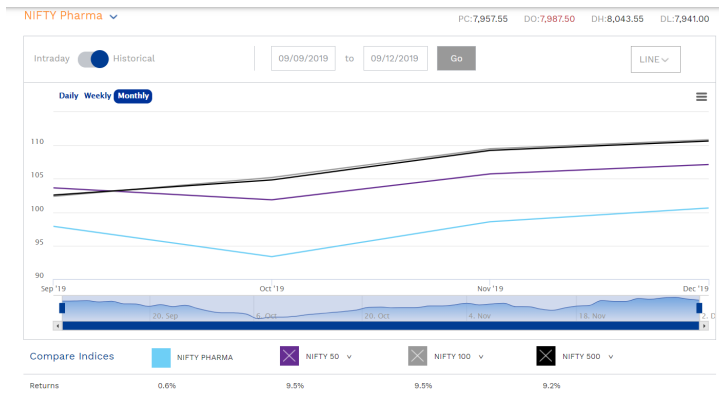


Pharma Index Shows Lower performance Than Broader NSE Indices

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In the Last Quarter of 2019



The sentiment and news on the subject of the sales and growth rates in Indian pharma sector has been uniformly good over last several months. The latest data bears out the veracity of this trend. In fact, November has been the best month in more than 32 months, shows the AIOCD Awacs data,

Sales rose 14% year-on-year (y-o-y) in the month, led by an increase in anti-infective and respiratory therapies, according to data from market research firm AIOCD Awacs.

These encouraging fundamentals do not seem to be translating into robustness in the pharma stock performance though. A quick comparison on the NSE Pharma Index with its broader indices (Source: www.niftyindices.com) shows the picture quite clearly - over last 90 days, the returns shown by Pharma Index are languishing at a mere 0.6% where the broader indices show a return of 9.5%.

At the onset of 2019, the outlook for pharma was marked by investor enthusiasm, with most of the expected growth markers already factored in the stock prices in the first quarter. This enthusiasm has not lasted till the end of the year. According to Mr. Purvesh Shelatkar, Head – Institutional Broking at Monarch Network Capital Ltd., the reasons for the current pharma index underperformance are many:

- The US FDA has been quite active in respect of inspections this year.
- There has been a steady controversial news flowing in respect of many major pharma companies, thereby dampening the investor sentiment.
- The FIIL inflows in the market have ensured a certain amount of buoyancy in the overall market, while the resulting steadiness in INR has meant scant additional currency-related bonanza for exporters, including pharma exporters.

Wither 2020?

The overall pharma/ biotech industry is expected to continue to do very well with growing exports out of India. However, with a slew of policy changes underfoot on the drug pricing front in the US as well as in other parts of the world, notably China, it would be interesting to watch how it affects the fortunes of the pharma industry in India and for its investors!