# Pharma and Healthcare

## Q1 to see strong India, muted US, margin pressure

**The India Pharma and Healthcare sector is expected to see revenue growth led by M&A and India growth, but EBITDA margins are expected to decline YoY due to cost escalation (input and freight). We project sales/EBITDA growth of 14%/7% YoY for our coverage universe (ex-Torrent + JB sales/EBITDA growth at 12%/5% YoY). Our assumptions are: (1) Pharma coverage to see 13% YoY sales growth, driven by 17% YoY increase in the India business (ex-Torrent + JB growth at 13% YoY). This is expected to be offset by muted US formulations (+1% QoQ and -6% YoY) on the back of pricing pressures in the base business and absence of gRevlimid sales (Dr Reddy's, Zydus, Sun Pharma, and Aurobindo), which will be partly offset by steady traction in key products (gSpiriva - Lupin, gJynarque – Lupin, gMyrbetriq – Zydus and Lupin), new launches, and volume growth (steady shortages in the US). (2) Indian CRDMOs to see a mixed bag of revenue growth. (3) EBITDA margins for the pharma segment are expected to come down (-178bps YoY), with increase in input cost (gross margin to correction of ~52 bps YoY), price erosion in the US, absence of gRevlimid, steady R&D, and higher SG&A (freight was cost up 10% YoY and +51% QoQ). (4) The hospital business is projected to grow by 17% YoY, driven by steady occupancy, ARPOB growth, and bed capacity addition. We expect EBITDA margins to be steady for Apollo Hospital (due to reduced spending on Apollo 24/7) and Aster DM (improving performance in Kerala and Karnataka cluster), while Max Healthcare (integration of low-margin acquired hospitals and new beds) may see a flattish margin. (5) The diagnostics segment is expected to post 15% YoY sales growth, driven by volume increases leading to margin expansion. (6) Strong growth visibility in retail pharmacy business with 20% YoY growth expected for Medplus and Apollo HealthCo. However, decline in private label sales for Medplus and wage hike impact (in Karnataka and Telangana) may severely impact margins. Overall, we expect strong performances from Aurobindo, Eris, Mankind, Sai Life, Laurus, Apollo Hospitals, and Metropolis, while Dr Reddy's, Zydus Life, Anthem Bio, and Medplus may post muted results.**

- **US business to be muted QoQ:** The US generics market is likely to be muted QoQ due to absence of gRevlimid and pricing pressures. This is expected to be partly offset by traction in key products gJynarque (Lupin), gMyrbetriq (for Lupin and Zydus), and specialty scale-up (Sun Pharma).
- **India coverage growth expected at 17% YoY vs IPM's at ~12%:** Indian pharma market (IPM) saw growth of 12% in Apr/May'26 (as per IQVIA), led by strong 15% growth in the chronic and ~10% growth in the acute segment for the same period. We expect our coverage universe to see 17% YoY growth in India business (ex-Torrent + JB, growth to be at 13% YoY), led by traction in specialty portfolio (Sun Pharma, Zydus) and chronic (Sun, Torrent).
- **Healthcare coverage to see remain steady:** Hospital companies with a focus on case/payor-mix have seen ARPOB growth, steady occupancy, and bed capacity addition to drive growth. Retail pharmacy to see strong sales growth but margin impact due to lower private label sales and wage hike impact. Diagnostics will see 15% growth on steady volume growth and improved realization: operating leverage to help margin expansion.
- **Margins under pressure:** We expect pharma segment margins to remain under pressure, as increase in input costs, pricing pressures in the US business, absence of gRevlimid, steady R&D, and higher SG&A (freight was cost up 10% YoY and +51% QoQ) are likely to impact margins this quarter. The CRDMO business is expected to sustain their margins.

| YE March | Rec. | TP (INR/share) |
|---|---|---|
| **Pharma** | | |
| Alkem | ADD | 6,230 |
| Aurobindo | ADD | 1,630 |
| Dr. Reddy's | REDUCE | 1,250 |
| Eris Life | BUY | 1,730 |
| IPCA | BUY | 1,770 |
| Lupin | ADD | 2,530 |
| Mankind | ADD | 2,750 |
| Sun Pharma | BUY | 2,120 |
| Torrent Pharma | ADD | 4,720 |
| Zydus Life | ADD | 1,140 |
| Divi'S Lab | BUY | 7,870 |
| Sai Lifesciences | BUY | 1,280 |
| Piramal Pharma | BUY | 220 |
| Laurus Labs | REDUCE | 1,130 |
| **Healthcare** | | |
| Apollo Hospitals | BUY | 9,680 |
| Max Healthcare | ADD | 1,140 |
| Aster DM Healthcare | ADD | 750 |
| Medplus | BUY | 1,100 |
| Dr Lal Path labs | BUY | 1,720 |
| Metropolis | ADD | 600 |

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## Exhibit 1: HSIE estimates snapshot

| Companies (INR mn) | Revenues | | | EBITDA | | | EBITDA Margin % | | | Adjusted Net Profit | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1FY27E | YoY gr. | QoQ gr. | Q1FY27E | YoY gr. | QoQ gr. | Q1FY27E | YoY bps | QoQ bps | Q1FY27E | YoY gr. | QoQ gr. |
| Alkem Labs | 38,479 | 14% | 7% | 8,196 | 11% | 58% | 21.3 | (62) | 694 | 5,778 | -12% | 82% |
| Aurobindo | 89,761 | 14% | 1% | 18,491 | 15% | 3% | 20.6 | 22 | 26 | 9,640 | 17% | 1% |
| Dr. Reddy's | 80,065 | -7% | 6% | 12,410 | -43% | 63% | 15.5 | (986) | 543 | 6,525 | -54% | 124% |
| Eris Lifesciences | 8,587 | 11% | 14% | 3,074 | 11% | 12% | 35.8 | 0 | (36) | 1,524 | 29% | 16% |
| IPCA | 25,204 | 9% | 6% | 4,789 | 13% | -2% | 19.0 | 61 | (152) | 2,730 | 13% | -6% |
| Lupin | 80,600 | 29% | 8% | 21,278 | 30% | -2% | 26.4 | 21 | (265) | 13,098 | 14% | -6% |
| Mankind | 39,780 | 11% | 16% | 10,223 | 21% | 10% | 25.7 | 198 | (131) | 5,952 | 36% | 3% |
| Sun Pharma | 153,642 | 11% | 5% | 43,327 | 6% | 23% | 28.2 | (120) | 406 | 30,036 | 9% | 32% |
| Torrent Pharma | 47,993 | 51% | 14% | 15,262 | 46% | 13% | 31.8 | (115) | (51) | 5,794 | -3% | 33% |
| Zydus Life | 77,439 | 18% | 2% | 18,818 | -8% | -3% | 24.3 | (671) | (139) | 10,510 | -26% | -5% |
| Divis Labs | 26,983 | 12% | -5% | 8,311 | 14% | -11% | 30.8 | 55 | (219) | 5,942 | 15% | -13% |
| Piramal Pharma | 21,093 | 9% | -23% | 1,287 | 21% | -72% | 6.1 | 58 | (1,064) | (1,129) | 10% | -168% |
| Sai Lifesciences | 5,932 | 19% | -1% | 1,554 | 29% | -12% | 26.2 | 184 | (312) | 824 | 36% | -21% |
| Anthem Biosciences | 4,327 | -20% | -29% | 1,588 | -17% | -41% | 36.7 | 125 | (704) | 1,034 | -13% | -45% |
| Laurus Labs | 18,112 | 15% | 0% | 4,673 | 22% | -11% | 25.8 | 145 | (317) | 2,116 | 30% | -27% |
| **Pharma Total** | **717,997** | **13%** | **4%** | **173,281** | **6%** | **7%** | **24.1** | **(177)** | **77** | **100,375** | **-3%** | **9%** |
| **Hospitals** | | | | | | | | | | | | |
| Apollo Hospital | 69,415 | 19% | 5% | 10,450 | 23% | 3% | 15.1 | 47 | (25) | 5,510 | 27% | 4% |
| Aster DM | 12,657 | 17% | 7% | 2,488 | 20% | 7% | 19.7 | 42 | (1) | 1,283 | 45% | -8% |
| Max Healthcare^ | 27,357 | 11% | 8% | 7,044 | 13% | 3% | 25.7 | 30 | (109) | 4,059 | 7% | 9% |
| **Hospitals Total** | **109,428** | **17%** | **6%** | **19,982** | **19%** | **4%** | **18.3** | **29** | **(38)** | **10,853** | **21%** | **4%** |
| **Diagnostic** | | | | | | | | | | | | |
| DLPL | 7,628 | 14% | 9% | 2,197 | 14% | 18% | 28.8 | 9 | 222 | 1,502 | 13% | 14% |
| Metropolis | 4,468 | 16% | 5% | 1,131 | 26% | 5% | 25.3 | 205 | (13) | 559 | 24% | 10% |
| **Diagnostic Total** | **12,096** | **15%** | **7%** | **3,327** | **18%** | **13%** | **27.5** | **79** | **136** | **2,061** | **16%** | **13%** |
| **Retail Pharmacy** | | | | | | | | | | | | |
| MedPlus | 18,510 | 20% | -1% | 1,203 | -8% | -29% | 6.5 | (197) | (257) | 204 | -52% | -68% |
| **Coverage total** | **858,031** | **14%** | **4%** | **197,793** | **7%** | **7%** | **23.1** | **(152)** | **56** | **113,493** | **-1%** | **8%** |

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs, ^ Max Healthcare financial includes partnered healthcare facilities, Torrent Pharma excluding JB Chemical revenue and EBITDA growth at 14%, with EBITDA margin of 33%.

## Exhibit 2: HSIE estimates for Q1FY27E – Pharma coverage…

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| **Alkem Labs** | | | | | | |
| Revenue | 33,711 | 36,033 | 38,479 | 14% | 7% | Sales growth led by ~12% growth in India formulation business, 2% QoQ growth in the US (+5% YoY), and ~25% growth in international business (ex-US). Gross margin and EBITDA margin remain under pressure due to cost escalation (higher input and freight costs). |
| EBITDA | 7,391 | 5,174 | 8,196 | 11% | 58% | |
| EBITDA margin % | 21.9% | 14.4% | 21.3% | -63 bps | 695 bps | |
| PAT | 6,531 | 3,167 | 5,778 | -12% | 82% | |
| EPS (INR/sh) | 54.6 | 26.5 | 48.3 | -12% | 82% | |
| **Aurobindo Pharma** | | | | | | |
| Revenue | 78,681 | 88,533 | 89,761 | 14% | 1% | US business to remain flat QoQ with moderation in injectable business, no gRevlimid sales, partly offset by steady growth in the OSD sales QoQ. Europe to sustain strong growth momentum. Absence of gRevlimid and other costs escalation (higher input and freight costs) to keep margin under check. |
| EBITDA | 16,034 | 18,009 | 18,491 | 15% | 3% | |
| EBITDA margin % | 20.4% | 20.3% | 20.6% | 23 bps | 26 bps | |
| PAT | 8,250 | 9,556 | 9,640 | 17% | 1% | |
| EPS (INR/sh) | 14.3 | 16.6 | 16.8 | 17% | 1% | |
| **Dr Reddy's Lab** | | | | | | |
| Revenue | 85,721 | 75,464 | 80,065 | -7% | 6% | US business to be flat QoQ (adjusted for SSA impact of gRevlimid sales) due to price and market share erosion in the base business. India to see 15-16% YoY growth and EU business to grow 15% YoY. We expect gross margin to decline on price erosion in key products, higher input costs, and absence of gRevlimid sales. Other cost escalation (like freight cost) leading to lower EBITDA margin. |
| EBITDA | 21,736 | 7,600 | 12,410 | -43% | 63% | |
| EBITDA margin % | 25.4% | 10.1% | 15.5% | -986 bps | 543 bps | |
| PAT | 14,181 | 2,908 | 6,525 | -54% | 124% | |
| EPS (INR/sh) | 17.0 | 3.5 | 7.8 | -54% | 124% | |
| **Eris Life** | | | | | | |
| Revenue | 7,730 | 7,566 | 8,587 | 11% | 14% | We expect India formulation business to see 12% YoY growth on traction in key chronic therapies, Semaglutide launch in India, and steady insulin business; Swiss Parentrals business to see some pressure due to lower RoW demand. Lower gross margin expansion offset by cost controls leading flat EBITDA margins. |
| EBITDA | 2,767 | 2,736 | 3,074 | 11% | 12% | |
| EBITDA margin % | 35.8% | 36.2% | 35.8% | 1 bps | -36 bps | |
| PAT | 1,180 | 1,316 | 1,524 | 29% | 16% | |
| EPS (INR/sh) | 8.5 | 9.5 | 11.0 | 29% | 16% | |
| **IPCA Labs** | | | | | | |
| Revenue | 23,089 | 23,885 | 25,204 | 9% | 6% | We assume India formulation business to see 12% YoY growth, export formulation to grow 11% YoY and API business growth at 8% YoY. We assume ~6% YoY growth in Unichem sales (including Bayshore). Gross margin to remain flat due to higher input costs. However, steady other costs support EBITDA margin. |
| EBITDA | 4,246 | 4,902 | 4,789 | 13% | -2% | |
| EBITDA margin % | 18.4% | 20.5% | 19.0% | 62 bps | -153 bps | |
| PAT | 2,414 | 2,912 | 2,730 | 13% | -6% | |
| EPS (INR/sh) | 9.5 | 11.5 | 10.8 | 13% | -6% | |
| **Lupin** | | | | | | |
| Revenue | 62,683 | 74,747 | 80,600 | 29% | 8% | US business to see sustain steady traction from its key products like Tolvaptan, gSpiriva, gMyrbetriq, and new launches which are partly offset by price erosion leading to flattish QoQ growth. India business to see growth of 13% YoY growth. EBITDA margin is expected to improve on back of higher gross margin (+77 bps YoY) which will partly offset other cost escalation (like freight cost) and royalty fee related to gMyrbetriq sales leading to flattish margin. |
| EBITDA | 16,414 | 21,711 | 21,278 | 30% | -2% | |
| EBITDA margin % | 26.2% | 29.0% | 26.4% | 22 bps | -265 bps | |
| PAT | 11,449 | 13,878 | 13,098 | 14% | -6% | |
| EPS (INR/sh) | 25.0 | 30.4 | 28.6 | 14% | -6% | |

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

### Exhibit 3: …HSIE estimates for Q1FY27E – Pharma coverage

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| **Mankind** | | | | | | |
| Revenue | 35,704 | 34,429 | 39,780 | 11% | 16% | We assume ex-BSV, India business to see steady growth of 11% YoY and exports to see growth of 8% YoY. We have factored BSV sales of ~INR 4.79 bn in Q1. Gross margins expansion on better sales mix and cost controls leading to higher EBITDA margin. |
| EBITDA | 8,468 | 9,299 | 10,223 | 21% | 10% | |
| EBITDA margin % | 23.7% | 27.0% | 25.7% | 199 bps | -131 bps | |
| PAT | 4,383 | 5,775 | 5,952 | 36% | 3% | |
| EPS (INR/sh) | 10.6 | 14.0 | 14.4 | 36% | 3% | |
| **Sun Pharma** | | | | | | |
| Revenue | 138,514 | 146,118 | 153,642 | 11% | 5% | US generic business is expected to remain flat QoQ (sharp decline YoY due to absence of gRevlimid). Specialty sales to see strong growth of ~18% YoY. India to see 13% YoY growth. Gross margin and EBITDA margin remain under pressure due to cost escalation (higher input and freight costs). |
| EBITDA | 40,726 | 35,275 | 43,327 | 6% | 23% | |
| EBITDA margin % | 29.4% | 24.1% | 28.2% | -121 bps | 406 bps | |
| PAT | 27,671 | 22,837 | 30,036 | 9% | 32% | |
| EPS (INR/sh) | 11.5 | 9.5 | 12.5 | 9% | 32% | |
| **Torrent Pharma** | | | | | | |
| Revenue | 31,780 | 41,970 | 47,993 | 51% | 14% | Numbers are not comparable given JB Chemical integration. Torrent ex-JB revenue growth at 14%. Gross/ EBITDA margin correction on JB Chemical integration impact and higher input and other costs. Integration related depreciation and finance costs leading to PAT decline YoY. |
| EBITDA | 10,470 | 13,560 | 15,262 | 46% | 13% | |
| EBITDA margin % | 32.9% | 32.3% | 31.8% | -115 bps | -51 bps | |
| PAT | 5,948 | 4,344 | 5,794 | -3% | 33% | |
| EPS (INR/sh) | 17.6 | 12.8 | 17.1 | -3% | 33% | |
| **Zydus Life** | | | | | | |
| Revenue | 65,737 | 75,870 | 77,439 | 18% | 2% | The US to remain flat QoQ as steady traction from gMyrbetriq and new launches to partly offset by absence of gRevlimid sales and generic competition in gAsacol HD. India business to see growth of 16-17%. Consumer Wellness business sales jump due to incremental sales from Comfort Click integration. Sharp margin correction due to absence of gRevlimid, royalty fee related to gMyrbetriq sales, and cost escalation (higher input and freight costs). |
| EBITDA | 20,385 | 19,493 | 18,818 | -8% | -3% | |
| EBITDA margin % | 31.0% | 25.7% | 24.3% | -671 bps | -140 bps | |
| PAT | 14,281 | 11,047 | 10,510 | -26% | -5% | |
| EPS (INR/sh) | 14.3 | 11.1 | 10.5 | -26% | -5% | |

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

## Exhibit 4: HSIE estimates for Q1FY27E – CRDMO coverage

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| Divis Labs | | | | | | |
| Revenue | 24,100 | 28,310 | 26,983 | 12% | -5% | |
| EBITDA | 7,290 | 9,340 | 8,311 | 14% | -11% | Steady growth of 14% YoY in Custom Synthesis business. Generic API business to see 9% YoY and 12% YoY growth in Nutraceuticals. Flattish gross margin and cost escalation (freight costs) to keep EBITDA margin under pressure. |
| EBITDA margin % | 30.2% | 33.0% | 30.8% | 56 bps | -220 bps | |
| PAT | 5,160 | 6,808 | 5,942 | 15% | -13% | |
| EPS (INR/sh) | 19.5 | 25.7 | 22.4 | 15% | -13% | |
| **Sai Lifesciences** | | | | | | |
| Revenue | 4,964 | 6,021 | 5,932 | 19% | -1% | |
| EBITDA | 1,209 | 1,765 | 1,554 | 29% | -12% | |
| EBITDA margin % | 24.4% | 29.3% | 26.2% | 184 bps | -313 bps | CMC and CRO business to see strong growth. Gross margins expansion to offset the higher cost leading to better margins. |
| PAT | 605 | 1,039 | 824 | 36% | -21% | |
| EPS (INR/sh) | 2.9 | 4.9 | 3.9 | 36% | -21% | |
| **Piramal Pharma** | | | | | | |
| Revenue | 19,337 | 27,518 | 21,093 | 9% | -23% | CDMO business to remain weak with lower supplies and demand. CHG business to see steady growth in base business and limited contribution from Kenalog (traction will be from Q2 onwards) leading to 8% YoY growth. ICH business to maintain growth momentum of 16% YoY. While gross margin to correct YoY on higher input costs, steady costs to support marginal expansion in EBITDA margin. |
| EBITDA | 1,067 | 4,605 | 1,287 | 21% | -72% | |
| EBITDA margin % | 5.5% | 16.7% | 6.1% | 59 bps | -1064 bps | |
| PAT | (1,024) | 1,670 | (1,129) | 10% | -168% | |
| EPS (INR/sh) | (0.8) | 1.3 | (0.9) | 10% | -168% | |
| **Anthem Bio** | | | | | | |
| Revenue | 5,402 | 6,109 | 4,327 | -20% | -29% | |
| EBITDA | 1,915 | 2,672 | 1,588 | -17% | -41% | CRDMO business to see sharp drop of 20% YoY as majority of shipments are planned from Q2FY27 onwards. Specialty ingredients remain muted. Gross margins expansion led by better mix to offset the higher cost leading to better margins. |
| EBITDA margin % | 35.4% | 43.7% | 36.7% | 126 bps | -704 bps | |
| PAT | 1,188 | 1,888 | 1,034 | -13% | -45% | |
| EPS (INR/sh) | 2.1 | 3.4 | 1.8 | -13% | -45% | |
| **Laurus Labs** | | | | | | |
| Revenue | 15,696 | 18,116 | 18,112 | 15% | 0% | Small molecule CDMO to see 16% growth YoY, as commercial supplies and maturing capacities drive growth. Laurus Bio to remain flat QoQ. Generic API business and FDF business growth at 13% YoY. Better business mix to improve gross margins (rise in input costs to pass on) this will offset the higher costs to drive EBITDA margins expansion. |
| EBITDA | 3,822 | 5,247 | 4,673 | 22% | -11% | |
| EBITDA margin % | 24.4% | 29.0% | 25.8% | 145 bps | -317 bps | |
| PAT | 1,631 | 2,918 | 2,116 | 30% | -27% | |
| EPS (INR/sh) | 3.0 | 5.4 | 3.9 | 30% | -27% | |

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

### Exhibit 5: HSIE estimates for Q1FY27E – Hospital companies' coverage

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| **Apollo Hospitals** | | | | | | |
| Revenue | 58,421 | 66,055 | 69,415 | 19% | 5% | We expect 19% YoY growth in hospital business led by steady occupancy and ARPP growth, and new bed addition. Healthco business to see 20% YoY growth and AHLL to see 13% YoY growth. Margins to improve YoY as new hospital business led drag to offset by YoY reduction Apollo 24/7 spend and margin improvement in AHLL. |
| EBITDA | 8,519 | 10,110 | 10,450 | 23% | 3% | |
| EBITDA margin % | 14.6% | 15.3% | 15.1% | 48 bps | -26 bps | |
| PAT | 4,328 | 5,293 | 5,510 | 27% | 4% | |
| EPS (INR/sh) | 30.1 | 36.8 | 38.3 | 27% | 4% | |
| **Aster DM Healthcare** | | | | | | |
| Revenue | 10,779 | 11,824 | 12,657 | 17% | 7% | We expect 18% YoY growth in hospital business led by steady occupancy and 11-12% ARPOB growth. New greenfield addition in Kerala cluster to elevate costs and keep margin under check. |
| EBITDA | 2,074 | 2,326 | 2,488 | 20% | 7% | |
| EBITDA margin % | 19.2% | 19.7% | 19.7% | 42 bps | -2 bps | |
| PAT | 886 | 1,398 | 1,283 | 45% | -8% | |
| EPS (INR/sh) | 1.7 | 2.7 | 2.5 | 45% | -8% | |
| **Max Healthcare** | | | | | | |
| Revenue | 24,600 | 25,410 | 27,357 | 11% | 8% | Moderate growth in hospital sales as growth in the company' existing network with steady occupancy and new brownfield beds to partly offset by impact of chemotherapy-related drugs disruption. Margin under pressure due to moderate sales growth and new hospital led drag. |
| EBITDA | 6,260 | 6,820 | 7,044 | 13% | 3% | |
| EBITDA margin % | 25.4% | 26.8% | 25.7% | 31 bps | -110 bps | |
| PAT | 3,790 | 3,710 | 4,059 | 7% | 9% | |
| EPS (INR/sh) | 3.9 | 3.8 | 4.2 | 7% | 9% | |

### Exhibit 6: HSIE estimates for Q1FY27E – Diagnostics companies coverage

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| **Dr Lal Path labs** | | | | | | |
| Revenue | 6,698 | 7,027 | 7,628 | 14% | 9% | We estimate the company to report a strong volume led sales growth of 14% YoY. Gross margin was to sustain at 80.8% and network expansion led to a rise in costs leading to flattish margin. |
| EBITDA | 1,923 | 1,868 | 2,197 | 14% | 18% | |
| EBITDA margin % | 28.7% | 26.6% | 28.8% | 9 bps | 222 bps | |
| PAT | 1,324 | 1,313 | 1,502 | 13% | 14% | |
| EPS (INR/sh) | 15.8 | 15.7 | 18.0 | 13% | 14% | |
| **Metropolis** | | | | | | |
| Revenue | 3,861 | 4,247 | 4,468 | 16% | 5% | Metropolis' consolidated business expected to grow at 16% YoY growth driven by patient volume growth and improved realizations. EBITDA margin to improve YoY. The TruHealth Wellness and Specialty segments are the fastest growing segments in Q1. B2C registered healthy volume growth. |
| EBITDA | 898 | 1,080 | 1,131 | 26% | 5% | |
| EBITDA margin % | 23.2% | 25.4% | 25.3% | 206 bps | -14 bps | |
| PAT | 451 | 508 | 559 | 24% | 10% | |
| EPS (INR/sh) | 2.2 | 2.5 | 2.7 | 24% | 10% | |

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

### Exhibit 7: HSIE estimates for Q4FY26E – Retail pharmacy

| INR mn | Q1FY26 | Q4FY26 | Q1FY27E | YoY ch | QoQ ch | Comments |
|---|---|---|---|---|---|---|
| **Medplus** | | | | | | |
| Revenue | 15,426 | 18,644 | 18,510 | 20% | -1% | We expect strong growth in Pharmacy business (+20% YoY) as steady growth in Rx business is supported by better performance across private label non-Pharma and diagnostic business at INR 360 mn (+19% YoY). Private label Pharma sales to decline in Q1FY27 leading to lower gross margin (-192 bps YoY). This coupled with store additions and wage hike related impact (in Karnataka and Telangana) to drag EBITDA margins. Operating margin (post rentals) to be at ~3.1% in Q1FY27E vs. 4.7% YoY. |
| EBITDA | 1,307 | 1,692 | 1,203 | -8% | -29% | |
| EBITDA margin % | 8.5% | 9.1% | 6.5% | -198 bps | -258 bps | |
| PAT | 424 | 640 | 204 | -52% | -68% | |
| EPS (INR/sh) | 3.5 | 5.3 | 1.7 | -52% | -68% | |

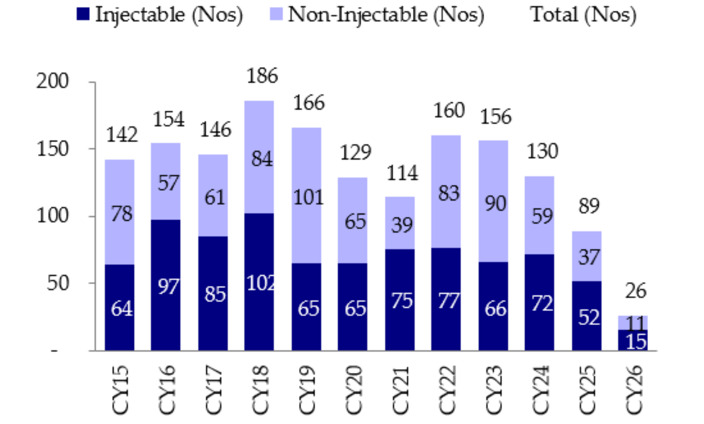
Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

### Exhibit 8: The US business is expected to remain muted QoQ as price erosion in base business and absence of gRevlimid will be partly offset by traction in key products

| (USD mn) | US revenues | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27E | YoY | QoQ |
| Alkem | 77 | 71 | 75 | 70 | 82 | 88 | 85 | 84 | 86 | 5% | 2% |
| Aurobindo | 426 | 421 | 435 | 470 | 408 | 417 | 420 | 387 | 396 | -3% | 2% |
| Dr. Reddy's* | 462 | 445 | 395 | 417 | 398 | 365 | 330 | 237 | 240 | -40% | 1% |
| Lupin | 231 | 223 | 240 | 250 | 282 | 315 | 350 | 371 | 370 | 31% | 0% |
| Sun | 466 | 517 | 474 | 464 | 473 | 496 | 477 | 459 | 470 | -1% | 2% |
| Torrent^ | 31 | 32 | 32 | 35 | 36 | 39 | 36 | 43 | 46 | 28% | 6% |
| Zydus | 371 | 288 | 285 | 363 | 372 | 313 | 314 | 323 | 320 | -14% | -1% |
| **Total** | **2,064** | **1,997** | **1,937** | **2,069** | **2,050** | **2,032** | **2,012** | **1,905** | **1,928** | **-6%** | **1%** |

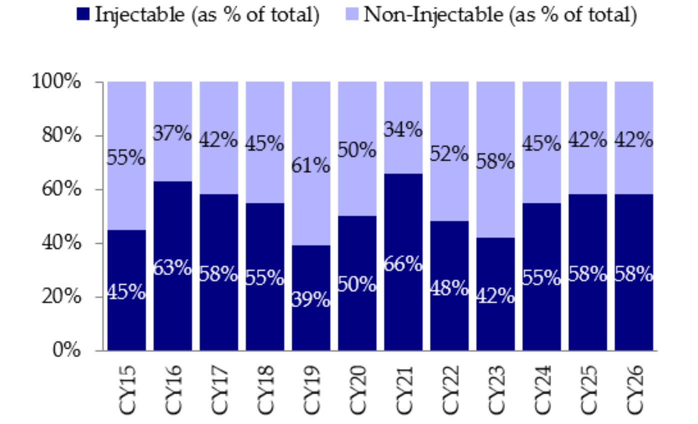
Source: Companies, HSIE Research. Note: *Dr Reddy's Q4FY26 US sales adjusted for SSA impact of USD 50 mn (reported sales was at USD 187mn)

### Exhibit 9: US market drug shortage trend



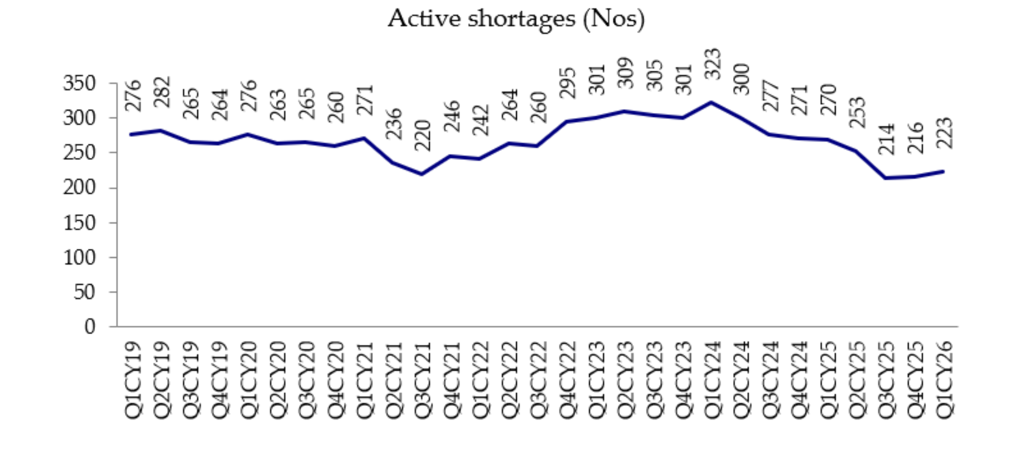

Source: USFDA, ASHP

### Exhibit 10: Injectable drug shortage increasing




Source: USFDA, ASHP

### Exhibit 11: Quarterly active drug shortage trend in the US market




Source: USFDA, ASHP

### Exhibit 12: India formulation business to see strong growth of ~17%

| (INR mn) | India formulations business | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27E | YoY | QoQ |
| Alkem Labs | 20,223 | 24,610 | 23,649 | 21,355 | 22,650 | 27,660 | 24,959 | 23,245 | 25,368 | 12% | 9% |
| Aurobindo* | 610 | 710 | 700 | 560 | 710 | 810 | 730 | 760 | 994 | 40% | 31% |
| Dr. Reddy's | 13,252 | 13,971 | 13,464 | 13,047 | 14,711 | 15,780 | 16,032 | 15,663 | 17,065 | 16% | 9% |
| Eris Lifesciences | 6,416 | 6,550 | 6,461 | 6,096 | 7,026 | 7,072 | 6,899 | 6,663 | 7,862 | 12% | 18% |
| IPCA Labs | 8,734 | 9,405 | 8,772 | 7,641 | 9,610 | 10,189 | 9,840 | 8,533 | 10,763 | 12% | 26% |
| Lupin | 19,381 | 20,096 | 19,305 | 17,113 | 20,894 | 20,777 | 20,387 | 19,082 | 23,610 | 13% | 24% |
| Mankind | 24,280 | 25,640 | 25,490 | 23,660 | 28,640 | 29,580 | 28,430 | 26,730 | 31,977 | 12% | 20% |
| Sun Pharma | 41,445 | 42,652 | 43,004 | 42,130 | 47,211 | 47,348 | 49,986 | 48,359 | 53,348 | 13% | 10% |
| Torrent Pharma^ | 16,350 | 16,320 | 15,810 | 15,450 | 18,110 | 18,200 | 17,980 | 22,150 | 28,149 | 55% | 27% |
| Zydus Life | 14,073 | 14,569 | 15,139 | 15,394 | 15,195 | 15,926 | 17,094 | 17,528 | 17,778 | 17% | 1% |
| **Total** | **164,764** | **174,522** | **171,793** | **162,445** | **184,757** | **193,341** | **192,337** | **188,713** | **216,916** | **17%** | **15%** |

Source: Companies, HSIE Research, Note: *Aurobindo Pharma India sales include Khandelwal Labs portfolio and ^Torrent Pharma including J B Chemical, Torrent Pharma (ex-JB Chemical) growth at 14% YoY

### Exhibit 13: CRDMO coverages is expected to see revenue growth of ~10% YoY and EBITDA growth of 14% YoY

| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26E | Q1FY27E | YoY | QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue (INR mn)** | **58,824** | **67,240** | **68,759** | **81,221** | **69,499** | **74,997** | **75,018** | **86,074** | **76,447** | **10%** | **-11%** |
| Divis Labs | 21,180 | 23,380 | 23,190 | 25,850 | 24,100 | 27,150 | 26,040 | 28,310 | 26,983 | 12% | -5% |
| Sai Life | 2,797 | 3,956 | 4,398 | 5,795 | 4,964 | 5,375 | 5,565 | 6,021 | 5,932 | 19% | -1% |
| Piramal Pharma | 19,511 | 22,418 | 22,042 | 27,541 | 19,337 | 20,437 | 21,399 | 27,518 | 21,093 | 9% | -23% |
| Anthem Biosciences | 3,386 | 5,250 | 4,978 | 4,832 | 5,402 | 5,500 | 4,232 | 6,109 | 4,327 | -20% | -29% |
| Laurus Labs | 11,949 | 12,237 | 14,151 | 17,203 | 15,696 | 16,535 | 17,783 | 18,116 | 18,112 | 15% | 0% |
| **EBITDA (INR mn)** | **11,457** | **15,334** | **16,452** | **22,204** | **15,303** | **18,137** | **19,193** | **23,630** | **17,412** | **14%** | **-26%** |
| Divis Labs | 6,230 | 7,160 | 7,430 | 8,860 | 7,290 | 8,880 | 8,900 | 9,340 | 8,311 | 14% | -11% |
| Sai Life | 261 | 1,022 | 1,198 | 1,576 | 1,209 | 1,458 | 1,879 | 1,765 | 1,554 | 29% | -12% |
| Piramal Pharma | 2,045 | 3,416 | 3,377 | 5,610 | 1,067 | 1,587 | 1,957 | 4,605 | 1,287 | 21% | -72% |
| Anthem Biosciences | 1,209 | 1,952 | 1,595 | 1,952 | 1,915 | 2,179 | 1,572 | 2,672 | 1,588 | -17% | -41% |
| Laurus Labs | 1,712 | 1,783 | 2,852 | 4,206 | 3,822 | 4,033 | 4,885 | 5,247 | 4,673 | 22% | -11% |
| **EBITDA margins (%)** | **19.9%** | **24.7%** | **25.4%** | **29.3%** | **24.0%** | **26.3%** | **28.3%** | **30.4%** | **25.1%** | **113 bps** | **-523 bps** |
| Divis Labs | 29.4% | 30.6% | 32.0% | 34.3% | 30.2% | 32.7% | 34.2% | 33.0% | 30.8% | 55 bps | -219 bps |
| Sai Life | 9.3% | 25.8% | 27.2% | 27.2% | 24.4% | 27.1% | 33.8% | 29.3% | 26.2% | 184 bps | -312 bps |
| Piramal Pharma | 10.5% | 15.2% | 15.3% | 20.4% | 5.5% | 7.8% | 9.1% | 16.7% | 6.1% | 58 bps | -1064 bps |
| Anthem Biosciences | 35.7% | 37.2% | 32.0% | 40.4% | 35.4% | 39.6% | 37.1% | 43.7% | 36.7% | 125 bps | -704 bps |
| Laurus Labs | 14.3% | 14.6% | 20.2% | 24.4% | 24.4% | 24.4% | 27.5% | 29.0% | 25.8% | 145 bps | -317 bps |

Source: Companies, HSIE Research

## Exhibit 14: IPM growth trend – leading companies

| Value YoY growth % | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | Apr'26 | May'26 |
|---|---|---|---|---|---|---|---|---|---|
| **India Pharma** | | | | | | | | | |
| Alkem | 17 | 0 | 28 | 13 | 5 | 6 | 9 | 11 | 13 |
| Alembic Pharma | 6 | 1 | 23 | 8 | 4 | 1 | 1 | 3 | 3 |
| Cipla | 8 | 11 | 14 | 12 | 8 | 7 | 8 | 13 | 14 |
| Dr Reddy's | 7 | 3 | 22 | 4 | 9 | 8 | 12 | 13 | 13 |
| Eris Life | 7 | 11 | 10 | 9 | 8 | 5 | 7 | 10 | 13 |
| Glenmark | 15 | 14 | 26 | -4 | 9 | 12 | 14 | 18 | 18 |
| IPCA | 19 | 11 | 22 | 14 | 13 | 13 | 11 | 11 | 12 |
| Lupin | 10 | 3 | 15 | 6 | 6 | 8 | 10 | 17 | 17 |
| Sun Pharma | 10 | 5 | 16 | 11 | 9 | 10 | 12 | 13 | 14 |
| Torrent Pharma (Inc JB) | 8 | 8 | 11 | 51 | 9 | 9 | 10 | 13 | 15 |
| Zydus | 8 | 5 | 15 | 7 | 5 | 10 | 10 | 15 | 10 |
| Aristo Pharma | 20 | 6 | 25 | 7 | 9 | 3 | 9 | 14 | 14 |
| Ajanta Pharma | 13 | 7 | 18 | 17 | 10 | 11 | 13 | 21 | 15 |
| Emcure | 12 | 4 | 22 | 10 | 3 | 6 | 5 | 4 | 4 |
| FDC | 14 | -1 | 19 | 16 | 6 | 13 | 2 | 9 | 9 |
| Intas Pharma | 14 | 6 | 18 | 16 | 12 | 11 | 14 | 17 | 17 |
| Indoco | 14 | -6 | 20 | 3 | 0 | 3 | 3 | 4 | 2 |
| Torrent Pharma (ex-JB) | 8 | 8 | 11 | 14 | 8 | 8 | 10 | 16 | 18 |
| JB Chemical | 15 | 23 | 25 | 21 | 10 | 12 | 11 | 2 | 8 |
| Macleods | 10 | -0 | 25 | 12 | 9 | 6 | 10 | 11 | 10 |
| Mankind | 13 | 11 | 18 | 9 | 8 | 8 | 8 | 12 | 11 |
| Micro Labs | 13 | -2 | 37 | 4 | 2 | 3 | 5 | 8 | 6 |
| USV | 10 | 10 | 13 | 9 | 8 | 5 | 8 | 9 | 4 |
| **MNC Pharma** | | | | | | | | | |
| Abbott | 8 | 3 | 14 | 15 | 7 | 9 | 8 | 10 | 11 |
| GSK Pharma | 6 | -1 | 14 | 7 | 1 | 1 | 7 | 9 | 9 |
| Pfizer | 6 | 6 | 12 | -17 | -7 | 9 | 12 | 8 | 13 |
| Sanofi | 11 | 4 | 11 | -11 | 0 | 4 | 10 | 11 | 7 |
| **IPM** | **11** | **5** | **18** | **8** | **7** | **8** | **10** | **13** | **12** |

Source: IQVIA, HSIE Research

## Exhibit 15: IPM growth trend – leading therapies

| Value YoY growth % | % FY26 share | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | Apr-26 | May-26 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cardiac | 13% | 12 | 13 | 11 | 9 | 10 | 12 | 14 | 16 | 15 |
| Anti-Infectives | 10% | 13 | (12) | 35 | 6 | 3 | 5 | 5 | 7 | 8 |
| Gastro Intestinal | 10% | 9 | 6 | 17 | 12 | 7 | 10 | 6 | 10 | 11 |
| Anti Diabetic | 9% | 12 | 9 | 7 | 7 | 6 | 8 | 12 | 17 | 14 |
| Respiratory | 8% | 15 | (8) | 44 | 7 | 3 | 3 | 12 | 10 | 11 |
| Pain / Analgesics | 8% | 12 | (1) | 22 | 12 | 8 | 8 | 8 | 12 | 11 |
| Vitamins/Minerals/Nutrients | 8% | 10 | 11 | 16 | 4 | 7 | 8 | 10 | 14 | 16 |
| Derma | 7% | 9 | 6 | 10 | 7 | 6 | 10 | 7 | 11 | 11 |
| Neuro / Cns | 6% | 10 | 10 | 11 | 12 | 9 | 9 | 11 | 12 | 11 |
| Gynaec. | 5% | 9 | 3 | 16 | 16 | 7 | 4 | 9 | 10 | 11 |
| Antineoplast/Immunomodulator | 3% | 18 | 11 | 20 | 25 | 23 | 14 | 24 | 30 | 21 |
| Urology | 2% | 14 | 5 | 18 | 17 | 14 | 14 | 11 | 12 | 13 |
| Ophthal / Otologicals | 2% | 11 | (2) | 22 | 17 | 8 | 5 | 9 | 9 | 9 |
| Hormones | 2% | 9 | 4 | 17 | 10 | 7 | 6 | 10 | 10 | 11 |
| Vaccines | 2% | 7 | 5 | 4 | (7) | 16 | 9 | 15 | 17 | 13 |
| **IPM** | **100%** | **11** | **5** | **18** | **8** | **7** | **8** | **10** | **13** | **12** |

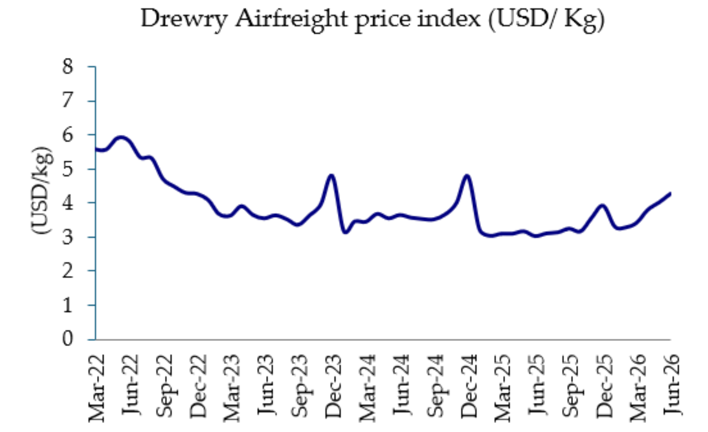
Source: IQVIA, HSIE Research

### Exhibit 16: Gross margin to decline due to price erosion in base business, high base of gRevlimid, and rise in raw material prices

| Gross margin % | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27E | YoY bps | QoQ bps |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alkem | 64.5% | 64.7% | 64.3% | 59.3% | 65.3% | 65.0% | 65.9% | 65.4% | 64.6% | (66) | (77) |
| Aurobindo | 59.4% | 58.8% | 58.4% | 59.7% | 58.8% | 59.7% | 59.7% | 61.3% | 59.5% | 67 | (177) |
| Dr. Reddys | 71.7% | 70.6% | 69.2% | 66.6% | 67.2% | 64.9% | 64.6% | 57.4% | 60.5% | (675) | 307 |
| Eris | 74.9% | 74.9% | 75.7% | 75.9% | 76.1% | 74.5% | 72.3% | 75.5% | 75.3% | (81) | (21) |
| IPCA Labs | 69.2% | 67.8% | 70.2% | 68.5% | 70.0% | 69.4% | 72.5% | 71.0% | 70.2% | 15 | (84) |
| Lupin | 68.8% | 70.2% | 70.2% | 70.2% | 71.7% | 74.1% | 73.8% | 75.2% | 72.5% | 77 | (273) |
| Mankind | 71.9% | 71.6% | 70.9% | 71.6% | 70.5% | 71.3% | 72.6% | 72.2% | 70.8% | 31 | (136) |
| Sun Pharma | 78.9% | 79.7% | 80.0% | 79.6% | 79.7% | 79.4% | 81.0% | 80.8% | 79.4% | (28) | (143) |
| Torrent Pharma | 75.7% | 76.5% | 76.0% | 75.9% | 75.6% | 75.8% | 75.8% | 75.8% | 74.8% | (85) | (102) |
| Zydus Life | 74.4% | 71.9% | 69.9% | 74.0% | 72.8% | 72.4% | 73.2% | 74.0% | 72.5% | (28) | (145) |
| Divis Labs | 59.7% | 58.6% | 60.2% | 62.1% | 60.3% | 60.5% | 63.7% | 60.5% | 60.2% | (13) | (27) |
| Piramal Pharma | 65.4% | 64.5% | 63.4% | 65.3% | 64.1% | 65.6% | 63.3% | 61.6% | 62.8% | (131) | 116 |
| Sai Life | 73.9% | 73.7% | 72.5% | 71.1% | 71.6% | 73.9% | 77.0% | 73.1% | 73.0% | 143 | (14) |
| Anthem Bio | 56.7% | 64.2% | 53.3% | 63.4% | 57.3% | 59.4% | 66.3% | 64.7% | 64.7% | 744 | (3) |
| Laurus Labs | 55.1% | 55.2% | 56.9% | 54.5% | 59.4% | 59.9% | 60.9% | 61.4% | 61.0% | 161 | (35) |
| **Total Pharma gross margin** | **70.4%** | **70.1%** | **69.7%** | **69.4%** | **70.0%** | **70.0%** | **70.9%** | **70.1%** | **69.5%** | **(52)** | **(62)** |

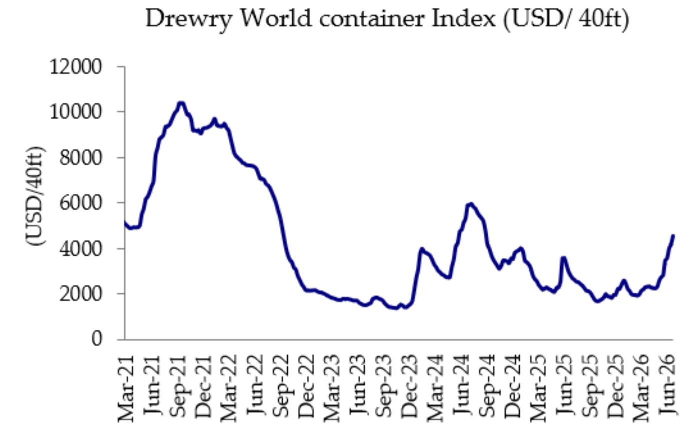
Source: Companies, HSIE Research

### Exhibit 17: Airfreight price index (USD/kg) was up 30% YoY and 13% QoQ




Source: Drewry price index, Bloomberg

### Exhibit 18: World container price index (USD/40ft) was up 10% YoY and 51% QoQ



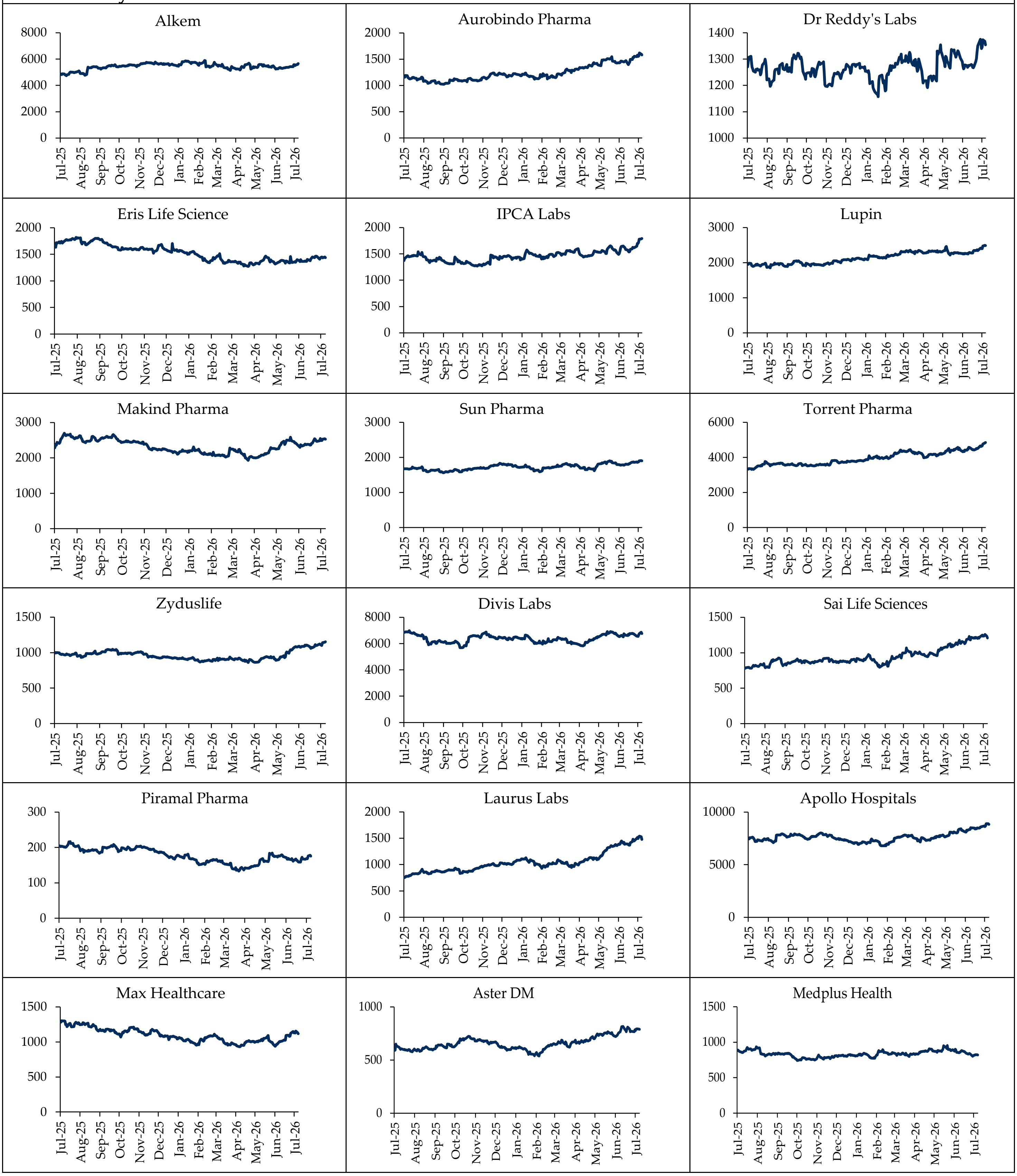

Source: Drewry price index, Bloomberg

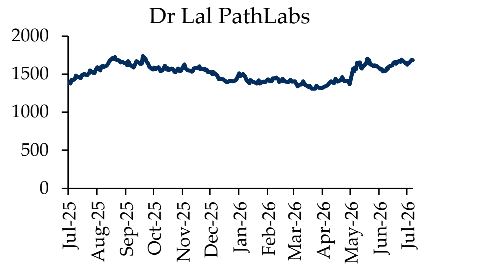
### Exhibit 19: Currency movement

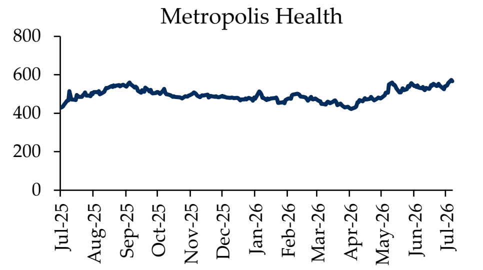
| Currency vs. INR | (Q1FY27) (Avg) | % chg YoY | % chg QoQ | (Q1FY27) (Spot) | % chg YoY | % chg QoQ |
|---|---|---|---|---|---|---|
| USD | 94.6 | 11 | 6 | 94.7 | 10 | 5 |
| RUB | 0.8 | 11 | 6 | 0.8 | 10 | 5 |
| BRL | 18.7 | 24 | 14 | 18.3 | 16 | 12 |
| ZAR | 5.7 | 23 | 10 | 5.8 | 19 | 6 |
| GBP | 127.0 | 11 | 7 | 125.3 | 7 | 4 |
| EUR | 110.0 | 13 | 6 | 108.1 | 7 | 2 |
| YEN | 0.6 | 0 | 3 | 0.6 | (2) | 2 |
| AUD | 67.1 | 22 | 19 | 65.5 | 16 | 9 |
| CAD | 68.3 | 10 | 7 | 66.7 | 6 | 2 |

Source: Bloomberg

## Price history






**Rating Criteria**

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

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