

Q1FY26 Quarterly Results Preview

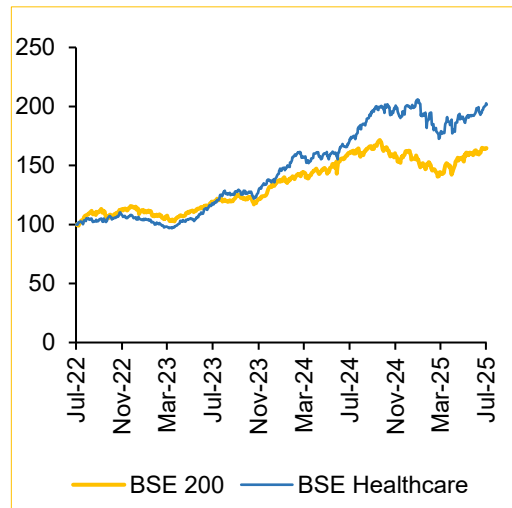
Pharmaceuticals

Sector View: **POSITIVE**

Recommendation			
Company	CMP (INR)	TP (INR)	Rated
Ajanta Pharma	2,623	3,180	Buy
Alkem Labs	4,810	4,108	Sell
Cipla	1,491	1,445	Reduce
Concord Biotech	1,822	2,120	Buy
Divi's Labs	6,987	7,275	Buy
Dr. Reddy's Lab	1,269	1,269	Add
Glenmark Pharmaceuticals	1,818	1,670	Buy
Granules India	480	640	Buy
IPCA Labs	1,458	1,350	Reduce
Laurus Labs	792	750	Buy
Lupin Ltd.	1,914	2,270	Add
Marksans Pharma	259	315	Buy
Piramal Pharma	201	235	Add
Sun Pharma	1,666	1,825	Add
Zydus Lifesciences	978	795	Sell

*CMP as on 9th July 2025

Rebased Price Chart



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Pharmaceutical companies under our coverage are **expected to report healthy revenue growth**, averaging 11.9% YoY, driven by new product launches—particularly in the US—along with continued traction in the EU and Emerging Markets, and sustained outperformance vs. the IPM in the domestic market. **We expect EBITDA to grow** 14.3% YoY on average, supported by high-margin launches, improved product mix, favorable raw material pricing, and operational efficiencies across most companies.

Trump's latest announcement of pharma tariffs potentially reaching as high as 200% by next year may trigger short-term panic. **However, with India's ongoing efforts to negotiate a broader deal with the US and considering the US's high dependence on India for generics, we remain confident in our earlier stance that steep tariffs on the sector are unlikely.** Accordingly, we maintain our Positive view on the sector. [Click here to read our in-depth view on the tariff.](#)

Segment-Wise Outlook

Generics and Branded Generics

- **India:** Therapies such as **Antidiabetic, Cardiac, and Oncology** are expected to outpace overall IPM (Indian Pharmaceutical Market) growth. Additionally, the **growing Nutraceuticals** segment (DRRD) and **new launches** like Glempa (GLP) are likely to act as incremental growth drivers.
- **United States:** We believe the US business will continue to face headwinds, primarily due to **challenges around gRevlimid** and a limited number of high-margin launches. However, contributions from products like **Tolvaptan (LPC)** are expected to partially offset the impact.
- **EU & Emerging Markets:** Growth is likely to remain steady as companies **continue to gain market share** driven by cost-competitive generics, robust distribution networks, product innovation, and sustained momentum from new launches.

APIs

API prices have corrected sharply in India, easing cost pressures. While US erosion persists, **we believe a focus on high-value oncology APIs** and increased backward integration should support margins.

CDMO

The CDMO space continues to witness healthy order inflows, a **trend we expect to sustain** given the strong manufacturing capabilities and capacity expansions being undertaken by companies.

Biosimilars

Companies like GLP, LPC, and DRRD are stepping up their presence in the Biosimilars through strategic collaborations, dedicated R&D, and a focus on affordable biologics.

High Conviction Investment Ideas

We continue to remain **positive on Marksans Pharma** and expect the company to deliver strong growth in Q1FY26E.

Company (INR Mn)	Sales		EBITDA		EBITDA Margin		PAT		Key Assumptions
	Q1	YoY(%)	Q1	YoY(%)	Q1	YoY(bps)	Q1	YoY(%)	
	FY26E		FY26E		FY26E		FY26E		
Ajanta Pharma	11,863	3.6	3,381	2.3	28.5	(35)	2,543	3.5	<p>We expect Ajanta Pharma to report a modest 3.6% YoY revenue growth in Q1, driven by continued traction in India and the US, partially offset by a flattish branded generic business due to a slowdown in Africa branded. EBITDA and PAT are likely to grow in line with revenue, with margins remaining stable.</p> <p>To watch for: FY26 commentary on launch pipeline for the US market.</p>
Alkem Labs	32,641	7.7	5,941	(2.4)	18.2	(188)	5,126	(6.0)	<p>We expect Alkem to grow 7.7% YoY, driven by mid-single digit growth across regions. EBITDA and PAT, however, are expected to decline due to increased operating expenses with new acquisitions, with margins likely to contract 188bps YoY.</p> <p>To watch for: Management commentary on operational leverage from Adroit Biomed and its support to margins.</p>
Cipla	72,184	7.8	17,324	1.0	24.0	(163)	12,213	3.7	<p>We forecast 7.8% YoY revenue growth, led by strong traction in One Africa and moderate growth across other regions. We expect EBITDA to remain flat due to higher R&D spends, with margins contracting 163bps YoY; however, PAT is expected to grow 3.7% YoY.</p> <p>To watch for: FY26 commentary on new biosimilar launches and Advair launch.</p>
Concord Biotech	2,588	19.9	1,009	24.2	39.0	134	754	26.6	<p>We believe Concord will see 19.9% YoY growth, driven by strong traction in formulations. EBITDA and PAT are expected to grow in line with revenue, with margins likely improving by 134bps YoY.</p> <p>To watch for: Update on Limbasi and injectables facility scale-up, which is expected to drive near-term margin expansion.</p>
Divi's Labs	24,221	14.4	8,235	32.4	34.0	463	5,933	38.0	<p>We expect Divi's to report 14.4% YoY revenue growth, supported by mid-teens growth across segments. With improved operating leverage and lower material costs, we expect EBITDA to grow 32.4% YoY with a margin expansion of 463bps YoY. PAT is expected to grow in line with EBITDA.</p> <p>To watch for: FY26 commentary on Kakinada facility scale-up progress.</p>

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	FY26E		FY26E		FY26E		FY26E		
Dr. Reddy's Lab	88,633	15.2	23,665	11.1	26.7	(98)	15,791	13.4	<p>We expect revenue for the company to grow 15.2% YoY, led by strong growth in Europe, followed by emerging markets. EBITDA and PAT are likely to grow in line with revenue, with a margin contraction of 97bps YoY.</p> <p>To watch for: An update on the scale-up of NRT and Nutraceuticals portfolio along with GLP-1 launch timeline.</p>
Glenmark Pharmaceuticals	35,570	9.6	6,581	11.9	18.5	37	3,842	12.9	<p>We forecast 9.6% YoY revenue growth, driven by new launches such as Glempa and Tevimbra. EBITDA and PAT are likely to grow in line with revenue, with margins expected to remain flat YoY.</p> <p>To watch for: Management update on Monroe facility clearance and cost optimization at IGI likely.</p>
Granules India	12,409	5.2	2,507	(3.3)	20.2	(177)	1,233	(8.4)	<p>We expect Granules' revenue to grow 5.2% YoY, driven by improved growth in the FD segment, though PFI may witness some decline. We believe EBITDA will decline due to higher remediation expenses at the Gagillapur facility, with margins contracting 177bps YoY.</p> <p>To watch for: Update on clearance status for Gagillapur facility and scale-up of the Genome Valley plant.</p>
IPCA Labs	23,421	11.9	4,614	17.5	19.7	93	2,355	22.5	<p>We expect revenue to grow 11.9% YoY, driven by mid- to high-single digit growth across regions. EBITDA and PAT are expected to see stronger growth, aided by cost reductions in line with management guidance, with EBITDA margins likely seeing minimal expansion.</p> <p>To watch for: Management commentary on outlook for Formulations and API segments amid easing headwinds.</p>
Laurus Labs	15,465	29.4	3,325	94.2	21.5	717	1,287	915.3	<p>We project 29.4% YoY revenue growth, led by a recovery in the formulation and synthesis segments. EBITDA will likely grow 94% YoY, driven by improved operational efficiencies compared to last year, with ~700bps margin expansion. We believe PAT growth will outpace EBITDA on account of a low base in the previous year.</p> <p>To watch for: FY26 outlook on CDMO order book update and Laurus Bio performance.</p>

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	FY26E		FY26E		FY26E		FY26E		
Lupin Ltd.	61,551	9.9	14,157	14.1	23.0	84	8,766	9.4	<p>We forecast Lupin’s revenue to grow 9.9% YoY, supported by continued traction in the US, aided by the Tolvaptan launch. EBITDA is likely to improve on the back of lower material costs, with PAT expected to grow in line with revenue.</p> <p>To watch for: Management commentary on legal update for Mirabegron and ramp-up of Tolvaptan.</p>
Marksans Pharma	7,140	20.9	1,406	9.5	19.7	(205)	988	10.9	<p>We believe Marksans will post healthy 20.9% YoY revenue growth, driven by continued traction in the US and Europe. EBITDA and PAT are expected to grow ~10% YoY, though margins may see a temporary dip of 205bps due to scale-up at the Teva facility.</p> <p>To watch for: Update on Teva facility scale-up and the acquisition of a UK-based marketing company.</p>
Piramal Pharma	21,475	10.1	2,147	5.0	10.0	(48)	(314)	NA	<p>We expect 10% YoY revenue growth with EBITDA growth broadly in line and margins remaining flat. However, due to a higher tax rate, the company is expected to post a loss.</p> <p>To watch for: FY26 commentary on CDMO order flow and launch of new power brands in ICH.</p>
Sun Pharma	1,36,014	7.5	39,309	9.0	28.9	39	28,745	1.4	<p>We forecast 7.5% YoY revenue growth for the company, driven by continued outperformance in India and new launches in the US, partially offset by a decline in gRevlimid sales. EBITDA is expected to grow in line with revenue, while PAT may remain flat due to normalised tax rates.</p> <p>To watch for: Update on development pipeline and any margin improvement commentary for FY26.</p>
Zydus Lifesciences	63,616	5.2	18,216	(12.6)	27.8	(577)	11,963	(15.7)	<p>We believe Zydus will post moderate revenue growth of 5.2% YoY, impacted by reduced gRevlimid sales. However, EBITDA and PAT are expected to decline due to lower market share of Asacol and higher R&D expenses, with EBITDA margins contracting 577bps YoY.</p> <p>To watch for: Market share expansion in Asacol and new launch pipeline.</p>

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Large Cap*	
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

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