

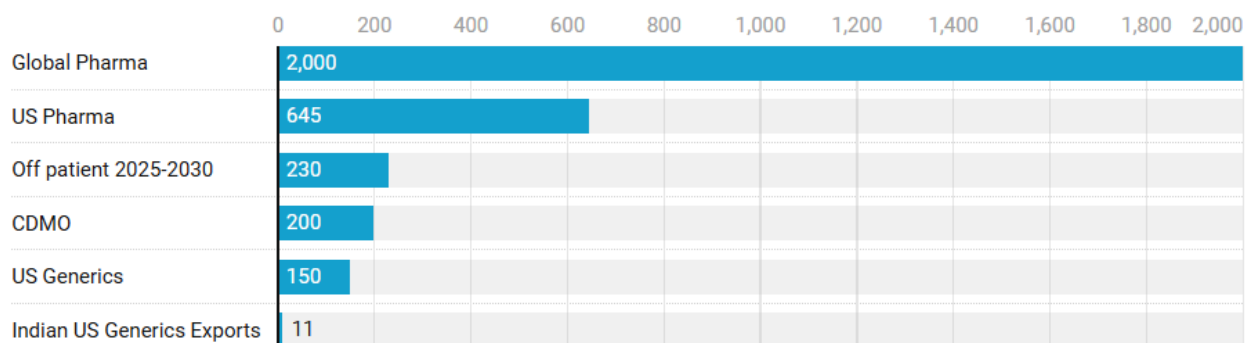
Valcreate Life Sciences note Aug 2026

Why Life Sciences

Why is it that the BSE Healthcare index has given a 14X return in the last 20 years v/s Sensex returns of 6.5X. The reason is pure innovation. As pharma companies have evolved into becoming global leaders in generics and now complex generics, their sales, balance sheets and market capitalizations have expanded at a brisk rate. Take for example Sun Pharma, a company which has been a pioneer in India for chronic disease pharma products segment, launched highly complex generics including complex delivery systems since 2010 and later acquired Taro, establishing itself as a leader in some of the US generic dermatology products. Now Sun Pharma has entered speciality medicines and is already seeing around 22% of its sales from these products. Another company Divis Labs latched on to contract research and manufacturing for innovators. It established itself as a leader in APIs, became a high quality supplier and market leader of APIs in the US and used its non compete approach to become one of the most reliable partners with global innovators in their entire research and manufacturing value chain. Most of these companies have become multibaggers over the years creating massive wealth for investors.

Evidence of this lies in the size of the pharma industry globally as the global medicine spending today is touching 2 trillion \$ v/s 1.1 trillion \$ in 2016. In the US, India has close to 40% share of all generics prescriptions. Today the Indian pharma industry is 60bn\$ in size, half of which is exports and has grown at a CAGR of 10%.

Pharma market segments (billion USD)



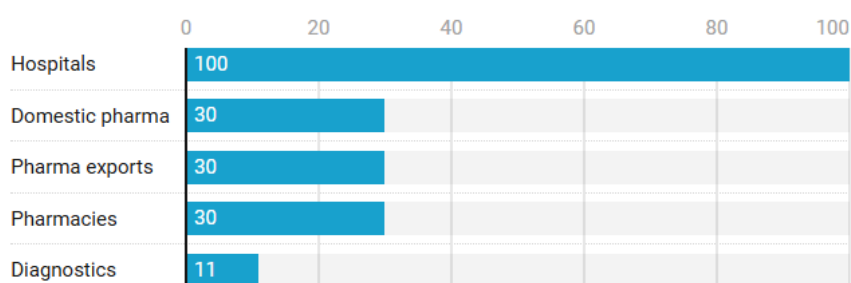
Why small cap pharma companies are better bets today

While the large companies continue to thrive with larger opportunities and new segments such as biosimilars, GLP-1 and multiple such opportunities, the smaller and midsized companies have just begun a similar journey as the larger companies had 20

years ago. Many of these companies are on the cusp of the same growth that companies like Sun Pharma, Lupin, Divis and others had in the late 2000s and are touted to be large caps of the future. These companies are now growing between 20-50% p.a. in terms of sales whereas profits are growing much faster. Many of these companies have market capitalizations between Rs.1,000cr. to Rs.30,000 cr. making them either small caps or even micro caps. (As per AMFI, small caps start below 33000cr. market cap). Target segments for these companies are small molecules, biosimilars, cell & gene therapies, RNA & nucleic acid, antibody drug conjugates and emerging therapies such as oncology (440bn\$ market growing at 15% p.a.) and obesity growing at 25% p.a. Further, smaller companies have a strong play in emerging areas of women's healthcare, obesity medicines (e.g. launch of GLP-1 in India), CVS, CNS and oncology in India. CDMO (200bn\$ industry globally) is another area which is growing fast for Indian companies due to China plus one and Indian quality research and manufacturing. The US generics industry is likely to see 230bn\$ of drugs going off patent between 2025 to 2030 opening up huge supply opportunities for smaller Indian companies.

There are other segments such as hospitals (100bn\$ size growing at 10% p.a.), diagnostics (11bn\$ growing at 12% p.a.) and pharmacies (30bn\$ growing at 10% p.a.). Some of the companies here are also growing at 15% organically and with a regular expansion in their infrastructure, some of these companies are able to grow faster than 20-25%. Given India's growing per capita income, increasing health insurance penetration, ageing population, increasing awareness and availability of medical infrastructure, these segments would keep growing at a fast pace. Indian healthcare penetration is barely 2% of GDP speaks volumes of the growth available. There are other innovative companies across the country in the intermediates value chain of pharma and agrochemicals which are also available to tap.

Indian healthcare market segments (billion USD)



Valcreate's Life Sciences track record has been impressive

The Life Sciences portfolio of Valcreate has had a long history of performance. In 2020, during peak COVID pandemic, this portfolio was no.1 portfolio by returns in the 1 year category across more than 250 PMSs and retained this pole position for 7 months (as per PMS Bazaar). Since inception in 2019, 10 cr. invested in this portfolio is close to Rs.40 cr. (till Aug 2026). In the same period the broader market would have this barely doubled. Risk adjusted returns are even better.

Valcreate has a high pedigree fund manager

Valcreate portfolio is managed by its founder & CIO who has 30 years investment experience and 20 years of experience in covering healthcare stocks. He has a strong institutional track record (HDFC, HDFC MF and L&TMF) as analyst and fund manager and launched this firm in 2018 with the objective of offering this specialised expertise to investors.

Some of the key success factors of Valcreate through the years have been its strong processes. Valcreate has access to institutional research, companies and networks built by its fund management team over the years. Further, the founder brings to the table understanding of international companies and interactions with global FPI investors which give a global edge in analysing these stocks.