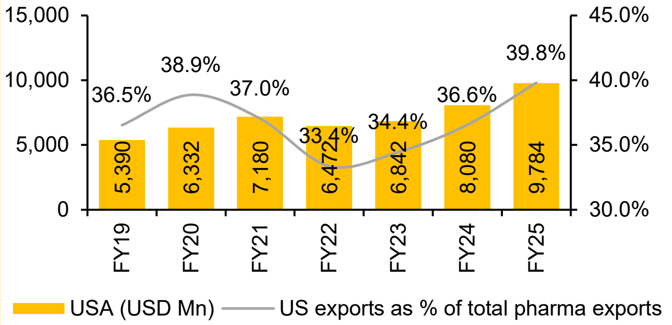
Event Update

Indian Pharma in Focus: Assessing Risks and Opportunities Amid US Tariffs

Sector View: Positive

India's Exports to the US (USD Mn)



Source: tradestat, Choice Institutional Equities

Branded Pharma Faces Tariff Pressure, Generics Safe

With the US imposing a 100% tariff on imported branded and patented drugs, Indian exporters of branded generics face strategic recalibration. We believe pure-play generic companies such as AJP, ALKEM, GRAN, and MRKS are largely insulated due to their product mix, while firms with both generic and branded portfolios — SUNP, DRRD, CIPLA, ZYDUSLIF, and LPC — face moderate revenue and margin risk, mitigated by existing US manufacturing operations. ***SENORES, generating all US revenue through its local plant, remains fully exempt*** and structurally advantaged. Overall, ***the immediate impact is limited***, but companies with significant branded exposure may need to consider US capacity expansion or alternative market diversification (including through inorganic expansions).

What Has Happened?

- **US Tariff Escalation Creates a Structural Shift for Branded Exporters**

The United States has imposed a 100% tariff on imported branded and patented pharmaceutical products effective October 2025, with exemptions only for companies manufacturing locally. Unbranded generics - which dominate India's export basket - remain outside the immediate scope, but ambiguity persists around complex generics, Biosimilars, and CDMO products. This development forces branded generic exporters to consider either establishing US manufacturing capacity or rerouting sales to alternative geographies.

- **China Duty Removal Offers a Counterbalance and Realignment Opportunity**

China's recent removal of its 30% import duty on Indian pharmaceutical products presents a timely offset. While the US remains India's most critical pharma market, the policy divergence between its protectionist stance and China's accommodative approach is likely to influence capital allocation decisions. Companies with existing flexibility or strategic intent in China — particularly GRAN, CIPLA, and GNP — are positioned to benefit from this policy tailwind.

US Exposure and Tariff Sensitivity Across Coverage Companies

Company Name	Tariff Impact	US Revenue Exposure (Q1 FY26)	US Branded Generics	US Unbranded Generics	US Mfg Plant(s)	Comment/View
AJP	Low	24%	×	✓	0	Strong US generic presence shields it from tariffs; poised to maintain steady revenue from unbranded products.
ALKEM	Low	21%	✓	✓	1	Limited US exposure reduces direct risk; branded portfolio small, so impact is minimal.
CIPLA	Moderate	28%	✓	✓	4	Branded and complex generics create moderate exposure, though existing US plants provide operational resilience.
CONCORD	Low	NA	NA	NA	0	Primarily generic/CDMO-focused; negligible risk from US tariff.
DIVI	Moderate	14%	NA	NA	0	API/CDMO-centric; low tariff sensitivity due to absence of branded product exports.
DRRD	High	40%	✓	✓	3	Significant U.S. branded exposure, but US facilities mitigate tariff risk; may need minor portfolio adjustments.
GNP	Moderate	24%	✓	✓	1	Moderate US exposure; potential pressure on branded segment, though generic operations provide some insulation.
GRAN	Moderate	77%	✓	✓	2	Predominantly generics-focused; well-positioned to absorb tariff impact with minimal revenue disruption.
IPCA	Low	8%	×	✓	1	Balanced generic portfolio; moderate exposure.
LAURUS	Low	14%	NA	NA	0	US generics and CDMO presence cushions the company; tariff impact expected to be minimal.
LPC	Moderate	39%	✓	✓	1	Branded portfolio exposure in the US introduces moderate risk, but existing plants provide operational flexibility.
MRKS	Low	53%	×	✓	1	Small-to-moderate US exposure; mostly generics-focused, limiting tariff vulnerability.
PIRPHARM	Moderate	36%	✓	✓	3	Balanced product mix; some branded exposure but insulated by generics and global operations.
SENORES	Low	69%	✓	✓	1	Fully US facility based revenue; completely exempt from tariffs.
SUNP	High	31%	✓	✓	4	Large US presence across branded and generics; tariff introduces moderate margin pressure, partially mitigated by local manufacturing.
ZYDUSLIF	Moderate	49%	✓	✓	Plans to acquire 2 facilities	Branded exposure exists but partially mitigated by generics and manufacturing footprint; limited near-term impact.

Source: Company, Choice Institutional Equities

Senores Pharma_Initiating Coverage

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BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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