



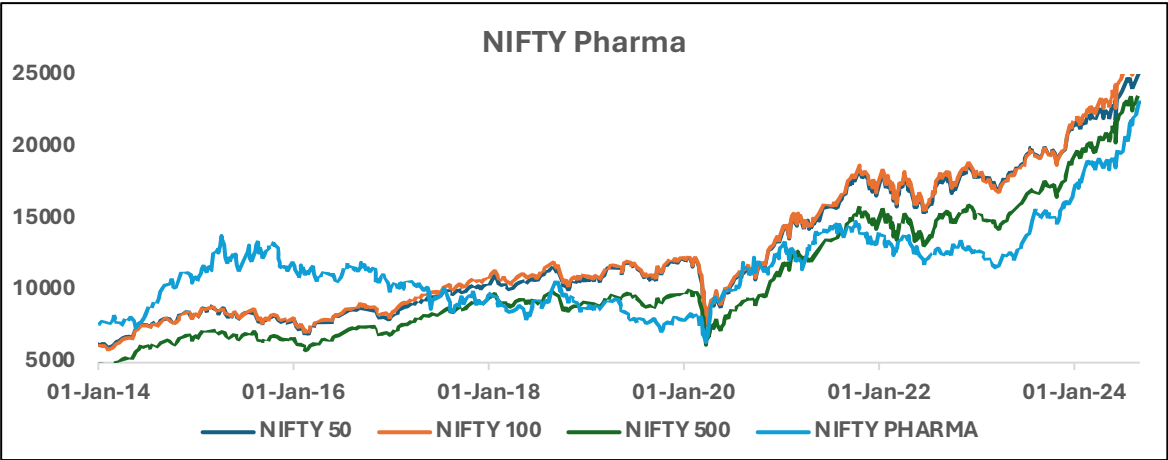
Sector Report – Healthcare & Pharmaceuticals

SYLVA INVESTMENTS



Sector Overview

The Indian healthcare & pharmaceutical sector is a global powerhouse, ranking 3rd in volume and 14th in value, with the market expected to grow from USD 42 billion in 2020 to USD 120-130 billion by 2030. Dominated by generics, which account for 20% of global supply, India's pharma industry is driven by strong domestic demand, rising from increasing income levels and a growing burden of chronic diseases. The country is also a major supplier of Active Pharmaceutical Ingredients (APIs), contributing over 50% of the global demand for various vaccines.

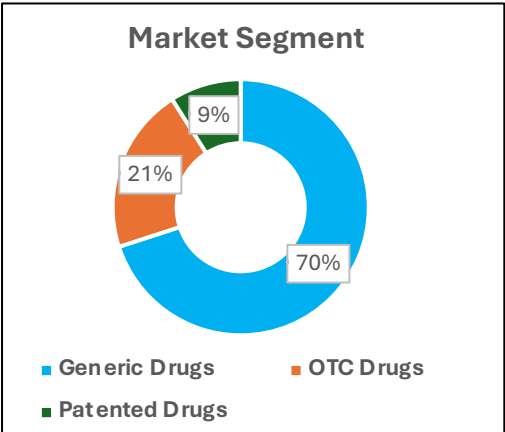


However, challenges such as dependency on API imports from China, pricing pressures, and stringent regulatory hurdles in key markets like the U.S. remain significant. Despite these challenges, ongoing government initiatives and the growth of the biopharmaceutical and OTC segments position India for sustained long-term growth in the global pharmaceutical landscape.

Market

The Indian pharmaceutical sector, valued at approximately \$65 billion in 2024, is a critical component of the global healthcare ecosystem. It is projected to grow at a CAGR of 22.4%

Key growth drivers include rising incidences of chronic and stress-related diseases and increased health insurance penetration. The industry is also supported by significant government initiatives, like the PLI Scheme, which bolstered production with a \$2 trillion investment over five years. Exports are a crucial component, with the sector exporting \$1,834 billion in 2022, 34% of which went to the U.S.





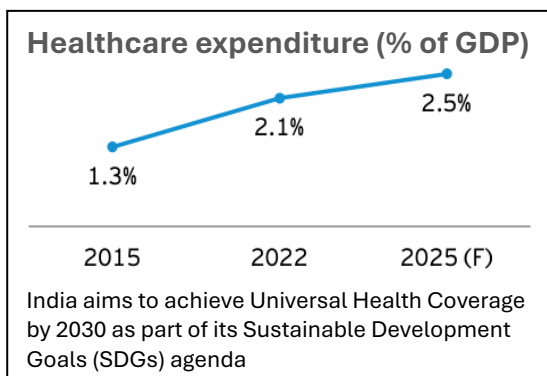
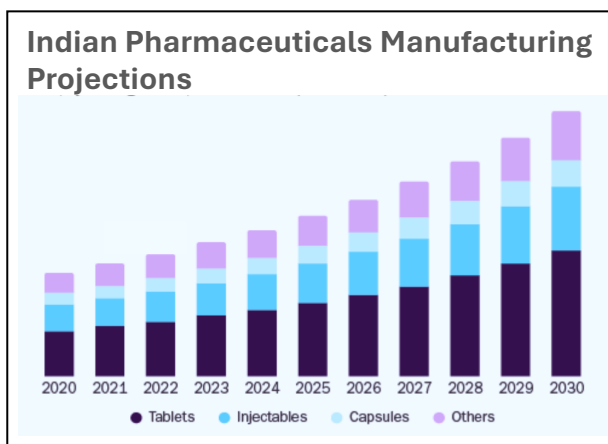
Sector Financials

The sector exhibits a relatively low P/E and P/B ratio compared to broader markets, indicating potentially undervalued opportunities. With a healthy debt-to-equity ratio of 0.16, the sector faces minimal debt repayment obligations, enabling substantial reinvestment capacity. While ROE and ROA are modest, the sector's growth outlook remains positive, supported by ongoing capital expenditure plans. Operating profit margins are stable at 15.44%, reflecting consistent operational efficiency.

P/E Ratio	P/B Ratio	D/E Ratio	ROE (%)	ROA (%)	EV/EBITDA	OPM (%)
37.82	6.15	0.16	11.38	7.8	21.53	15.44

Prospects

- **Digital Records:** In Sept 2021, Govt launched Under Ayushman Bharat Digital Health Mission. Its goal is to create a health account with a digital ID with easy access to medical records. So far close to 23cr health accounts have been created.
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- **PLI Scheme:** Increase in production of primary products to lower reliance on imports, enhancing manufacturing capabilities & exports.
- **Growth in Biotech startups:** Indian Biotech industry valued at \$70bn in 2020 & expected to grow to \$150bn by 2025; ~600+ core biotechnology companies, ~2700+ biotech start-ups & 100+ biotech incubators. Biosimilar market expected to reach \$35bn by 2030.



- **Healthcare Expenditure:** The increase in healthcare spending will drive demand for pharmaceutical products as healthcare services expand, chronic diseases rise, and both public and private sectors invest more in health infrastructure. Combined with India's role as a global hub for affordable generics, these factors position the Indian pharma sector for substantial growth in the coming years.



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Drug sales	R&D	Increasing fatal diseases
Licensing of patents	Distribution	Health insurance permeation
Insurance premiums	Promotion/ Marketing	Growing stress- related diseases

Investment Risks

- **Domestic Regulations:** The Indian pharma industry is heavily regulated by bodies such as the Central Drugs Standard Control Organization (CDSCO). Regulatory changes or tighter norms can impact the sector’s profitability.
- **International Regulations:** A significant portion of Indian pharmaceutical companies' revenue comes from exports, especially to the U.S. and Europe. Adverse actions by international regulatory bodies like the U.S. FDA can affect drug approvals and sales.
- **Patent Expiry and Competition:** Many Indian pharma companies produce generic drugs, meaning they are dependent on the patent expiration of branded drugs. Once the patent expires, multiple manufacturers may launch generic versions, leading to fierce competition and shrinking margins.
- **Dependence on API Imports:** India imports a significant amount of Active Pharmaceutical Ingredients (APIs) from countries like China. Supply chain disruptions, geopolitical tensions, or increased costs can severely impact production and profitability.