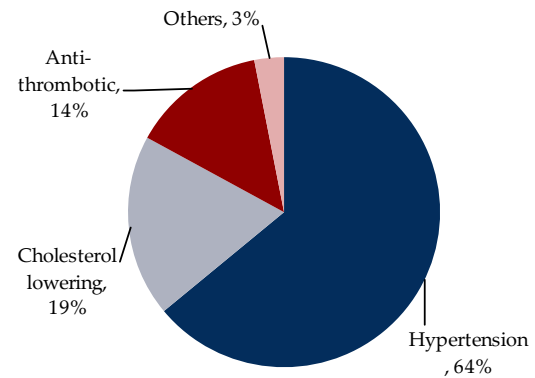
Focus charts

Exhibit 1: Cardiac grew at 15% CAGR in the last 10 years and is expected to be the dominant therapy until 2030-35



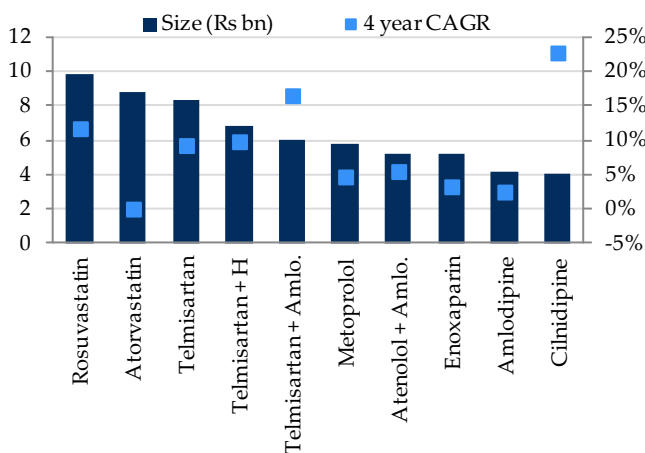
Source: HSIE Research, AIOCD AWACS

Exhibit 2: Hypertension drugs form ~65% of the cardiac market



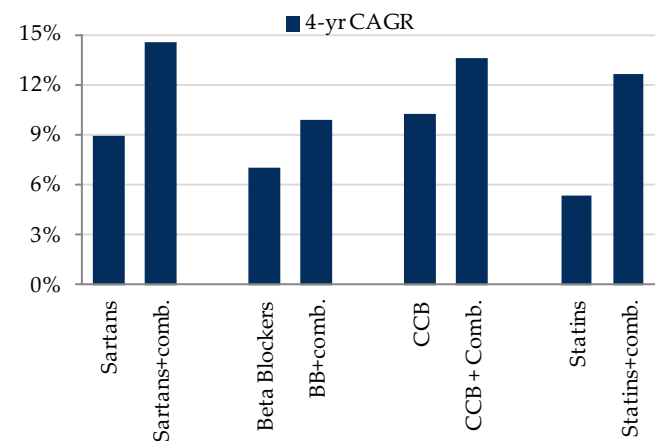
Source: HSIE Research, AIOCD AWACS

Exhibit 3: Top 10 molecules account for 35% of cardiac market



Source: HSIE Research, AIOCD AWACS

Exhibit 4: Combination regimens are growing faster than monotherapy in key drug classes



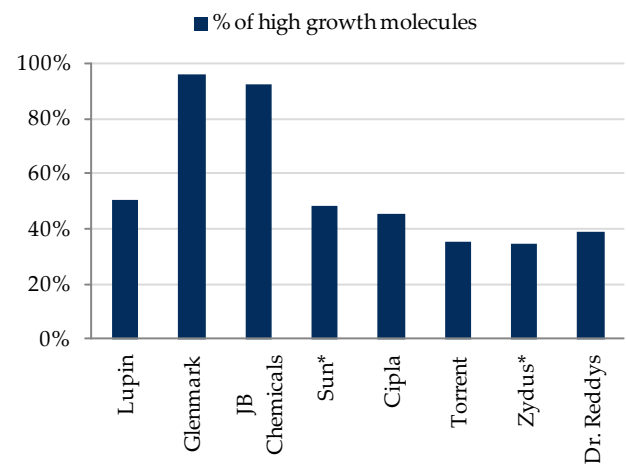
Source: HSIE Research, AIOCD AWACS, CCB-Calcium Antagonists

Exhibit 5: Key players and their performance in the last seven years

Cardiac	Market share		Rank	
	Mar-13	Mar-20	Mar-13	Mar-20
Sun	12.4%	11.3%	1	1
Torrent	8.4%	7.5%	2	2
Lupin	5.6%	7.1%	3	3
Glennmark	3.0%	4.9%	13	5
Cipla	5.0%	4.8%	7	6
Cadila	5.1%	4.7%	6	7
USV	4.3%	5.0%	9	4
Mankind	2.0%	3.7%	16	8
Abbott*	5.3%	3.7%	4	9
Sanofi	4.3%	2.7%	8	14

Source: HSIE Research, AIOCD AWACS, *incl. subs

Exhibit 6: Companies with exposure to high growth molecules are likely to grow faster



Source: HSIE Research, AIOCD AWACS

Cardiac – the leading therapy in India

CVDs are the leading cause of death globally

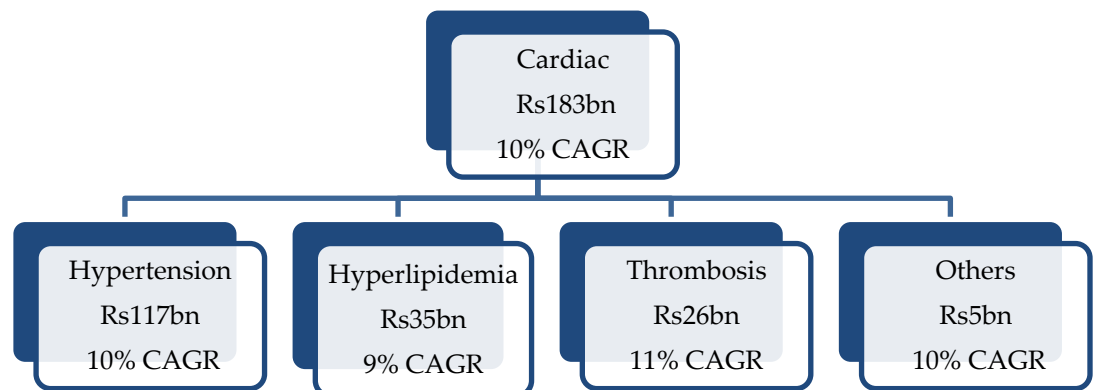
It accounts for ~18mn deaths a year (2016), representing nearly 31% of global deaths

Over 80% of deaths take place in low- and middle-income countries

WHO estimates that by 2030, CVD will account for more than 35% of all deaths in India (vs. 25% as of 2016)

- Cardiovascular disease (CVD) is a group of disorders affecting the heart and blood vessels. It encompasses a spectrum of conditions from narrowing of the blood vessel to ischemia (insufficient blood flow) and occlusion (complete blockage). The most common complications that result are heart attacks and strokes.
- Increasing prevalence of CVDs is attributed to population growth, ageing, genetic predisposition, and behavioural risk factors, such as unhealthy diet, lack of physical activity, obesity, tobacco smoking, excessive consumption of alcohol and exposure to persistent stress.
- Most cardiovascular diseases can be prevented by addressing risk factors. The treatments of CVD typically include changes in lifestyle, medical procedure or surgery, medication. The commonly prescribed medicines fall into three categories:
 - Anti-hypertensive - to lower blood pressure;
 - Anti-dyslipidemia - to alter lipid levels to an acceptable range; and
 - Anti-thrombotic - to either prevent thrombus (blood clot) forming or work to mitigate the damage of current thrombi.

Exhibit 7: Indian Cardiac Market



Source: HSIE Research, AIOCD AWACS, FY16-20

Hypertension

More than 200 mn adults in India have hypertension, yet just 1 in 7 have their disease under control

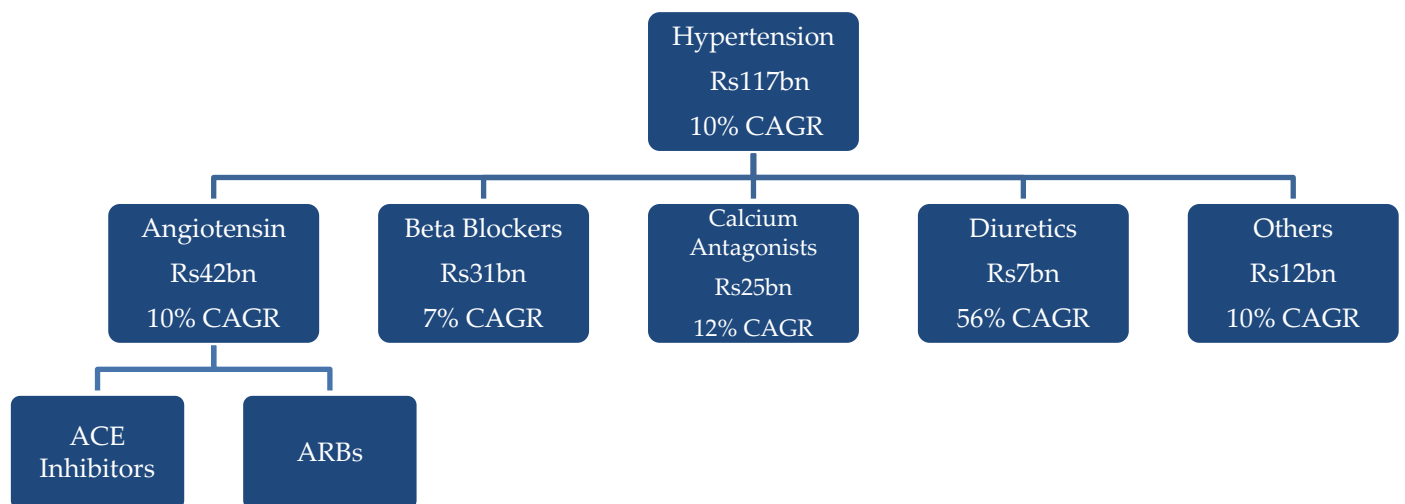
Awareness of condition:

Rural – 25%

Urban – less than 50%

- Hypertension, or high blood pressure, is a common disorder where there is increased pressure in the blood vessels in the body. It is mostly asymptomatic but is clinically important because it is associated with increased risks of heart attacks, strokes and renal failure if not effectively treated. Until the 1950s, there was no effective treatment. However, today there are several classes of drug that can be used to treat the disease effectively.
- The anti-hypertensive market is valued at ~Rs117bn in IPM and accounts for ~65% of the cardiac market.
- The market is dominated by four main classes - ARBs (sartan), calcium antagonists or calcium channel blocker (dipine), beta-blockers (prolol) and angiotensin-converting enzyme (ACE) inhibitors (pril). Diuretics (water pills) are also used to treat hypertension. Although each of these classes can be used alone as a monotherapy, combination regimens are usually required to achieve adequate control.

Exhibit 8: Hypertension – 65% of the cardiac market



Source: HSIE Research, AIOCD AWACS, FY16-20

Exhibit 9: Key drug classes

Biggest class – ARBs
(Sartans)

Fastest growing class–
Diuretics,
Sartans+combinations

Biggest molecule –
Telmisartan franchise (~Rs
22bn)

Fastest growing molecule -
Sacubitril+Valsartan
(patented) - Rs2.7bn

Hypertension	Mar 20 (Rs mn)	4 yr CAGR	% of Cardiac	Inc/dec in market share
Angiotensins	41,670	10.4%	22.7%	0.3%
Ace inhibitors	2,898	-2.8%	1.6%	-1.0%
Ace Inh+combinations	929	-1.1%	0.5%	-0.3%
Sartans	14,586	8.9%	8.0%	-0.3%
Sartans+combinations	23,256	14.6%	12.7%	1.9%
Beta Blockers	30,687	8.5%	16.7%	-1.0%
BB, Plain	14,056	7.0%	7.7%	-0.9%
BB+combinations	16,631	9.9%	9.1%	-0.1%
Calcium Channel Blockers	24,792	11.8%	13.5%	0.8%
CCB, Plain	12,783	10.2%	7.0%	0.0%
CCB + combinations	1,379	2.9%	0.8%	-0.2%
CCB + Sartans	10,631	15.4%	5.8%	1.0%
Diuretics	7,293	56.0%	4.0%	0.6%

Source: HSIE Research, AIOCD AWACS

Hyperlipidemia

Globally, one-third of ischemic heart disease is attributable to high cholesterol

- Hyperlipidemia refers to a condition of an abnormally raised level of lipids (fat) in the blood. This fat can take the form of triglycerides (three fatty acids attached to a glycerol molecule), phospholipids or cholesterol, the most important of which in heart disease is cholesterol.
- Cholesterol is a fat-like substance found in all cells in the body. Cholesterol travels through the body in small packages called lipoproteins. LDL or low-density lipoprotein is bad because it leads to a build-up of cholesterol in the body. HDL or high-density lipoprotein is good because it carries cholesterol from other parts of the body back to the liver, which removes the cholesterol from the blood. Total cholesterol is equal to the sum of HDL + LDL + TG/5. TG (triglycerides) is a type of fat in the blood that impacts a type of bad cholesterol called VLDL (very low-density lipoprotein).
- The hyperlipidemia market is valued at ~Rs35bn in IPM and accounts for ~19% of the cardiac market.
- Several drugs are used to treat raised levels of cholesterol. Of these, by far the largest and most important drug class is the statins.
- There are several statins available in the market, However, **Rosuvastatin is considered as best-in-class**. It displaced Atorvastatin as the leading molecule in the lipid regulating category three years back.

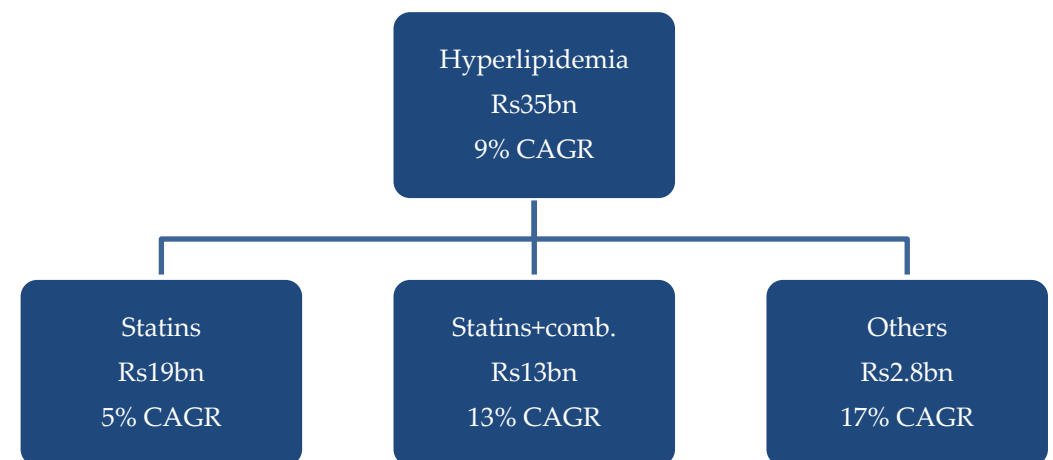
Exhibit 10: Hyperlipidemia – 19% of the cardiac market

Biggest class - Statins

Fastest growing class - Statins + combinations

Biggest molecule – Rosuvastatin franchise (Rs15bn)

Fastest growing molecules – Saroglitazar (non-statin), Rosuvastatin+Clopidogrel



Source: HSIE Research, AIOCD AWACS, FY16-20

Exhibit 11: Key drug classes

	Mar 20 (Rsmn)	4 yr CAGR	% of Cardiac	Inc/dec in market share
Lipid Regulating	34,656	8.6%	18.9%	-1.0%
Statins	18,910	5.4%	10.3%	-2.0%
Statins + combinations	12,950	12.6%	7.1%	0.6%
Others	2,796	16.5%	1.5%	0.3%

Source: HSIE Research, AIOCD AWACS

Anti-thrombosis

- Thrombosis is the formation of a blood clot in veins or arteries (or vasculature) in the absence of bleeding. In the arteries, it tends to arise following the rupture of an atherosclerotic plaque, while in the veins; it is generally associated with static blood flow. Once a thrombus is established, it can block key blood vessels, including those in the heart, or it can break away forming an embolus, which may later lodge in the lungs (pulmonary embolism) or the brain (cerebral embolism), causing a stroke.
- The creation of a thrombus can simplistically be broken down into three different pathways, each of which is integral to the formation of a thrombus – Platelet aggregation, coagulation pathway and Fibrinolysis. Depending on the location of the thrombus, different classes of agents have been developed to treat the thrombus – Platelet anti-aggregation, heparin, clotting factor inhibitor, warfarin, fibrinolytics.
- The anti-thrombosis market is valued at ~Rs26bn and accounts for ~14% of the cardiac market in the IPM.

Anti-platelet aggregation agents are the only class used in the treatment and prevention of arterial clot - aspirin is probably the best-known example.

Heparin is one of the oldest classes of drugs

Fibrinolytics is the only class that actively breaks down clots, versus merely blocking new clot formation

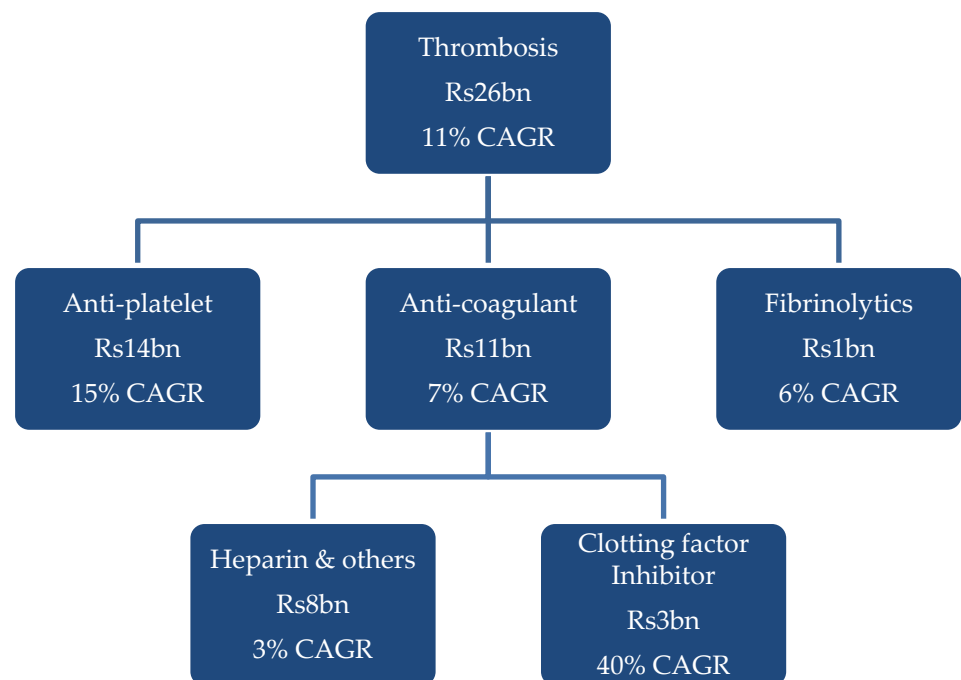
Biggest class - Anti-platelets

Fastest growing class- Clotting factor inhibitor

Biggest molecule –Aspirin franchise (Rs7bn)

Fastest growing molecules –Rivaroxaban, Dabigatran

Exhibit 12: Anti-thrombosis – 14% of the cardiac market



Source: HSIE Research, AIOCD AWACS

Exhibit 13: key drug classes

	Mar 20 (Rsmn)	4 yr CAGR	% of Cardiac	Inc/dec in market share
Anti-Thrombotic	25,619	10.9%	14.0%	0.4%
Anti-Platelet	13,903	15.3%	7.6%	1.3%
Anti-Coagulants	10,743	8.7%	5.9%	-0.3%
Heparin and others	7,796	3.0%	4.3%	-1.3%
Clotting factor inhibitor	2,947	39.8%	1.6%	1.0%
Fibrinolytics	973	-8.3%	0.5%	-0.6%

Source: HSIE Research, AIOCD AWACS

Patented drugs in India

Patented brands in India - Entresto, Eliquis and Xarelto

Globally, the cardiovascular segment is highly genericised. In India, there are three major brands which are currently under patent – Entresto/Vymada, Eliquis and Xarelto.

Sacubitril+valsartan (brand name Entresto/Vymada) is one of the fastest-growing molecule (Rs2.6bn, MAT Mar 20). Novartis is the innovator and has launched the product under the brand name Vymada in India in Feb 2017. The earliest patent expiry is in 2023. Cipla and Lupin have in-licensed the product and have launched their brands in 2017.

Rivaroxaban (brand name Xarelto) was launched by Bayer Zydus (JV) in India in 2010. Cadila has also in-licensed the product and launched its brand version in 2015. There are no other generic players in this molecule.

Apixaban (brand name Eliquis) was launched by Bristol Myers Squibb (BMS) in India in 2013. One of the patents expired in Dec 2019, and another one expires in September 2022. In Jan 2020, Delhi High Court granted an injunction restraining domestic companies such as Cipla, Torrent, Emcure, Alkem from launching their brands. Natco and Indoco attempted to launch in 2019 but pulled out as BMS filed for patent infringement. The case is pending before the appellate board.

Exhibit 14: Patented products in cardiac segment

Rs mn	Brand	Launch date	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
Apixaban			113	272	673	683	714
Pfizer/BMS	Eliquis	Nov-13	113	272	673	683	712
Sacubitril + Valsartan				11	526	1,655	2,653
Novartis	Vymada	Feb-17		9	277	862	1,234
Lupin	Cidmus	May-17		-	139	518	961
Cipla	Azmarda	Mar-17		2	110	274	454
Natco	Valsac	Feb-19		-	-	1.0	5.0
Rivaroxaban			223	436	628	733	1,006
Bayer Zydus	Xarelto	Aug-10	208	349	481	553	794
Zydus	Ixarola	Oct-15	16	87	147	179	213

Source: HSIE Research, AIOCD AWACS

Recently, AstraZeneca's Ticagrelor (brand name Brilinta) went off-patent, and 15+ generic players entered the market (end 2019). Sun is the biggest player with its in-licensed brand Axcer (launched in 2015). The generic players have launched their brands at 50-70% discount to Sun's brand.

Exhibit 15: Ticagrelor sales (Rs mn) – Sun leads the market

Patented/in-licensed	Brand	Launch date	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
Ticagrelor			988	1,604	2,068	2,694	3,239
AstraZeneca	Brilinta	Oct-12	929	1,160	1,401	1,801	1,750
Sun	Axcer	Oct-15	60	443	667	877	1,296
Others (15+ players)			-	-	-	16	192

Source: HSIE Research, AIOCD AWACS

Global pipeline of cardiovascular drugs

*CVD drug:
Cost per approval –
USD700mn*

*NPV per approval –
USD1.7bn
(as per Evaluate Pharma)*

- In the 1980s and 1990s, cardiovascular drug development programmes led to multiple blockbusters, such as statins, ACE inhibitors, anti-platelet agents and beta-blockers. However, investment in this space has stagnated over the past 2 decades despite the soaring clinical need and increased global burden.
- The low R&D innovation is being attributed to decreasing margins and intense competition within this franchise. High innovation costs, large clinical trials due to high patient enrolment requirement, and the plethora of off-patent drugs offer a low incentive for innovation. This is perhaps best exemplified by Pfizer, a company whose cardiovascular drugs have long been among the most successful, announcing that it was exiting the field in 2008.
- Incremental innovation is largely towards addressing unmet needs, for targeted patient population. We outline some of the key late-stage assets of big pharma companies in the cardiovascular space.

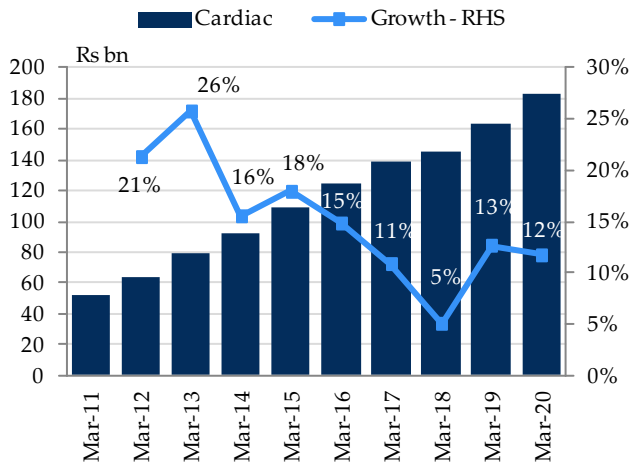
Exhibit 16: R&D pipeline of key late-stage molecules

Innovator	Drug/ Molecule	Indication	Ongoing Phase	Therapeutic Action
Novartis	Inclisiran	Hypercholesterolemia	Filed	First-in-class investigational product for patients (~50mn worldwide) living with atherosclerotic CVD or familial hypercholesterolemia who are on current standard of care, but are not achieving LDL cholesterol goals and remain at significant risk of cardiovascular events.
Merck (with Bayer)	Vericiguat	Hypertension	Filed	Priority review status with PDUFA date set for Jan 2021. Vericiguat failed a mid-phase trial. However, the phase 3 saw a 10% reduction in a composite measure of cardiovascular deaths and heart failure hospitalization, causing it to hit its primary endpoint. Bayer puts the peak sales potential of Vericiguat at Euro500mn.
Novartis	Pelacarsen	Hyperlipidemia	Phase-III	To reduce risk of CVD in people living with elevated levels of inherited lipoprotein that cannot be effectively addressed by diet and other lifestyle changes.
J&J	Aprocitanan	Hypertension	Phase-III	Patients whose blood pressure remains high despite receiving at least three antihypertensive medications are categorized as having resistant hypertension. It is estimated that ~ 5 to 30% of the hypertension patients can be classified as treatment 'resistant'.
Regeneron	Evinacumab	Hyperlipidemia	Filed	Priority review status with PDUFA date set for Feb 2021. Evinacumab is for treatment of hypercholesterolemia in patients with homozygous familial hypercholesterolemia (HoFH). HoFH is an ultra-rare inherited disease that affects approximately 1,300 patients in the U.S.
Amgen (with Cytokinetics)*	Omecamtiv Mecarbil	Heart failure	Phase-III	Largest phase 3 study conducted ever for potential treatment of heart failure to evaluate whether treatment with omecamtiv mecarbil, when added to standard of care, reduces the risk of heart failure events (heart failure hospitalization and other urgent treatment for heart failure) and CV death in patients with HFrEF (heart failure with reduced ejection fraction). FDA has granted fast track designation.

Source: HSIE Research, AIOCD AWACS, *funded by Servier

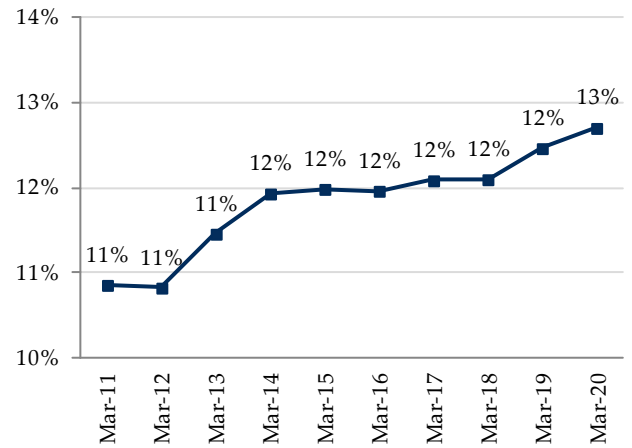
Snapshot of Cardiac therapy in IPM

Exhibit 17: Cardiac grew at 15% CAGR over FY11-20



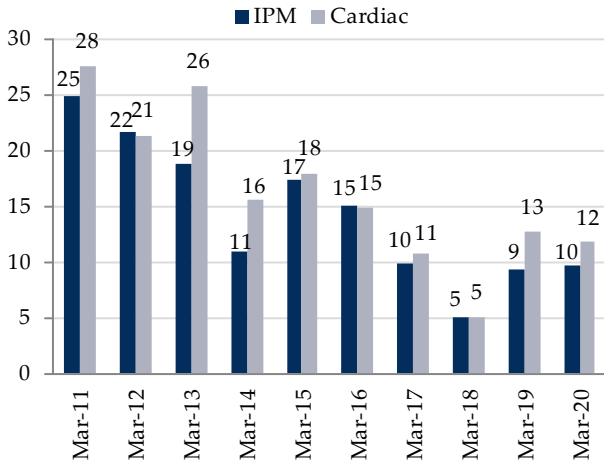
Source: HSIE Research, AIOCD AWACS

Exhibit 18: Steady increase in market share in IPM



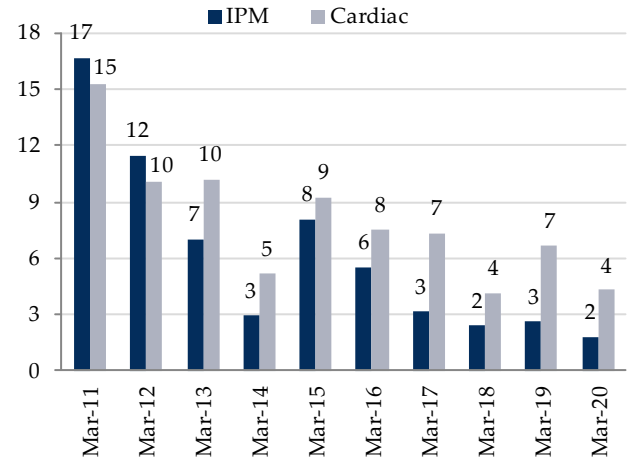
Source: HSIE Research, AIOCD AWACS

Exhibit 19: Cardiac has consistently outperformed the IPM



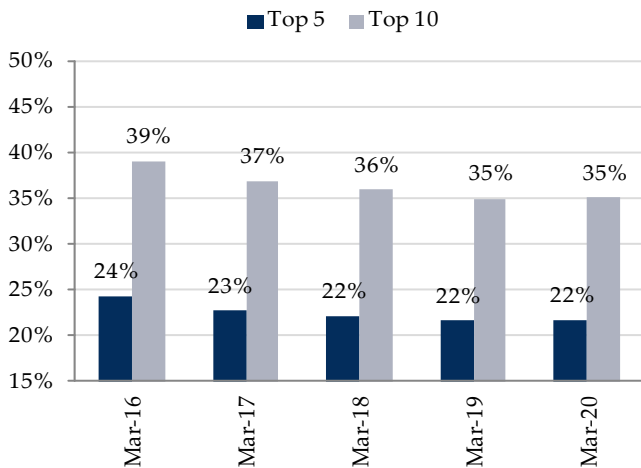
Source: HSIE Research, AIOCD AWACS

Exhibit 20: Volume growth in cardiac is twice the IPM average



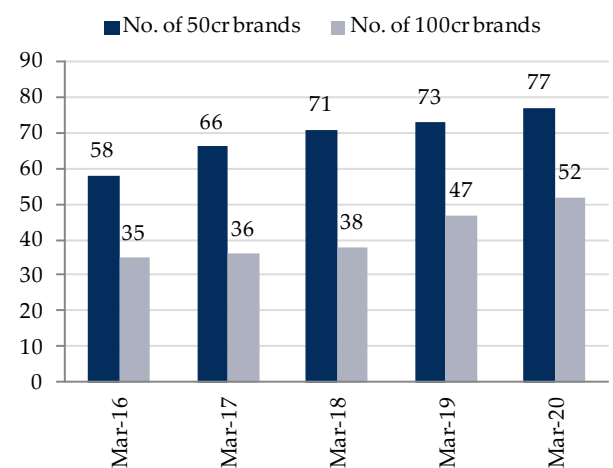
Source: HSIE Research, AIOCD AWACS

Exhibit 21: Contribution of top 5 and top 10 molecules have steadily declined



Source: HSIE Research, AIOCD AWACS

Exhibit 22:...whereas number of Rs50/100cr brands have seen an uptrend



Source: HSIE Research, AIOCD AWACS

Key players in cardiac and their market share trends

Exhibit 23: Sun, Torrent, Abbott have lost market share to Lupin, Glenmark, Mankind over the years

Sun remains the undisputed leader

Sun, Torrent have lost market share

Lupin, Glenmark, JB chemicals, Mankind, and USV have moved up in ranking order

MNCs have underperformed

Cardiac	Market share		Rank	
	Mar-13	Mar-20	Mar-13	Mar-20
Indian companies				
Sun	12.4%	11.3%	1	1
Torrent	8.4%	7.5%	2	2
Lupin	5.6%	7.1%	3	3
Glenmark	3.0%	4.9%	13	5
Cipla	5.0%	4.8%	7	6
Cadila	5.1%	4.7%	6	7
Dr. Reddy's	3.3%	2.4%	12	15
Eris Ls	1.6%	2.0%	17	17
Ajanta Pharma	1.0%	1.9%	22	18
JB Chemicals	0.7%	1.9%	26	19
Ipca	2.3%	1.8%	15	21
Alembic	1.0%	1.4%	23	23
Alkem	0.4%	1.0%	28	24
Unlisted companies				
USV	4.3%	5.0%	9	4
Mankind	2.0%	3.7%	16	8
Emcure	5.2%	3.5%	5	10
Intas	4.2%	3.4%	10	11
Macleods	2.8%	3.3%	14	12
MNCs				
Abbott*	5.3%	3.7%	4	9
Sanofi India	4.3%	2.7%	8	14
Pfizer	1.5%	1.5%	18	22

Source: HSIE Research, AIOCD AWACS, incorporating acquisitions in both periods, * includes unlisted subsidiaries

Top 10 – Molecules and brands in cardiac

Exhibit 24: Top 10 molecules in cardiac

Top 10 Molecules	Class of drugs	Mar-20	4 yr CAGR	Key players
Rosuvastatin	Statins	9,875	12%	Sun, USV
Atorvastatin	Statins	8,777	0%	Sun, Cadila
Telmisartan	Sartans	8,332	9%	Glenmark, Mankind
Telmisartan + Hydrochlorothiazide	Sartans + combinations	6,774	10%	Glenmark, Mankind
Telmisartan + Amlodipine	CCB + sartans	5,996	17%	Glenmark, Mankind
Metoprolol	Beta blockers	5,740	5%	Ajanta, Sun
Atenolol + Amlodipine	Beta blockers + combinations	5,236	5%	Mankind, Cipla
Enoxaparin	Heparins	5,195	3%	Sanofi, Bharat Serum
Amlodipine	Calcium channel blockers	4,180	2%	Dr. Reddy's, Cadila
Cilnidipine	Calcium channel blockers	4,032	23%	JB Chemicals, Eris

Source: HSIE Research, AIOCD AWACS, Rsmn

Sun, Glenmark and Mankind have a strong presence in top 10 molecules

Exhibit 25: Top 10 fastest growing molecules in cardiac

Fastest growing molecules*	Class of drugs	Mar-20	4 yr CAGR	Key players
Aspirin + Rosuvastatin + Clopidogrel	Anti platelet	2,845	90%	Unimed, Macleods
Apixaban	Direct clotting factor	714	59%	Pfizer
Telmisartan + Cilnidipine + Chlorthalidone	Sartan+combinations	690	52%	Alkem, JB chemical
Rivaroxaban	Direct clotting factor	1,006	46%	Bayer Zydus, Cadila
Olmesartan + Cilnidipine + Chlorthalidone	Sartan+combinations	608	37%	Alkem, Eris
Ticagrelor	Anti platelet	3,239	35%	AstraZeneca, Sun
Saroglitazar	Lipid regulating	966	33%	Cadila
Cilnidipine + Telmisartan	CCB+sartans	1,888	33%	JB Chemical, Eris
Rosuvastatin + Clopidogrel	Statins+combinations	1,357	32%	Lupin, Ajanta
Dabigatran	Direct clotting factor	1,224	30%	Boehringer Ingelheim , Lupin

Source: HSIE Research, AIOCD AWACS, Rsmn, *molecules above Rs0.5bn in size

JB chemicals, Lupin and Cadila have a presence in the top 10 fastest growing molecules

Exhibit 26: Top 10 brands in cardiac

Top 10 brands	Molecule	Company	Mar-20	4 yr CAGR
Telma	Telmisartan	Glenmark	2,915	6%
Rosuvastatin	Rosuvastatin	Sun	2,870	10%
Telma H	Telmisartan + Hydrochlorothiazide	Glenmark	2,253	9%
Ecosprin Av	Atorvastatin + Aspirin	USV	1,992	15%
Brilinta	Ticagrelor	AstraZeneca	1,750	18%
Cilacar	Cilnidipine	JB Chemical	1,707	16%
Minipress XL	Prazosin	Pfizer	1,418	3%
Atorva	Atorvastatin	Cadila	1,414	-2%
Telma Am	Telmisartan + Amlodipine	Glenmark	1,392	15%
Dytor	Torsemide	Cipla	1,340	12%

Source: HSIE Research, AIOCD AWACS, Rsmn

Glenmark leads with three brands amongst the top 10 brands

A framework to identify winners

We have created a framework to rank companies based on key parameters that are critical to picking outperformers in this space. The key determinants, among others, are a) covered market; b) exposure to high growth molecules; c) ability to build brands (number of Rs50cr+ brands); d) historical performance vs. the IPM. We have equally weighted these parameters to rank these companies.

Based on the ranking below, Lupin, Glenmark, JB Chemicals & Cipla are likely to gain market share among listed players, and Mankind & USV could gain market share among unlisted players.

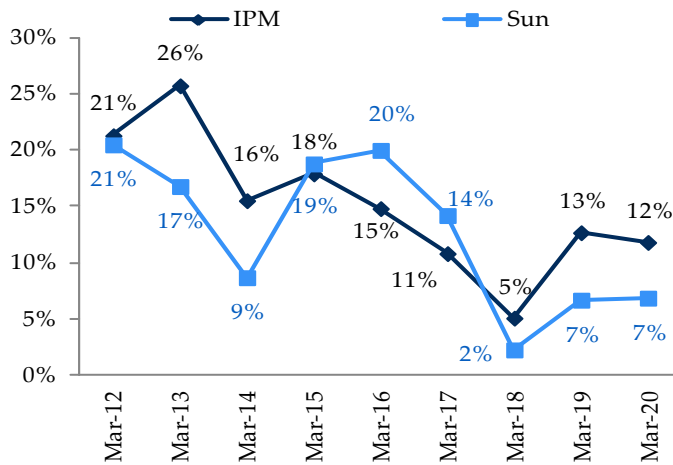
Exhibit 27: Ranking based on key parameters

Particulars	Coverage in cardiac IPM	% of high growth molecules	No. of 50cr+ molecules	4-yr CAGR vs IPM - out/ under-performance	% of cardiac sales	% of NLEM products	Market share	HSIE Overall India Cardiac portfolio Rank
Lupin	76.7%	50.8%	4	2.3%	23.9%	15.3%	7.1%	1
Mankind	61.0%	58.8%	4	8.8%	11.3%	19.2%	3.7%	2
USV	47.7%	84.4%	5	2.6%	32.2%	13.5%	5.0%	3
Glenmark	35.0%	96.3%	3	5.0%	27.8%	32.1%	5.0%	4
JB Chemicals	5.7%	92.6%	3	16.1%	48.7%	5.9%	1.9%	4
Sun	64.0%	48.2%	10	-2.7%	17.3%	13.7%	11.1%	6
Cipla	64.3%	45.5%	5	0.6%	13.2%	25.6%	4.8%	6
Macleods	64.7%	46.2%	1	5.1%	14.8%	9.7%	3.3%	8
Alkem	39.5%	66.1%	0	13.4%	3.8%	4.5%	1.0%	9
Torrent	69.3%	35.3%	6	-3.5%	30.6%	10.2%	7.5%	10
Zydus	64.7%	34.7%	5	-2.4%	14.7%	27.4%	4.8%	11
Eris LS	53.5%	71.8%	0	1.7%	26.6%	13.0%	2.0%	12
Ajanta	27.7%	50.6%	2	3.2%	40.6%	1.8%	1.9%	13
Intas	72.1%	43.8%	0	-1.7%	14.6%	18.2%	3.4%	14
Alembic	37.4%	85.0%	0	-0.2%	15.7%	11.6%	1.5%	14
Abbott*	59.8%	46.0%	2	-3.5%	7.5%	27.4%	3.7%	16
Dr. Reddy's	48.6%	38.7%	2	-4.3%	13.2%	38.0%	2.4%	17
Ipca	38.7%	44.7%	1	-3.5%	15.9%	10.6%	1.8%	18
Sanofi India	20.1%	8.5%	2	-6.2%	15.2%	55.2%	2.7%	19

Source: HSIE Research, AIOCD AWACS, *includes unlisted subsidiaries

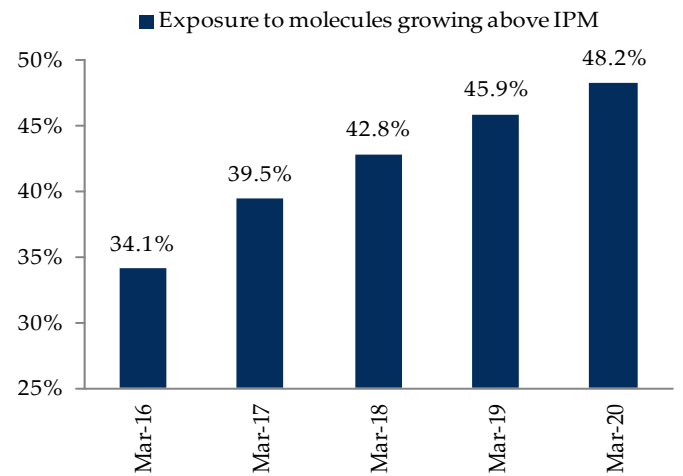
Sun Pharma

Exhibit 28: Sun has underperformed the IPM in 6 out of 9 years



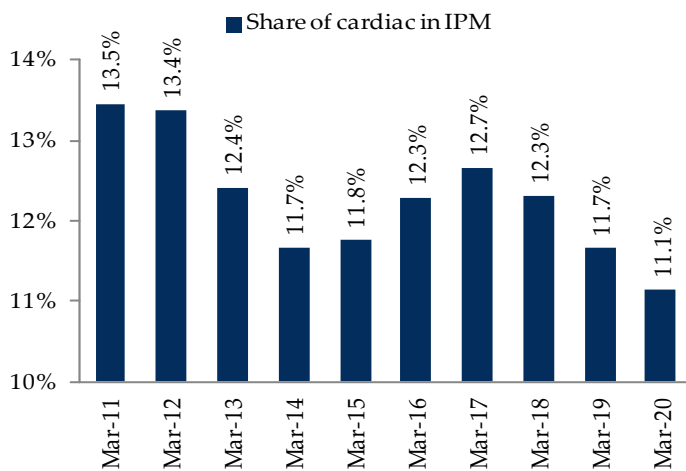
Source: HSIE Research, AIOCD AWACS, includes Ranbaxy

Exhibit 29: Revenues from molecules that are growing faster than the IPM is inching up



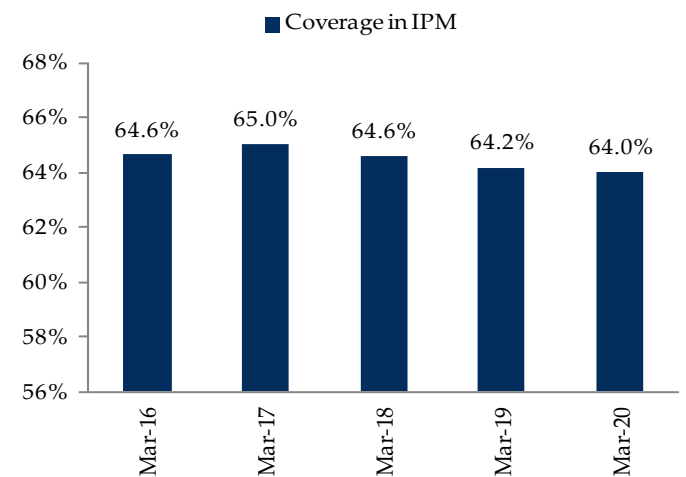
Source: HSIE Research, AIOCD AWACS

Exhibit 30: Market share has declined by ~230bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 31: Sun's covered market remains high



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

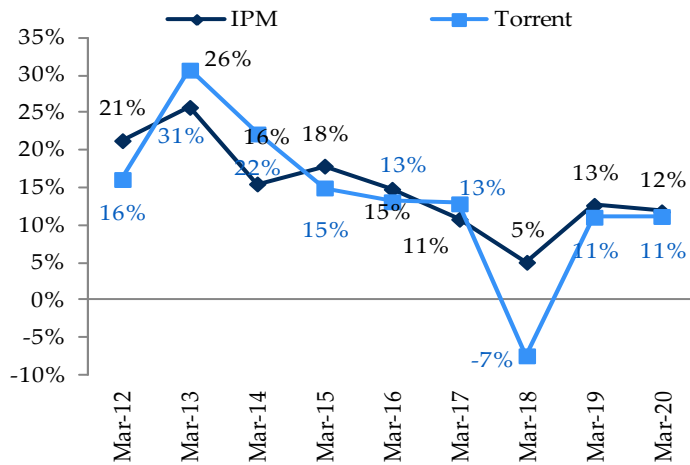
Exhibit 32: Top 10 molecules account for 62% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Market share	
			Sun*	IPM	FY16	FY20
Rosuvastatin	Rosuvas, Rosavel, Rosuvas CP	4,020	13.3%	11.7%	38.4%	40.7%
Atorvastatin	Storvas, Aztor	2,130	-2.6%	0.0%	26.9%	24.3%
Ticagrelor	Axcer	1,005	102.6%	34.5%	6.0%	31.0%
Rosuvastatin + Fenofibrates	Rosuvas F, Rosavel F	975	10.2%	11.3%	37.0%	35.5%
Metoprolol	Prolomet XL, Cardiabeta (Ranbaxy)	913	10.0%	4.7%	13.1%	15.9%
Telmisartan + Metoprolol	Metosartan, Teleact, Teleact Beta	802	13.2%	22.2%	29.7%	21.9%
Prazosin	Prazopress XL, Prazopress	773	27.2%	10.5%	18.8%	32.9%
Carvedilol	Cardivas	767	1.8%	5.9%	69.8%	59.6%
Olmesartan	Olmezest, Olvance	679	3.9%	7.3%	23.3%	20.4%
Clopidogrel	Clopilet, Ceruvin	597	-3.4%	-3.6%	28.3%	28.5%

Source: HSIE Research, AIOCD AWACS

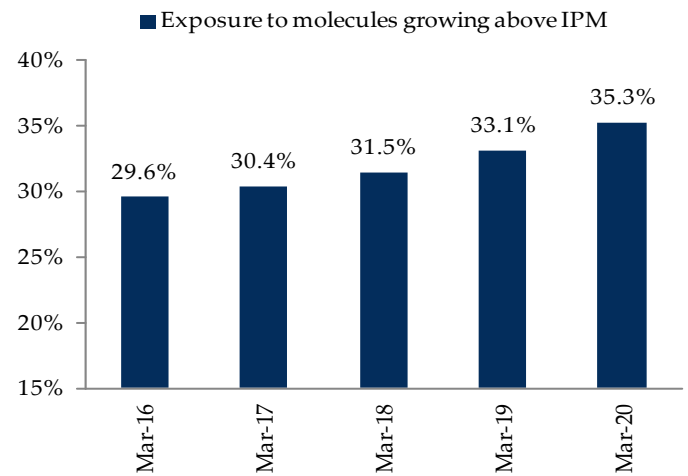
Torrent Pharma

Exhibit 33: Torrent has underperformed the IPM in 6 out of 9 years



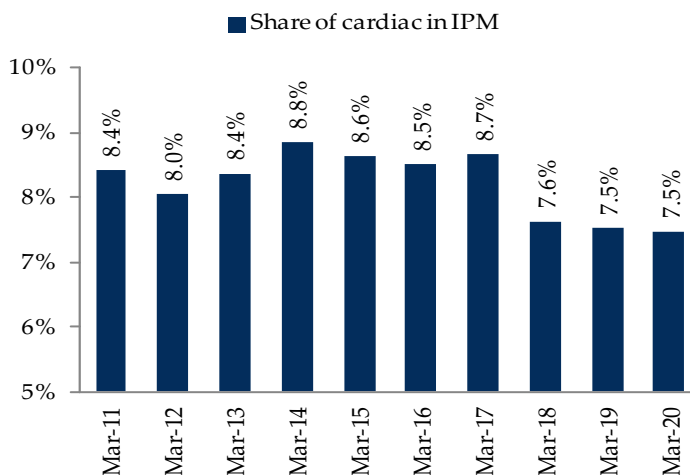
Source: HSIE Research, AIOCD AWACS, includes Unichem

Exhibit 34: Revenues from molecules that are growing faster than the IPM is gradually increasing



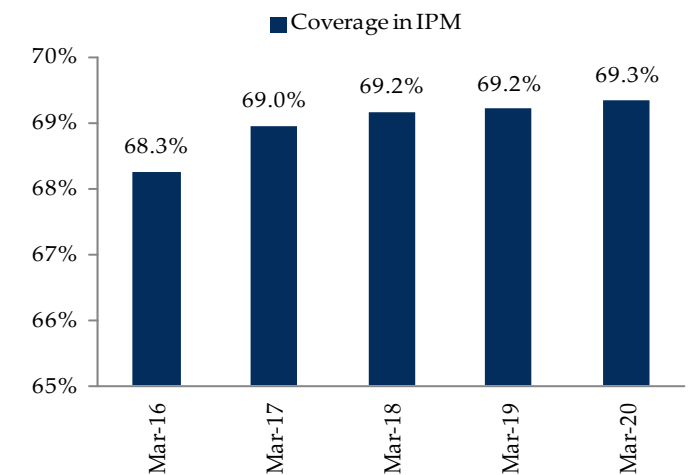
Source: HSIE Research, AIOCD AWACS

Exhibit 35: Market share has declined by ~100bps over the past 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 36: Torrent's covered market remains high



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

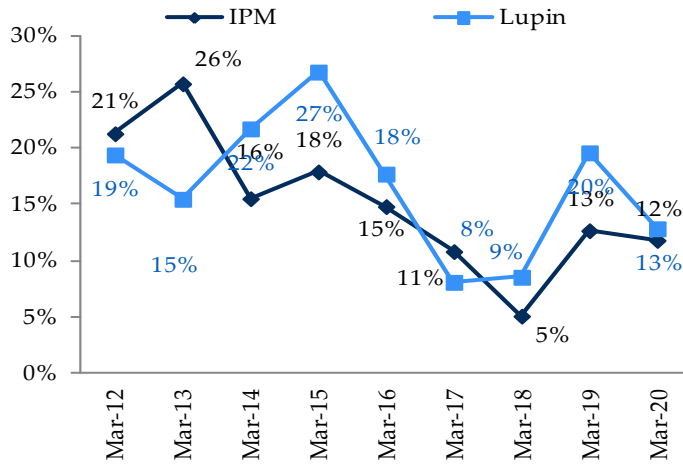
Exhibit 37: Top 10 molecules account for 53% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Market share	
			Torrent	IPM	FY16	FY20
Nicorandil	Nikoran, Nicorandil (Torrent)	1,198	7.1%	8.8%	55.9%	52.4%
Nebivolol	Nebicard	993	13.4%	13.0%	48.1%	48.7%
Losartan + Hydrochlorothiazide	Losar H, Tozaar H	983	0.7%	-1.7%	41.0%	45.2%
Losartan	Losar, Tozaar	899	6.5%	2.1%	40.6%	48.0%
Diltiazem	Dilzem	884	5.1%	2.9%	76.0%	82.5%
Rosuvastatin	Rozucor, Rostar	567	7.1%	11.7%	6.8%	5.7%
Aspirin + Atorvastatin + Clopidogrel	Deplatt CV	488	6.2%	15.6%	32.6%	23.3%
Rosuvastatin + Aspirin	Unistar, Rozucor ASP	447	15.5%	21.1%	45.2%	37.4%
Aspirin + Clopidogrel	Deplatt-A, Clodrel +, Clodrel Forte, Platloc AS	436	1.7%	3.1%	25.3%	23.9%
Metoprolol	Metocard XL, Tolol	417	7.7%	4.7%	6.5%	7.3%

Source: HSIE Research, AIOCD AWACS

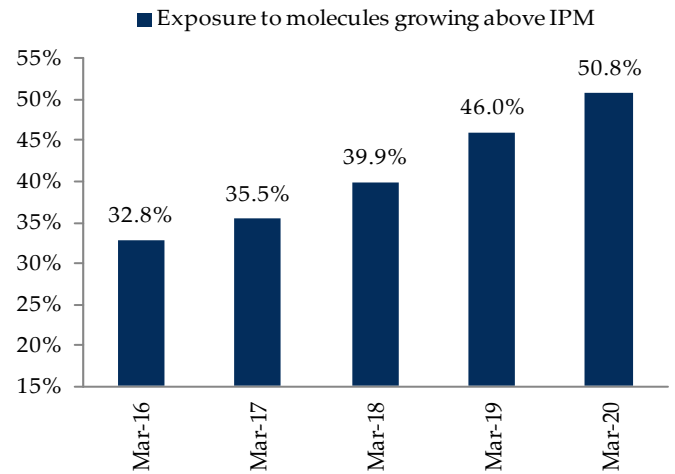
Lupin

Exhibit 38: Lupin has outperformed the IPM in 6 out of 9 years



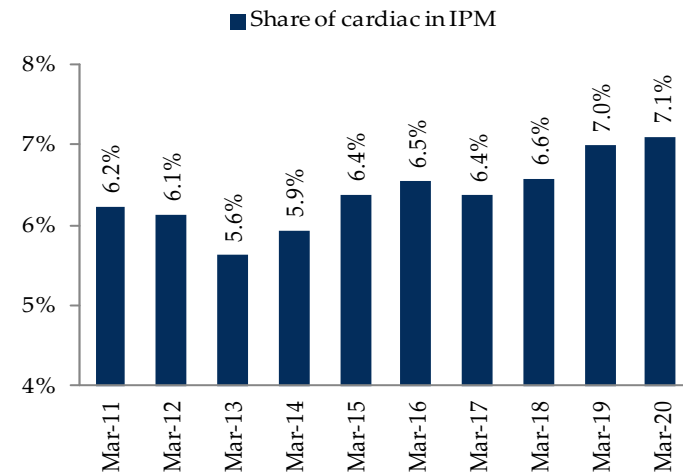
Source: HSIE Research, AIOCD AWACS

Exhibit 39: Revenues from molecules that are growing faster than the IPM is rapidly increasing



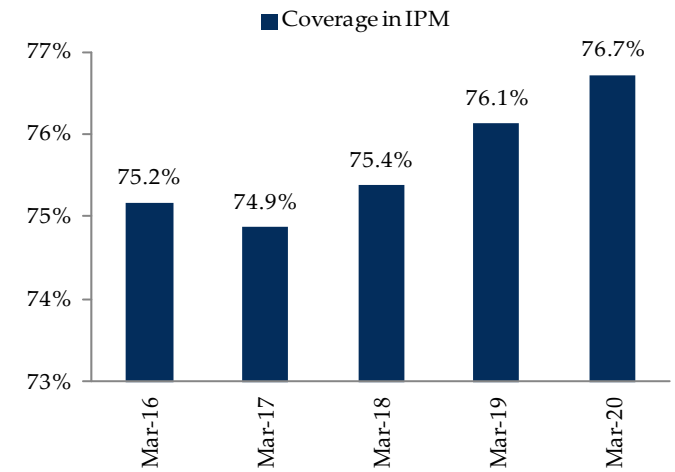
Source: HSIE Research, AIOCD AWACS

Exhibit 40: Market share has risen by ~90bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 41: Lupin's covered market remains one of the highest



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

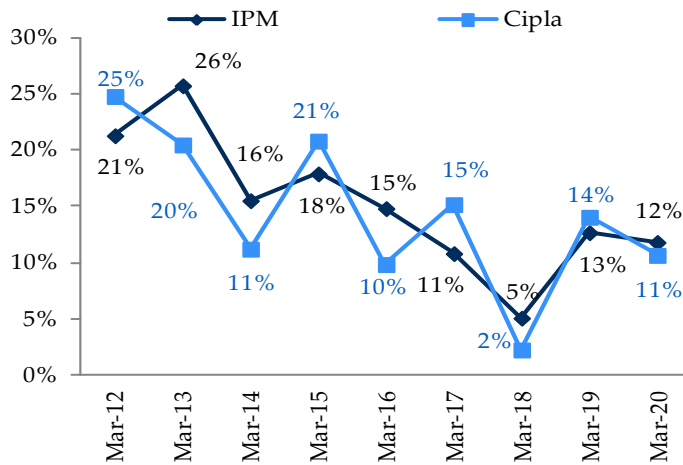
Exhibit 42: Top 10 molecules account for 45% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Market share	
			Lupin	IPM	FY16	FY20
Atorvastatin	Tonact, Tonact CP, Tonact-MP, Pulmistat	984	0.6%	0.0%	10.9%	11.2%
Sacubitril + Valsartan*	Cidmus	961	NA	NA	NA	36.2%
Ivabradine	Ivabrad	937	26.0%	23.4%	52.5%	56.9%
Rosuvastatin	Novastat, Lupin Rheza, Rezara	516	6.4%	11.7%	6.3%	5.2%
Nebivolol	Nebistar	461	11.7%	13.0%	23.7%	22.6%
Ramipril	Ramistar, Ramipril, Ramistar FDC	451	-2.9%	-2.9%	21.9%	21.9%
Aspirin + Clopidogrel	Clopitab-A	449	5.8%	3.1%	22.3%	24.7%
Clopidogrel	Clopitab, Clopi	406	0.8%	-3.6%	16.2%	19.4%
Atorvastatin + Fenofibrates	Tonact-TG	378	4.7%	2.6%	22.3%	24.2%
Rosuvastatin + Clopidogrel	Novastat CV	375	25.0%	32.4%	34.8%	27.6%

Source: HSIE Research, AIOCD AWACS, *in-licensed

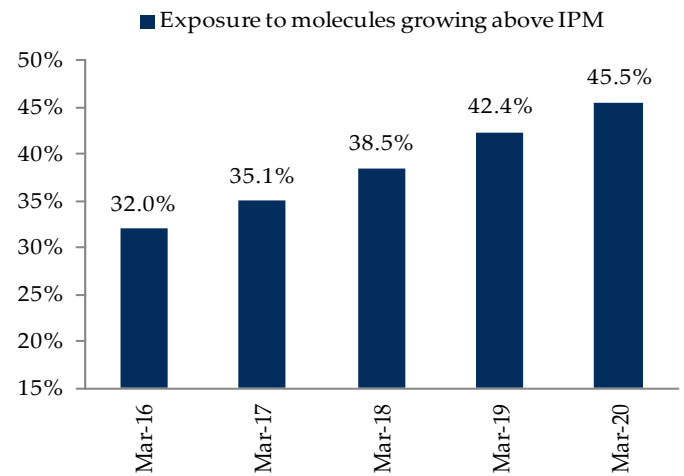
Cipla

Exhibit 43: Cipla has underperformed the IPM in 6 out of 9 years



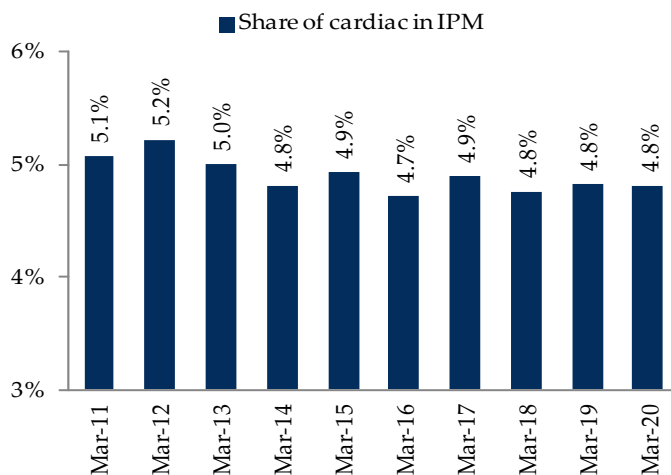
Source: HSIE Research, AIOCD AWACS

Exhibit 44: Revenues from molecules that are growing faster than the IPM is increasing



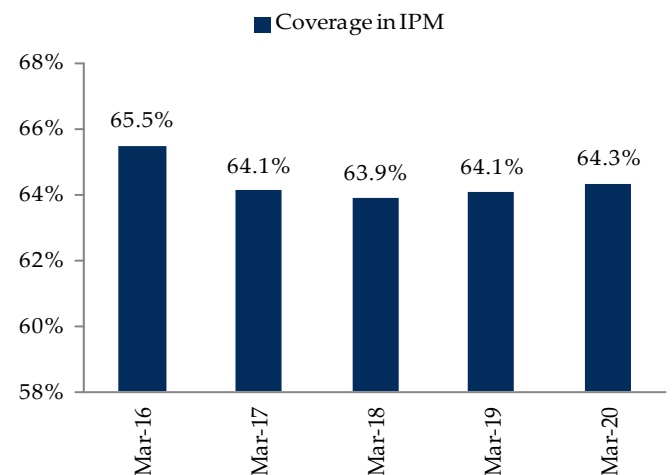
Source: HSIE Research, AIOCD AWACS

Exhibit 45: Market share has declined by ~25bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 46: Cipla's covered market remains high



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

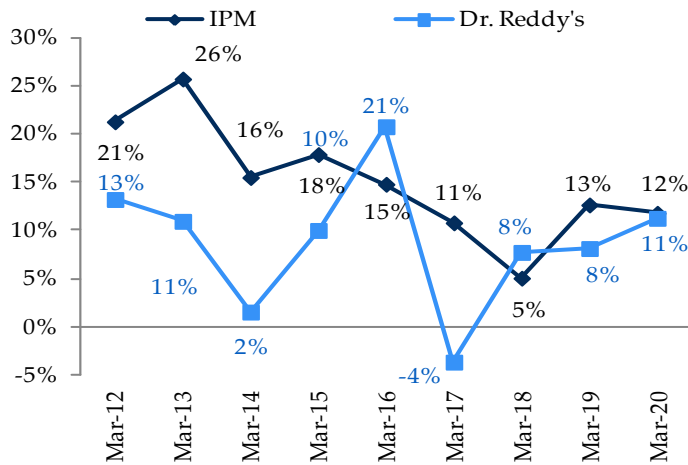
Exhibit 47: Top 10 molecules account for 65% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Market share	
			Cipla	IPM	FY16	FY20
Torsemide	Dytor	1,340	16.5%	14.6%	69.3%	73.9%
Spironolactone + Torsemide	Dytor Plus, Dytor Plus LS	712	23.4%	23.6%	78.4%	78.1%
Atenolol + Amlodipine	Amlapres AT, Amlip AT	645	2.7%	5.5%	13.7%	12.3%
Metoprolol	Metolar, Metolar XT	627	4.3%	4.7%	11.1%	10.9%
Enoxaparin	Enclex, Enfalist	541	8.3%	3.2%	8.6%	10.4%
Sacubitril + Valsartan*	Azmarda	454	NA	NA	NA	17.1%
Propranolol	Ciplar	415	11.6%	6.3%	31.9%	38.8%
Atorvastatin	Atorlip, Lipvas, Omnitor	399	-0.5%	0.0%	4.6%	4.5%
Telmisartan + Amlodipine	Cresar AM, Amlapres TL	315	22.1%	16.5%	4.3%	5.2%
Amlodipine	Amlopres, Amlip	249	-0.1%	2.5%	6.6%	6.0%

Source: HSIE Research, AIOCD AWACS, *in-licensed

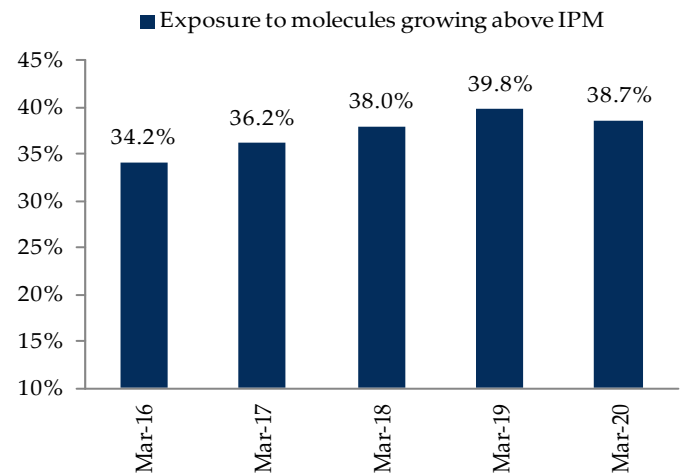
Dr. Reddy's

Exhibit 48: Dr. Reddy's has underperformed the IPM in 7 out of 9 years



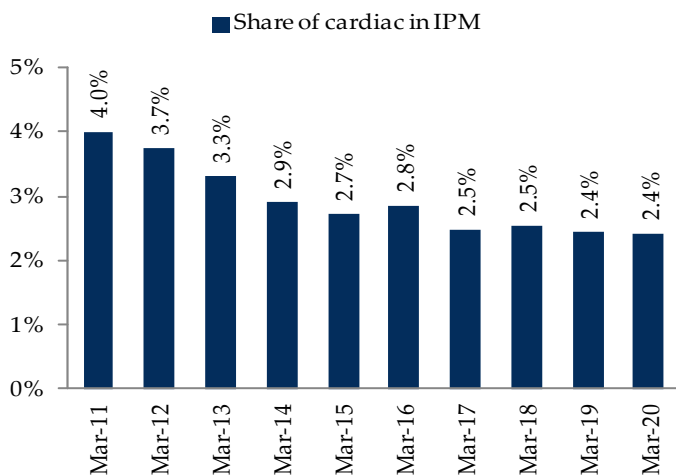
Source: HSIE Research, AIOCD AWACS

Exhibit 49: Revenues from molecules that are growing faster than the IPM has remained low



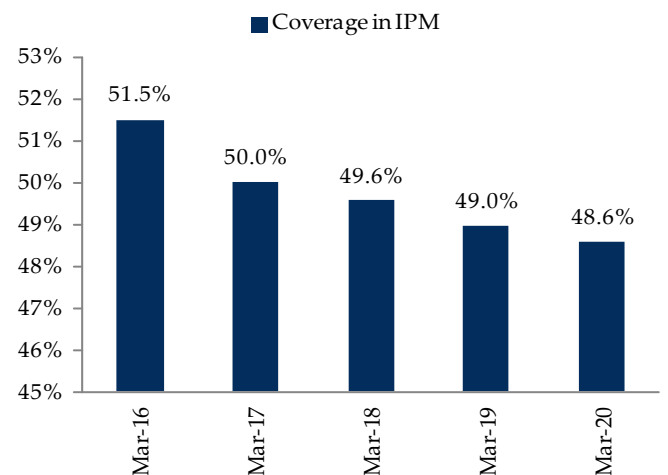
Source: HSIE Research, AIOCD AWACS

Exhibit 50: Market share has declined by >150bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 51: Dr. Reddy's covered market remains the lowest and has declined



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

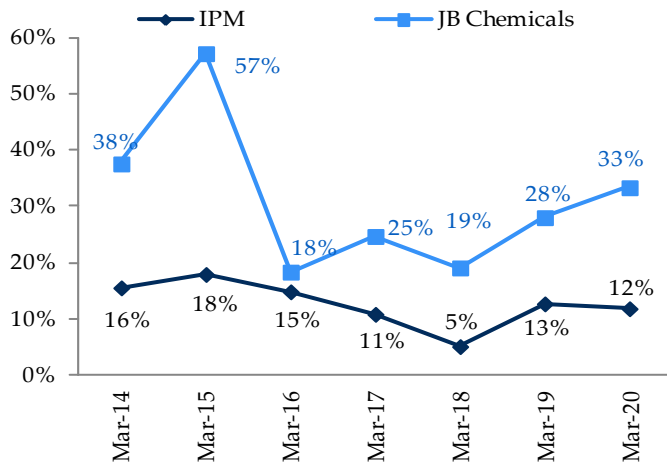
Exhibit 52: Top 10 molecules account for 83% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Mkt. share	
			Dr. Reddy's	IPM	FY16	FY20
Amlodipine	Stamlo, Stamlo M	904	6.5%	2.5%	18.5%	21.6%
Atenolol + Amlodipine	Stamlo Beta, Stamlo Beta M	601	5.0%	5.5%	11.7%	11.5%
Telmisartan + Amlodipine	Stamlo T, Telsartan AM	464	12.4%	16.5%	8.9%	7.7%
Atorvastatin	Atocor, Atocor Activ	459	0.7%	0.0%	5.1%	5.2%
Rosuvastatin	Rozat	360	13.9%	11.7%	3.4%	3.6%
Telmisartan	Telsartan, Telmisartan (Dr. Reddy's)	293	-3.2%	9.2%	5.7%	3.5%
Telmisartan + Hydrochlorothiazide	Telsartan H	229	-2.5%	9.8%	5.4%	3.4%
Fondaparinux	Fondared	151	13.7%	-0.2%	22.1%	37.3%
Olmesartan	Olsertain, Olsertain Active	127	13.7%	7.3%	3.0%	3.8%
Amlodipine + Hydrochlorothiazide	Stamlo D	111	14.0%	2.8%	18.7%	28.2%

Source: HSIE Research, AIOCD AWACS

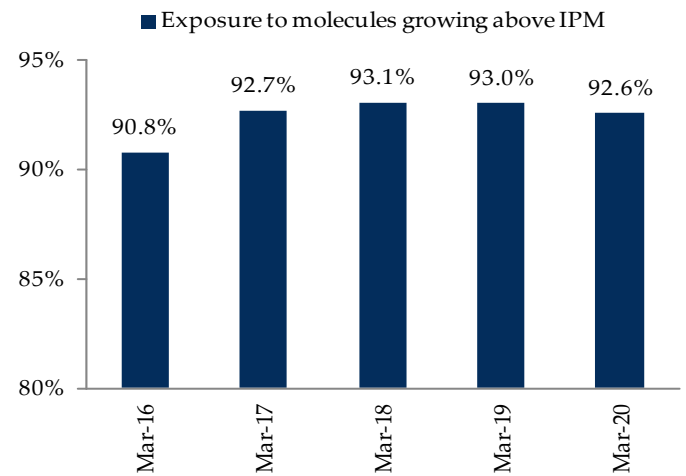
JB Chemicals

Exhibit 53: JB Chemicals has outperformed the IPM in all 7 years



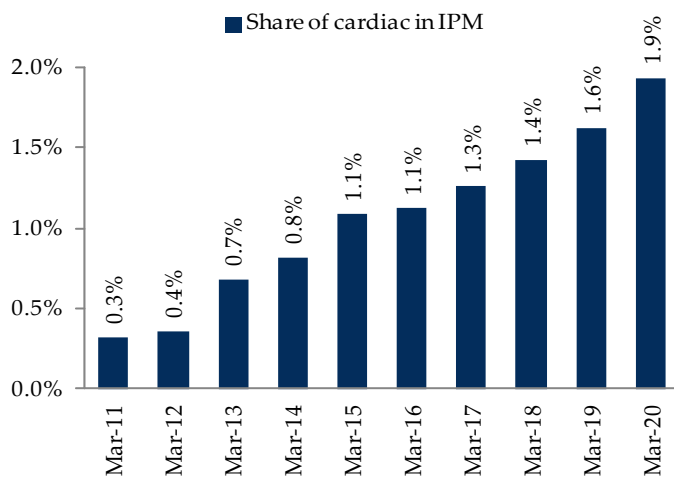
Source: HSIE Research, AIOCD AWACS

Exhibit 54: Revenues from molecules growing faster than IPM have remained high



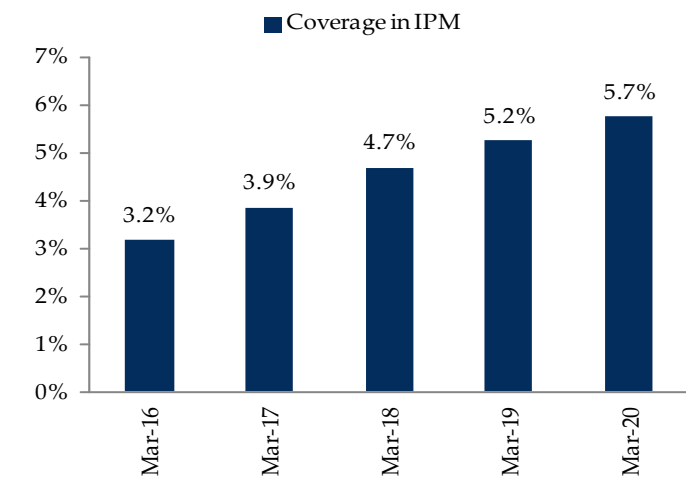
Source: HSIE Research, AIOCD AWACS

Exhibit 55: Market share has increased by more than 150bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 56: JB Chemical's covered market remains one of the lowest compared to its peers



Source: HSIE Research, AIOCD AWACS

Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

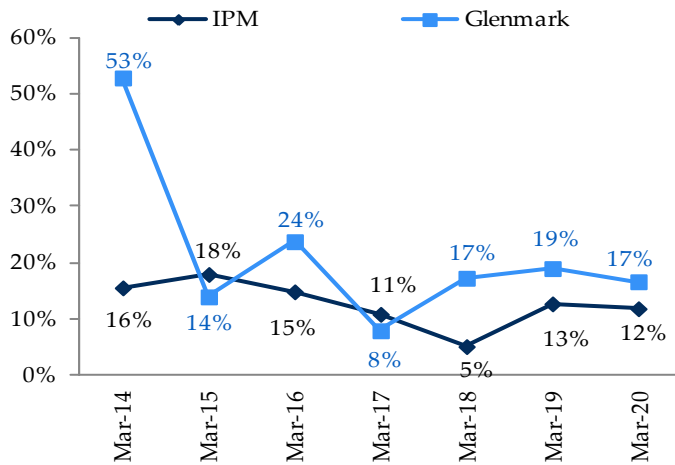
Exhibit 57: Top 10 molecules account for 99% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Mkt. share	
			JB Chemicals	IPM	FY16	FY20
Cilnidipine	Cilacar	1,707	24.0%	22.7%	40.6%	42.3%
Nifedipine	Nicardia	880	25.4%	19.6%	70.7%	85.6%
Cilnidipine + Telmisartan	Cilacar T	540	29.9%	32.8%	31.2%	28.6%
Cilnidipine + Metoprolol	Cilacar M	134	30.6%	28.2%	29.9%	32.2%
Telmisartan + Cilnidipine + Chlorthalidone	Cilacar TC	98	99.9%	52.4%	4.8%	14.3%
Atenolol + Nifedipine	Beta Nicardia	58	6.7%	-3.8%	33.9%	51.3%
Azilsartan	Myotan, Jbsartan	50	NA	NA	NA	7.4%
Cilnidipine + Chlorthalidone	Cilacar C	25	32.8%	28.3%	24.3%	27.9%
Azilsartan + Chlorthalidone	Myotan CT	23	NA	NA	NA	11.7%
Mannitol	Manogyl	14	-0.3%	8.2%	26.5%	19.1%

Source: HSIE Research, AIOCD AWACS

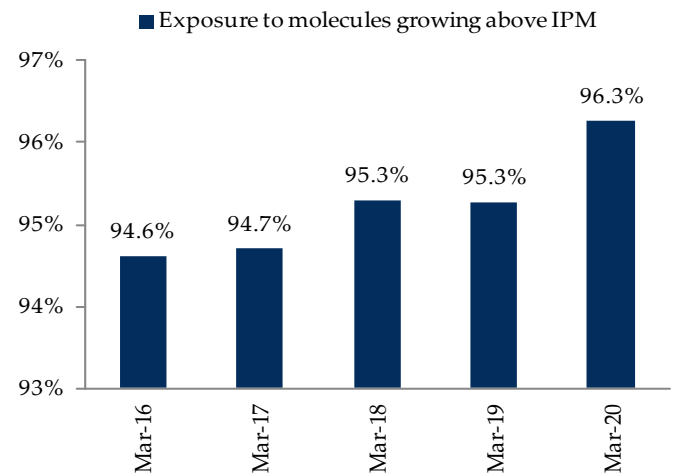
Glenmark Pharma

Exhibit 58: Glenmark has outperformed the IPM in 5 out of 7 years



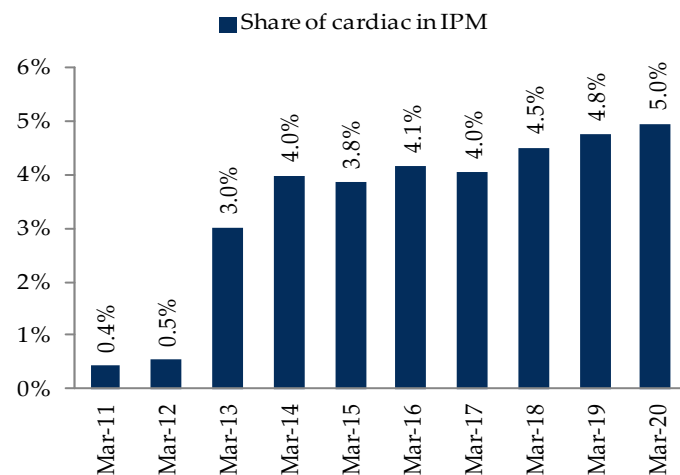
Source: HSIE Research, AIOCD AWACS

Exhibit 59: Revenues from molecules growing faster than the IPM have remained high



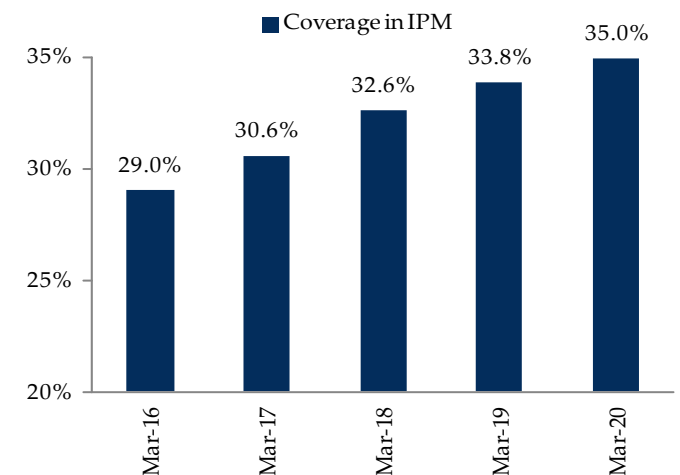
Source: HSIE Research, AIOCD AWACS

Exhibit 60: Market share has increased by ~200bps over the past 8 years



Source: HSIE Research, AIOCD AWACS

Exhibit 61: Glenmark's covered market remains low compared to its competitors



Source: HSIE Research, AIOCD AWACS;
Size threshold – sales above Rs30mn (IPM) and Rs10mn (company)

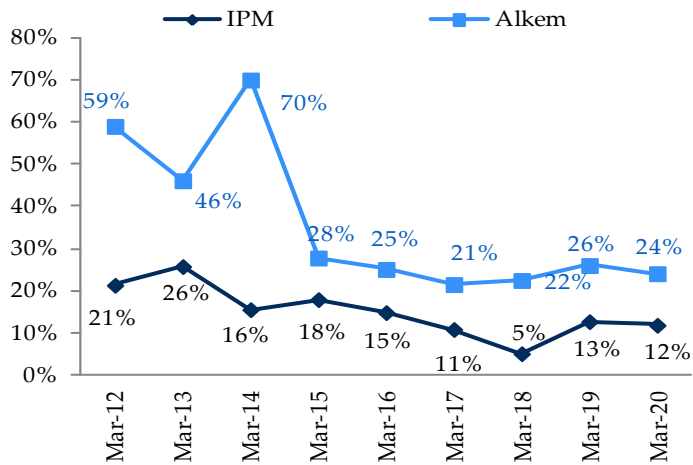
Exhibit 62: Top 10 molecules account for 93% of cardiac sales

Top 10 molecules	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Mkt. share	
			Glenmark	IPM	FY16	FY20
Telmisartan	Telma	2,915	12.9%	9.2%	30.7%	35.0%
Telmisartan + Hydrochlorothiazide	Telma H	2,253	13.0%	9.8%	29.6%	33.3%
Telmisartan + Amlodipine	Telma AM	1,392	16.8%	16.5%	22.9%	23.2%
Telmisartan + Chlorthalidone	Telma CT	444	34.0%	21.0%	8.9%	13.4%
Eplerenone	Eptus	337	13.7%	20.4%	56.8%	45.2%
Rosuvastatin	Razel	285	5.6%	11.7%	3.6%	2.9%
Telmisartan + Metoprolol	Telmaxx, Telma Beta	254	25.6%	22.2%	6.2%	6.9%
Telmisartan + Amlodipine + Hydrochlorothiazide	Telma AMH	198	22.9%	21.0%	8.6%	9.2%
Aspirin + Rosuvastatin + Clopidogrel	Razel Gold	182	174.5%	90.4%	1.5%	6.4%
Rosuvastatin + Fenofibrates	Razel F, Razel Forte F, Razel FX	161	4.7%	11.3%	7.5%	5.9%

Source: HSIE Research, AIOCD AWACS

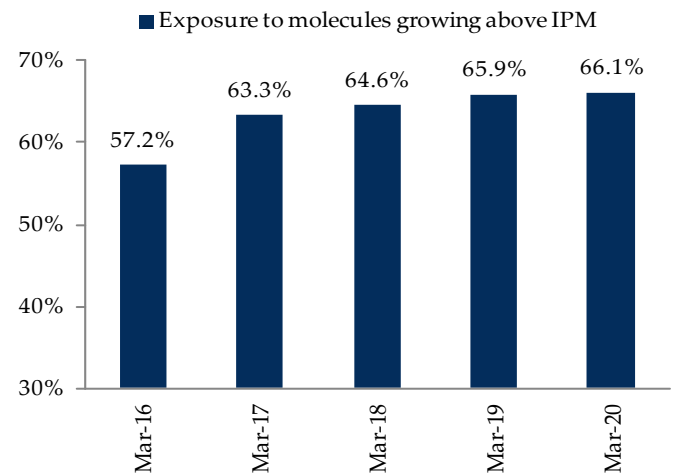
Alkem Labs

Exhibit 63: Alkem has outperformed the IPM in all the 9 years



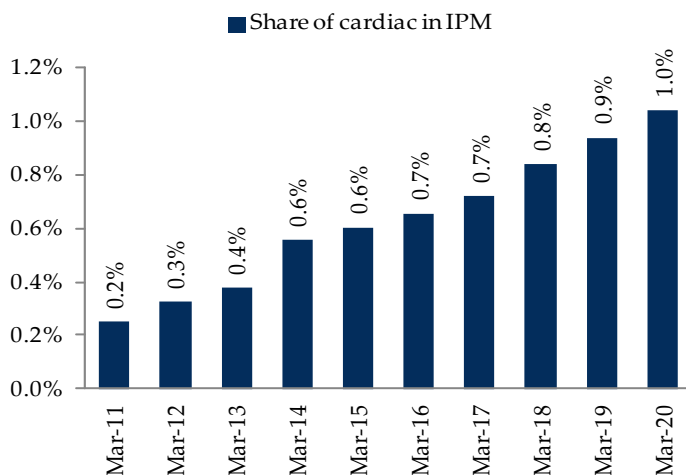
Source: HSIE Research, AIOCD AWACS

Exhibit 64: Revenues from molecules that are growing faster than the IPM is steadily increasing



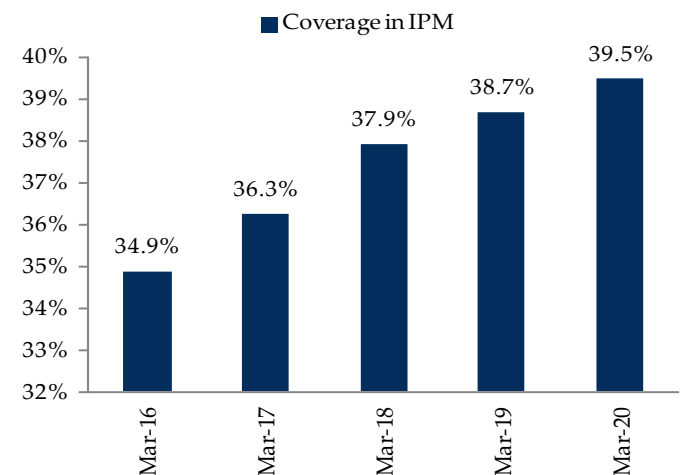
Source: HSIE Research, AIOCD AWACS

Exhibit 65: Market share has increased by ~80bps over last 10 years



Source: HSIE Research, AIOCD AWACS

Exhibit 66: Alkem's covered market remains low compared to its competitors



Source: HSIE Research, AIOCD AWACS; Note - molecule size threshold - Rs10mn at company level & Rs30mn at IPM level

Exhibit 67: Top 10 molecules account for 63% of cardiac sales

Top 10 molecules (Rs mn)	Brand Names	MAT Mar'20	Growth - 4yr CAGR		Mkt. share	
			Alkem	IPM	FY16	FY20
Olmesartan	Olkem	215	22.2%	7.3%	3.8%	6.5%
Olmesartan + Cilnidipine + Chlorthalidone	Olkem Trio	203	46.5%	37.3%	25.8%	33.4%
Rosuvastatin	Jupiros, Rosukem	161	17.3%	11.7%	1.3%	1.6%
Dabigatran	Dabicitlot	123	NA	30.1%	0.0%	10.0%
Telmisartan + Cilnidipine + Chlorthalidone	Tsart Trio	103	35.9%	52.4%	23.5%	14.9%
Telmisartan	Tsart, Tamica, Tsart Activ	86	5.3%	9.2%	1.2%	1.0%
Rosuvastatin + Aspirin	Jupiros-A, Rosukem-A	79	11.4%	21.1%	9.2%	6.6%
Propranolol + Flunarizine	Migrabeta Plus	79	22.1%	11.9%	15.1%	21.4%
Olmesartan + Chlorthalidone	Olkem CT	78	30.9%	15.8%	4.9%	8.1%
Olmesartan + Amlodipine	Olkem AM	75	19.9%	7.8%	3.9%	6.0%

Source: HSIE Research, AIOCD AWACS

Investment rationale and ratings

We maintain our BUY rating on Cipla, Lupin and Aurobindo and ADD rating on Dr. Reddy's, Sun, and Torrent.

We roll forward our target price to Sep 22 EPS (from Mar 22) and tweak our estimates by -2% to 1% for FY21/22 to factor lower USD/INR rate assumption of 74.

BUY ratings - Cipla (TP -Rs855, 23x Sep 22), Lupin (TP -Rs1,185, 23x Sep 22), Aurobindo (TP -Rs1,015, 16x Sep 22).

ADD ratings - Dr. Reddy's (TP -Rs5,375, 22x Sep 22), Sun Pharma (TP -Rs570, 22x Sep 22), Torrent (TP -Rs2,745, 16x Sep 22 EV/EBIDTA).

Exhibit 68: Revision in target price

Domestic cos	M.Cap (Rs bn)	CMP (Rs./ Sh)	RECO	Old TP	Revised TP	Target Multiple	Recurring EPS		
							21E	22E	23E
Aurobindo	471.2	803	BUY	980	1,015	16.0	57.2	61.0	66.0
Cipla^	624.6	773	BUY	805	855	23.0	28.8	33.5	38.4
Dr. Reddy's*	850.3	5,125	ADD	5,054	5,375	22.0	172.0	212.3	241.6
Lupin	455.4	1,005	BUY	980	1,185	23.0	28.7	44.9	58.3
Sun	1,223.4	510	ADD	535	570	22.0	19.6	24.1	27.5
Torrent#	455.7	2,699	ADD	2,605	2,745	16.0	72.2	88.9	106.4

Source: HSIE Research; *TP includes NPV of Rs 384/sh for gRevlimid, ^TP includes NPV of Rs30/sh for gAdvair, # TP based on EV/EBIDTA

Cipla (BUY)

Our Buy rating is premised on: a) US is likely to see improved traction on account of a ramp-up in gProventil (Perrigo's exit to aid) and limited competition launches. Respiratory pipeline and specialty assets adds longer term growth visibility; b) India business should outperform the market driven by continued traction in trade generics, Covid drugs portfolio and benefits of implementation of One-India strategy (double digit growth for three quarters, pre-COVID); c) ROCE is set to expand by ~400bps to 13% over the next three years driven by operating leverage (tight control on cost). We increase our TP to Rs855 as we roll forward to Sep 22 EPS. Our SOTP based target price includes NPV of Rs30/share for gAdvair. Maintain BUY.

Lupin (BUY)

Our Buy rating is premised on: a) recovery in US business led by ramp up in gProAir (Perrigo's exit to aid) and market share gains in Levothyroxine; b) India business to bounce back and grow ahead of the market (solid franchise, chronic skewed portfolio); c) operating leverage to aid margin expansion of ~600bps over FY20-23e. Resolution of key plants, litigation outcome on gSpiriva (FTF), and ramp up of bEnbrel in EU are the key catalysts in the near term. With monetization of key assets, resolution of key facilities and margin levers in place, the business is set to post strong earnings (PBT) growth of ~39% CAGR over FY20-23e. We increase our TP to Rs1,185 as we roll forward to Sep 22 EPS. Maintain BUY.

Aurobindo Pharma (BUY)

Our Buy rating is premised on: a) strong growth momentum in the US (ex injectables) to be driven by 50+ launches in the year; b) Improving pipeline in the US as the company targets complex /differentiated opportunities. The progress on this front is encouraging (one MDI inhaler filed in the US, depot/biosimilars filing starting 2HFY21/22); c) Strong FCF generation and comfortable leverage (Net D/E at 0.08x). On the regulatory front, desktop review and potential resolution of plants (Unit I, IX, VII - OAI status and Unit XI - warning letter) will be the key trigger in the near term. We increase our TP to Rs1,015 as we roll forward to Sep 22 EPS. Maintain BUY.

Dr. Reddy's (ADD)

Our Add rating is premised on: a) Improved visibility in the US business with the strong momentum of new launches (13 launches in YTD FY21) including niche ones such as gCiprodex (first to market). The dependence of gCopaxone and gNuvaring on FY22 earnings reduces with the new product flow, favourable ruling of gVascepa and settlement gRevlimid; b) API business (15% of revenues) is set to grow in double digit growth over the next few years driven by structural tailwinds; c) Operating leverage and tight control on costs will drive EBIDTA margin expansion of ~500bps over the next three years. Key near term triggers are: launch of gVascepa, approval of gCopaxone and gNuvaring. We increase our target price to Rs5,375 as we roll forward to Sep 22 EPS. Our SOTP based target price factors an NPV of Rs384/share for gRevlimid opportunity. Maintain ADD.

Sun Pharma (ADD)

Sun's outlook for US business remains muted driven by weak traction in specialty (impacted by Covid) and generics (Taro, price erosion). Ilumya's market share gains in US and non-US markets (Europe and Japan) will be keenly monitored as this will drive operating leverage and margins over the next three years. The costs pertaining to specialty business are largely expensed which would support the multiples in our view. In India, Sun ranks no. 1 with 8.2% market share with leadership position in key therapies. With strong brands and expansion in field force, we expect Sun to grow ahead of industry average in the near term. We increase our TP to Rs570 as we roll forward to Sep 22 EPS. Maintain ADD.

Torrent Pharma (ADD)

Torrent offers a solid India franchise with strong profitability. The portfolio is skewed towards chronic and is expected to grow ahead of the industry average. The outlook for US remains subdued due to OAI/WL status at Dahej and Indrad. Dahej plant resolution is the key trigger in the near term. Brazil business is expected to outperform market led by chronic focused portfolio. With superior growth prospects in branded markets, high return ratios we believe the premium valuations for Torrent are justified. We increase our TP to Rs2,745 as we roll forward to Sep 22 EBITDA. Our TP is based on target multiple of 16x EV/EBIDTA. Maintain ADD.

Exhibit 69: Peerset valuation

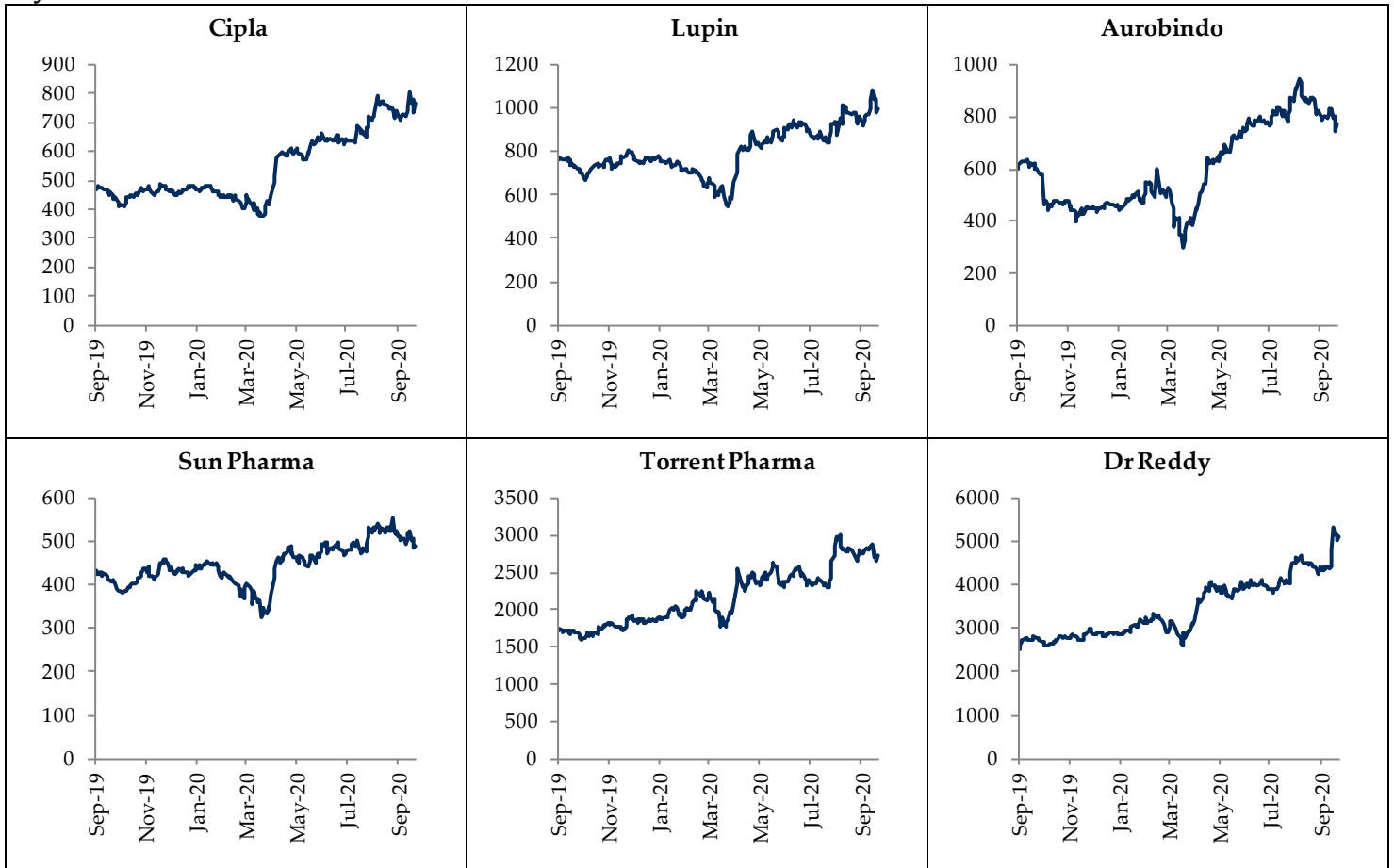
Domestic cos	M.Cap (Rs bn)	CMP (Rs./ Sh)	RECO	TP	EV/ EBIDTA (X)			ROE			PER(X)		
					21E	22E	23E	21E	22E	23E	21E	22E	23E
Aurobindo	469	800	BUY	1,015	8.8	7.9	6.8	16.7	15.3	14.3	14.0	13.2	12.2
Cipla	625	775	BUY	855	15.0	12.7	11.0	13.8	14.2	14.3	26.8	23.0	20.1
Dr. Reddy's	853	5,130	ADD	5,375	16.3	13.6	12.0	16.0	16.9	16.5	27.5	22.3	19.6
Lupin	457	1,009	BUY	1,185	17.5	12.8	10.5	9.6	13.4	12.5	34.7	22.2	17.1
Sun	1,224	510	ADD	570	15.7	13.2	11.4	3.2	11.7	11.8	26.1	21.1	18.5
Torrent	456	2,693	ADD	2,745	19.8	17.0	14.8	23.3	26.0	28.1	37.7	30.6	25.6
Alkem	332	2,775	NR	NA	18.4	16.7	14.6	20.8	19.8	19.5	24.8	22.1	18.6
Cadila	400	391	NR	NA	13.9	13.3	15.0	14.9	14.2	22.9	22.9	20.9	20.0
Glenmark	140	496	NR	NA	8.2	7.7	13.2	13.0	13.6	15.7	15.7	13.8	11.6
Ipca Labs	263	2,078	NR	NA	18.3	15.4	24.1	20.7	20.2	26.0	26.0	24.6	20.6
Eris LS	73	536	NR	NA	16.2	14.7	23.7	23.9	24.6	22.6	22.6	19.8	17.0

Source: HSIE Research, Bloomberg, price as on Sept 28, 2020

Glossary

- **ACE inhibitors** - A class of compounds that block the action of Angiotensin Converting Enzyme, thereby inhibiting the production of Angiotensin II, a potent blood vessel constrictor (vasoconstrictor). ACE inhibitors are often used as treatments for hypertension and congestive heart failure.
- **Antagonist** – A substance that has an affinity for a particular receptor and inhibits another agent from eliciting a response from that receptor.
- **Anti-aggregants** – Drugs used to prevent the clumping of blood platelets. Such products have proved useful in the treatment of several cardiovascular conditions.
- **Atherosclerosis** – A nodular hardening of the arteries associated with the build-up of fatty deposits, the formation of fibrous tissue and calcification
- **Angiotensin** - Compounds with profound blood vessel constricting (vasoconstrictive) activity, which are produced by the enzymatic action of renin on angiotensinogen.
- **ARBs/ Sartans** – Angiotensin-II Receptor Blockers prevent angiotensin's impact on blood vessels. Rather than lowering levels of angiotensin II (as ACE inhibitors do) ARBs prevent this chemical from having any effect on the heart and blood vessels. This keeps blood pressure from rising.
- **Beta-blockers** - A group of compounds that block the stimulus of beta-adrenergic receptors. Actions include a slowing of the force and rate of heart contractions. They are often used in the treatment of hypertension and anxiety.
- **Calcium antagonists or Calcium channel blockers** - A class of compounds that act by inhibition of the passage of Calcium ions into muscle cells, which causes relaxation of the muscle. They are often used as treatments for hypertension and angina.
- **Diuretics or water-pills** - Causes the body to rid itself of excess fluids and sodium through urination.
- **Fibrinolytics** – The breakdown of fibrin by a chemical reaction known as hydrolysis. In therapeutic terms, this is carried out with products known as fibrinolytics.
- **Monotherapy** – The treatment of a condition with only one product.
- **Platelet** - An irregularly shaped structure found in the peripheral blood containing granules and cytoplasm but with no definite nucleus, which is involved in the blood clotting process.
- **Statins** - A colloquial collective name for HMG Co-enzyme A reductase inhibitors, which are frequently used to reduce cholesterol levels.
- **Thrombosis** - The formation or presence of a blood clot (thrombus) within blood vessels, which may cause infarction (death) of the tissues supplied by that vessel.
- **Vasoconstriction** – The narrowing of the blood vessels, usually leading to an increase in blood pressure.

1yr Price Movement



Rating Criteria

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

Thematic reports by HSIE



Cement: WHRS - A key cog in the flywheel



Autos: Where are we on "S" curve?



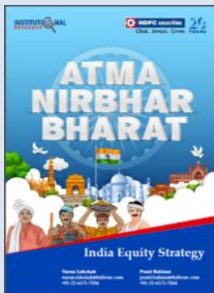
FMCG: Defensive businesses but not valuations



Autos: A changed landscape



Banks: Double whammy for some



India Equity Strategy: Atma Nirbhar Bharat



Indian IT: Demand recovery in sight



Life Insurance: Recovery may be swift with protection driving margins



Retail: Whole flywheel is broken?



Appliances: Looming beyond near-term disruption



Pharma: Chronic therapy - A portfolio prescription



Indian Gas: Looking beyond the pandemic



India Equity Strategy: Quarterly flipbook



Real Estate: Ripe for consumption



Indian IT: expanding centre of gravity



Indian Chemical: Evolution to revolution!



Life Insurance: ULIP vs MF



Infrastructure: On the road to re-rating



Cement: Spotting the sweet spot

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