

Pharma sector in India is expected to grow ~14% CAGR for the next decade riding on rising income, improved medical infrastructure, and expanding patient segments. As mentioned in our previous research, world's largest growth in pharma will take place in emerging markets with India being at the forefront. Pharma stocks should form part of a good portfolio, find below the top companies for investment in this sector –

1. **Sun Pharma:** Primary focus on domestic markets and USA. Focus on high margin chronic therapies. Company is virtually debt free and has good consistent profit growth of 28.15% over 5 years
2. **Cipla:** Strong brand presence in the domestic market with focus across all major therapies. Company is debt free and has sales growth of 17.1% CAGR since last 10 years. A highly consistent performer.
3. **Divis:** A high end CRAMS (Contract Research and Manufacturing Services) player. Company has reduced debt and is now virtually debt free. It has a good return on equity (ROE) track record 27.23% since last 3 years.
4. **Suven:** It is one of the fastest growing companies in pharma sector. It has shown consistent profit growth of 75.74% over 5 years. Suven Life Sciences boasts of expertise and performance par excellence in drug discovery research - 666 product patents have been granted to the Company from regulatory authorities across the globe. It has tie-ups with more than 22 pharmaceutical global giants.
5. **Aurobindo Pharma:** A company whose profits are growing at 42.04% CAGR for last 10 years is a rare feat, it has grown itself from a low margin API player to a high margin formulations player.

RECOMMENDATION: These are the top performing high beta stocks and those investors who wish to take direct exposure to equity may buy these stocks near their technical support levels.

TECHNICALS:

SUN PHARMA – CMP 871.5

Sun Pharma has formed a bullish wedge as shown by the two blue lines in the chart. The wedge forms a top at 872 and a breakout above this top of 872 could take it to new highs. Immediate target on breakout is 1000. A failure to break above this triangle may cause it to drop near its support levels of 820 - 800.

800 is a crucial support for Sun Pharma, below which the stock may fall up to next support levels of 745 and then 660.

RECOMMENDATION: Investors may either buy just on the breakout above 872, or if it fails to go above 872 then wait for it to drop near 820-800 range before buying with a stop-loss of 790.



CIPLA – CMP 658.5

Cipla is sharply trending upwards and its closest support is at 610. Next major support is at 580 below which the trend will reverse to downtrend and the stock may fall to its next support level of 520. Cipla has medium term targets of 750 and 850 for the current rally.

RECOMMENDATION: Buy on dip near 610 and hold with a stop-loss of 580.



DIVIS – CMP 1721

Divis is in a strong uptrend and is moving in an upward channel (as shown in the chart by two parallel blue lines). It is currently trading near its channel support at 1700. A bounce from this level may take it to 2000, and a breach of support may take it down to 1600, its next support. Indicators are also showing that it is oversold.

RECOMMENDATION: Buy near CMP 1721 with a stop-loss of 1690.



SUVEN – CMP 222.9

Suven Life Sciences has just broken out of a bullish wedge pattern (as shown in the chart by two blue lines) indicating more upside up to 280. It has immediate support at 220 and if it is broken, it may drop near to its next support level of 200. A break further below 200 will change its direction to downtrend.

RECOMMENDATION: Buy either near the CMP 222.9, or if it breaks below then 220 then wait for it to drop near 200 before buying with a stop-loss of 185.



AUROBINDO PHARMA – CMP 1001.9

It is in a clear uptrend and has support levels at 1000 and 950. Moving averages are indicating a strong uptrend. If it doesn't breach 900, Auro Pharma may reach 1150 in the current rally.

RECOMMENDATION: Wait for a drop near 950 and buy in staggered manner between 950-900 with a stop-loss of 885.



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