PHARMACEUTICALS | Q1FY26 Review | 26 August 2025

In-line quarter, new products to drive growth

- **Overall, in-line set of earnings where sales and EBITDA grew 2% and 6% each above our estimates. PAT declined 1% below estimates**
- **Alkem and Laurus Labs reported earnings well above our estimates, while Abbott and Cohance fell significantly short**
- **Upgraded ALKM to HOLD from SELL and downgraded Eris to HOLD from BUY. Top Picks: SUN, LPC, BOOT, COHANCE**

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In-line earnings: 1QFY26 earnings were in line for our coverage companies where sales grew by 10.87% to Rs 569 bn, EBITDA grew by 10.82% to Rs 131bn, PAT grew by 3.2% to Rs 92 bn. EBITDA margin was flattish, growing by 74 bps YoY to 25.3%. During the quarter, overall growth was broad-based where all geographies like North America, Europe, ROW and domestic market performed better.

Domestic region: Sales grew above IPM at 9.9%, driven by new launches and price hikes. Amongst our coverage companies, Ajanta Pharma reported a volume-driven 16% growth (the highest), whereas Eris reported the lowest growth of -1.8%. From our coverage companies, Alkem earnings at 12% were a positive surprise, largely due to early monsoon. Cipla earnings were below our estimates due to realignment of the respiratory portfolio.

US region: Sales grew by 4.7% YoY to Rs 129 bn and were flat with -0.8% in cc terms to USD 1.9bn. Amongst our coverage companies, Lupin surprised positively with USD 283 mn while Aurobindo reported sales below our estimates to USD420 mn. The growth was driven by off-generic products like specialty products for Sun, complex generics products for companies like Lupin, Cipla and Revlimid for Dr.Reddy's.

CDMO: Within our coverage companies, sales grew by 28.6% to Rs 53bn. Laurus reported earnings above our estimates, mainly due to a lower base and higher growth from custom synthesis. Divi's and Cohance reported below our estimates, given the pricing pressure in the generics segment for Divi's and destocking in 2 large molecules in Cohance.

Preferred Picks: Upgraded ALKM to HOLD from SELL and downgraded Eris to HOLD from BUY. Top Picks: SUN, LPC, BOOT, COHANCE.

1QFY26: Macro updates

Tarriff update

While the pharmaceutical sector is exempted from the basic reciprocal tariff, President Trump had threatened to impose 250% tariff on Indian Pharma products, where he indicated imposing a small percentage initially, scaling up to 150% and eventually 250% within 18 months of levying the tariff. Although investigation of 232 reports is ongoing, there will be no tariffs if Indian companies shift their manufacturing base to the US region.

Our view: Indian pharma companies have ~33% of sales driven from the US region. It is difficult to shift their manufacturing base to the US to mitigate tariffs. Many companies do have manufacturing units there where production of key products could be shifted, but that would raise the cost and impact margins. However, we believe that the tariff, if imposed, would be a little higher at 15% vs the 10% reciprocal tariff.

Following are the comments of companies on tariffs, both locally and globally

Sun: “Currently, we have a significant footprint in the United States and have no plans to move further manufacturing to the U.S”

Lupin: “Have some mitigation plans 1) wherever possible can take price increase to offset the impact of tariff 2) products where we could tech transfer into the U.S., certainly in the two sites, both New Jersey as well as Coral Springs. We are looking at a potential to transfer those products and 3) considering some IP transfers that will have a capital gains impact, but overall will benefit the company, especially on high value products where they can transfer the IP to the U.S and contract manufacture in India” .

Alembic Pharma: “Tariff is likely to be on the high volume, wafer-thin margin products and by putting tariffs there, because of wafer-thin margins, it is not going to be viable to manufacture in the US as well. Also, increasing manufacturing footprint in the US, just because of tariffs, is something that we are not considering. If there was a strategy based on US government business or something that you can get at a better pricing, then we would look at a manufacturing strategy in the US. But purely for the de-risk perspective, it doesn't make sense to allocate so much capital for setting up manufacturing in the US. And again, if there is going to be more generic pricing and competition. So, we are not approaching it from that angle.”

Global companies

Abbvie – “we're having constructive discussions with the administration on sectoral tariffs. It's clearly, you know, the best way to motivate that is through tax incentives as well as a trade agenda that prioritizes innovation. But we're, well-positioned as a company, but we are not going to be able to really give you details until we understand the outcome of the February investigation”.

GLP-1 – a decade-long opportunity

GLP: A Diabetic product expected to be worth USD 175 bn, is beginning to go off patent where Semaglutide will likely go off patent in Jan'26 in Canada and Mar'26 in India, whereas US and Europe will go off patent after 2031.

Our views; GLP is a decade-long opportunity globally, Hence, all pharma companies across the globe are invested heavily in this space. Though it is beginning to go off patent from 2026, not all geographies would have meaningful opportunities. We believe there would be immense competition, resulting in massive price erosion and limited market share gains for the companies.

Comments from industry leaders on GLP

Dr.Reddy's: Mr. Erez Israeli quoted "I see that as many, many years of opportunity. Actually, we are entering a decade of GLP-1 products. Obviously, it is going to change and evolve. And at the beginning it will be more like to start to get in those markets for certain premium selling our capacity. We believe that this segment will grow significantly. We will add capacity, there will be more volume, obviously, lower prices. And we are going to see brands - branded play, whether consumer care play like in the obesity, or you know, differentiated devices and stuff like that. So, actually, just the beginning of the journey. More products will be added by the way. The full portfolio of GLP-1 for the company is 26 products. Obviously, semaglutide as well as the Eli Lilly product will be the biggest, and we are trying to get for each one of them to be first to market, as well as to create some differentiated play."

Sun Pharma: Mr.Dilip Sanghvi quoted "GLP-1 effect on existing products I think if you look at that way globally, there's a lot of experience about the impact of GLP-1 on sale of existing product, both DPP-4 as well as SGLT-2. So we haven't seen any significant degrowth in those. As a matter of fact, post-generics, I think there is an increase only. So I think if that is repeated in India, there should be no problem".

Cipla: Mr. Umang Vohra quoted "For us, the entire GLP-1 category is more important than just looking at individual products within that. I think this category will shape up in a manner depending on several pipeline assets. Our own endeavor is to be among the first wave of launches, both for the GLP-1 drugs. And right now, the earliest opportunity to launch GLP-1 drug is presented by semaglutide. However, it depends on how the market is created between semaglutide and GLP-1 of the innovator brand as well as the GLP-1 of the second innovator company. So we think this market is going to be very attractive, and it will be a large market, and Cipla will have a very definitive play here"

Global companies on GLP

Novo Nordisk - Dave, President of US Business quoted "I think on the company side, we see more opportunity, more growth, more potential, right, in Ozempic and Wegovy and then oral Wegovy than we have seen with Rybelsus and make those choices".

Antibody Drug Conjugate – Upcoming modality globally

Antibody Drug Conjugate (ADC) represents an innovative class of chemotherapeutics that combine the precision of monoclonal antibodies with potent cytotoxic agents. One of the fastest-growing segments with a market size of USD 10 bn, it is expected to grow to USD 50bn. Currently, there are only 15 drugs commercialised in the segment while 274 clinically active.

Our view: It is one of the fastest-growing second line treatments with 70-80% of the drugs outsourced. Due to limited side effects on the healthier cell while taking these drugs during cancer treatment, we believe there is increasing potential of it becoming a first line of treatment. Due to immense opportunity and being the fastest-growing segment, CDMO companies are diversifying towards it.

Comments from industry leaders on ADC

Cohance Lifesciences: Mr. Vivek Sharma says, "During the quarter, we saw encouraging momentum across our CDMO business, particularly in lateral engagements and differentiated modalities, such as ADCs and oligonucleotides. Our capabilities in payload linker synthesis and bioconjugation continue to resonate strongly with global innovators. At NJ Bio, our U.S.-based subsidiary, we received a significant new order from an existing customer for full ADC supply in early-phase payload linker synthesis to bioconjugation work."

Laurus Labs: Dr. Satyanarayana Chava says, "We announced three major capacity expansions during the quarter out of which one is towards gene therapy and antibody drug conjugate GMP facility at Shameerpet. we already make payloads and linkers. And we don't want to make mabs. We'll do conjugation, purification and fill finish. That's the infrastructure resources we are building."

Anthem Bioscience: Mr. Ajay Bhardwaj says, "In terms of capabilities, so we have done the conjugation. We have done cytotoxic drug substance as well. So, capabilities wise, we have the full capabilities from an ADC point of view across multiple projects. So we have done conjugation of the warhead with the linker. We have made both of them in terms of conjugating with the monoclonal antibody itself. We've done proof of concept and have demonstrated it to our customers. So we have all the capabilities. Currently, there is no project that has gone commercial, but we hope to change that in the future.

Global companies on ADC

Wuxi said, "New modality business continued to develop while we maintain our leadership position in areas, including nucleic acid, conjugate and MRI and multi-specific antibodies and peptides."

Daichi Sankyo says, "There's a lot of progress in the digital pathology data, not just for Dato but other ADCs. You can kind of imagine now that with the digital pathology technology, that might be a way for a physician to know which ADC will this patient benefit from the greatest. That's a very realistic possibility as a future application of our digital pathology technology."

gRevlimid – LoE in Jan'26 to spurt competition

Revlimid's key U.S. patent is set to expire in January 2026, leading to many generic versions of the drug to enter the market, which will result in pricing pressure on the drug. Many companies have earned a huge cashflow through gRevlimid, which would be utilised towards launching newer products like Biosimilars, OTC, GLPs.

Our views: gRevlimid was a high-margin product likely to slip as gRevlimid nears expiry. We believe margins would not be significantly impacted post generication, as it is mitigated by utilising cashflows from gRevlimid through launching new products via JV and cost rationalisation.

Companies with gRevlimid sales and its mitigation impact

Dr.Reddy's: We expect Dr.Reddy's to clock USD 308 mn sales from g Revlimid in 1QFY26. According to us, Dr. Reddy's had clocked sales worth USD 1400 from gRevlimid in FY25. Management intends to mitigate this by launching Semaglutide in 87 countries (key region Canada, Brazil and India). However, management is "trying to avoid a shelf price adjustment. So, what you should anticipate is one more quarter, give or take, in the range of what you have today, and relatively much less in Q3. And after that some left over, and that is it."

Cipla: We expect Cipla to have clocked gRevlimid sales of USD 78 mn in 1QFY26. According to our calculation, CIPLA's gRevlimid sales in FY25 will likely be around USD 156 mn. We believe it would be easily offset by new product launches like gAbraxane, gAdvair and gSymbicort. However, **Mr. Umang Vohra** said, "Revlimid will be a critical phasing, where there might be sales in the first 3 quarters or so, there might be more Revlimid and quarter 4, it will peter off. But I think that is how generally we think it will play out, although prices have already started correcting in the market."

Sun Pharma: We expect SUN to have clocked nominal gRevlimid sales of USD 25 mn in 1QFY26. According to our calculation, Sun's gRevlimid sales in FY25 to be around USD 228mn, which would be easily offset by the launch of 2 specialty products LEQSELVI and UNLOXYT; each having the potential to clock USD 100mn sales. However, management said, "Our generics business faces up and downs quarterly due to lenalidomide. If we remove that impact, the U.S. generic business is down quarter-over-quarter and year-over-year. We do see continued pricing pressure for lenalidomide and Q1FY26 lenalidomide sales were moderately higher versus Q4FY25."

Innovator company on gRevlimid

Bristol Myers Squibb - David V. Elkins – CFO said, "We now expect the legacy portfolio to decline approximately 15% to 17% for the year, a more moderate rate than previously anticipated primarily due to Revlimid's strong year-to-date performance. We now project full year Revlimid sales of approximately $3 billion."

R&D — at the cusp of major transformation

Indian pharma companies are shifting focus from targeting generic medicines to innovative medicines for exports to mitigate price erosion pressure. Hence, the industry is investing significantly in R&D to develop novel medicines, improve existing formulations, and explore new therapeutic areas.

Our view: While companies have increased their R&D spend with the benefit of gRevlimid sales, participant companies' margins would not sustain post LOE. Hence, to protect margins, companies would not spend a higher amount in R&D in the near term. Non-Revlimid participating companies would continue investing in R&D.

Commentaries of companies on R&D from gRevlimid participating and non-participating companies

gRevlimid participating companies

Dr.Reddy's: Tailwinds of gRevlimid was invested in developing bAbatacept, building end-to-end GLP capabilities and JV with OTC. However, with gRevlimid nearing LoE and Abatacept's data read out in Nov'25, management expects 500 bps +/- deviation in R&D spend from 7.3% of sales in 1QFY26 (8.5% in 4QFY25 and 8.1% in 1QFY25).

Cipla: R&D cost rose 22% YoY to 6.2% of sales in 1QFY26 vs 5.3% in 1QFY25 and 6% in 4QFY25. The increase was because of product filing and developmental efforts that will strengthen pipeline (ANDAs, Peptides, inhalers) and support long-term growth to mitigate gRevlimid sales.

gRevlimid non-participating companies

Lupin: R&D cost increased by 52% YoY to 8.5% of sales in 1QFY26. Though LPC does not have gRevlimid contribution in the base, we expect margin to remain stable at the current levels of ~25%, amidst guiding for R&D spend between 7.5% and8.5% in FY26. It is spending aggressively on R&D due to healthy pipeline (inhalation, injectables, Biosimilars, OSDs and 505b2 specialty products). As per the company, "Nearly 70% of our R&D investments are directed towards complex and specialty products. The company have a robust pipeline with over 60 product filings planned for the U.S, market alone in the coming years.

Alembic Pharma: R&D cost went up by 33% YoY and 2% QoQ to 8.5% of sales. The company intends to build a healthy product pipeline of peptides, complex injectables ANDAs, etc., and therefore, has guided R&D spend to be ~Rs 6-6.5bn for FY26. Previously, the company mentioned that from the total spend of Rs 6-6.5bn, 40% would be towards peptides and complex injectables and complex ophthalmic while the rest would be towards API and OSD. And in terms of filings, ~45% of new filings is towards injectables.

Domestic sales rode on the back of new launches and price hikes

Most of the companies under our coverage have reported growth above the IPM level of ~8%, largely driven by healthy MR productivity, new launches, and price hikes. The acute focus company Alkem has also reported above IPM growth at 12%, primarily because of outperformance in 7 therapies.

Highlights of companies in the IPM besides peptide product launches

Cipla: Respiratory portfolio was impacted as some price adjustments were made on some of the large inhalers in the last 12 to 15 months by government notifications, DPCO certifications, etc. So, that has impacted some of their brands while adjusting to the lower pricing. However, the company continues to invest and be deeply committed to the respiratory space and has launched Voltido Trio Ciphaler — an innovative addition to the differentiated triple therapy offerings, complementing products like Foracort G in our Synchrobreathe franchise.

Dr.Reddy's: Launched 5 new brands, including 2 Innovative assets, Beyfortus, which is an RSV Vaccine & a product called Sensimune.

Lupin: Focus on in-license holds steady. However, with the focus shifting in the last 3 years towards building its own portfolio brands of novel products, the share has lowered from 20% to 9%.

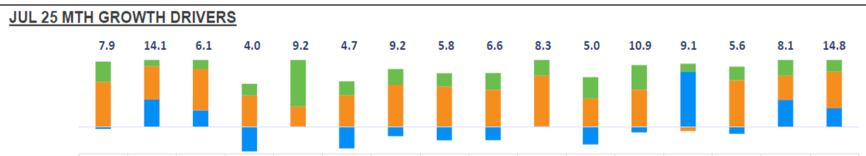
Fig 1 – Domestic performance for our coverage companies

(Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Sun Pharma	41,445	42,130	47,211	13.9	12.1
Dr.Reddy's	13,252	13,047	14,711	11.0	12.8
Cipla	28,980	26,220	30,700	5.9	17.1
Lupin	19,381	17,113	20,894	7.8	22.1
Ajanta	3,530	3,690	4,090	15.9	10.8
Alkem	20,223	21,355	22,650	12.0	6.1
Alembic Pharma	5,720	5,450	5,990	4.7	9.9
Abbott India	15,576	16,046	17,289	11.0	7.8
Eris	6,440	6,323	6,323	(1.8)	0.0
Total	**154,548**	**151,374**	**169,859**	**9.9**	**12.2**

Source: Company, BOBCAPS Research

New product launches: Overall, new product launches have been on the rise across therapies and dosages.

Fig 2 – Therapy-wise new introduction



	IPM	CARDIAC	ANTI-INF	GASTRO	ANTI-DIAB	VIT/MIN/ NUTR	RESPI	PAIN/ ANAL	DERMA	NEURO / CNS	GYNAEC	BLOOD REL	ANTI-NEOP	OPTH/ OTOL	HORMONES	UROLOGY
NP GR	2.5	1.3	0.8	2.4	6.3	2.6	2.9	1.9	2.7	1.9	3.2	4.7	1.2	1.4	1.9	2.6
Price GR	5.6	7.0	3.7	6.7	2.7	6.0	8.0	5.8	6.0	6.3	4.3	7.2	-0.6	4.9	2.9	8.1
Vol GR	-0.2	5.8	1.5	-5.1	0.1	-4.0	-1.7	-1.9	-2.1	0.1	-2.6	-1.0	8.6	-0.7	3.3	4.2

Source: Pharma

US sales – gearing for near-term macro headwinds

US sales for Revlimid participating companies have been lower due to higher intensity of price erosion ahead of the LoE. For non-Revlimid participating companies reported better growth across sizes. Amongst our coverage companies, Lupin reported 24% growth (above estimates) due to Tolvapton exclusivity; On the other hand, amongst the midsize companies, Ajanta Pharma reported 36% and Alembic Pharma reported 13% growth, driven by new launches.

US remains the key market for Indian pharma companies amidst macro headwinds, gRvlimid LoE and Peptide launches. Following are the company-wise key launches in the US market:-

Dr.Reddy's: The company has healthy own-developed Biosimilar launches with Abatacept (a key launch) expected in Jan'27. Other products like Denosumab will likely be rolled out before Abatacept; Pembrolizumab and Daratumumab will likely be launched after Abatacept.

Cipla: Apart from healthy key launches like gAbraxane, gAdvair, gSymbicort, Cipla is focusing on existing products like trying to scale up Lanreotide sales to peak levels of ~30% market share (21% market share in 1QFY26).

Alkem: US region reported growth after 6 quarters and reported 9% growth in 1QFY26, largely led by new launches. The company was battling with supply chain issues, which have now improved. The company has also launched Sacubitril/ Valsartan in the US and would consider revising guidance upwards from the current mid-single digit, should the positive trend sustains.

Fig 3 – US sales in INR terms

(Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Sun Pharma	38,894	40,204	40,452	4.0	0.6
Dr.Reddy's	38,462	35,586	34,123	(11.3)	(4.1)
Cipla	20,870	19,190	19,330	(7.4)	0.7
Lupin	19,337	21,665	24,041	24.3	11.0
Aurobindo Pharma	40,720	35,880	36,710	(9.8)	2.3
Ajanta	2,280	3,250	3,100	36.0	(4.6)
Alkem	6,416	6,086	6,982	8.8	14.7
Alembic Pharma	4,610	5,080	5,230	13.4	3.0
Total	**132,695**	**126,737**	**129,516**	**4.7**	**2.5**

Source: Company, BOBCAPS Research

Fig 4 – US sales in cc terms

(USD mn)	1QFY25	4QFY24	1QFY26	YoY (%)	QoQ (%)
Sun Pharma	466	464	476	2.1	2.6
Dr.Reddy's	462	417	399	(13.5)	(4.1)
Cipla	250	221	227	(9.2)	3.1
Lupin	227	243	283	24.6	16.4
Aurobindo Pharma	427	473	420	(1.6)	(11.2)
Alkem	77	70	82	6.7	17.4
Alembic Pharma	55	58	63	13.4	7.4
Total	**1,964**	**1,946**	**1,951**	**(0.7)**	**0.2**

Source: Company, BOBCAPS Research

Fig 5 – Review Table

	Net Sales (Rs mn)					EBITDA (Rs mn)					EBITDA Margin (%)					Adjusted PAT (Rs mn)				
Y/E March	**Q1FY25**	**Q4FY25**	**Q1FY26**	**YoY (%)**	**QoQ (%)**	**Q1FY25**	**Q4FY24**	**Q1FY26**	**YoY (%)**	**QoQ (%)**	**Q1FY25**	**Q4FY24**	**Q1FY26**	**YoY bps**	**QoQ bps**	**Q1FY25**	**Q4FY24**	**Q1FY26**	**YoY (%)**	**QoQ (%)**
Sun Pharma	126,528	129,588	138,514	9.5	6.9	36,581	34,249	40,726	11.3	18.9	28.9	26.4	29.4	1.7	11.3	28,357	21,499	22,786	(19.6)	6.0
Dr.Reddy's	76,727	85,060	85,452	11.4	0.5	21,270	20,505	21,501	1.1	4.9	27.7	24.1	25.2	(9.2)	4.4	13,920	15,931	14,178	1.9	(11.0)
Cipla	66,939	67,297	69,575	3.9	3.4	17,158	15,376	17,781	3.6	15.6	25.6	22.8	25.6	(0.3)	11.9	11,790	12,218	13,032	10.5	6.7
Lupin	56,003	56,671	62,683	11.9	10.6	12,864	12,921	16,414	27.6	27.0	23.0	22.8	26.2	14.0	14.8	8,013	7,725	11,306	41.1	46.3
Aurobindo Pharma	75,670	83,821	78,681	4.0	(6.1)	16,196	17,919	16,034	(1.0)	(10.5)	21.4	21.4	20.4	(4.8)	(4.7)	9,193	9,035	8,247	(10.3)	(8.7)
Ajanta	11,449	11,704	13,027	13.8	11.3	3,303	2,971	3,513	6.4	18.2	28.9	25.4	27.0	(6.5)	6.2	2,458	2,253	2,553	3.9	13.4
Alkem	30,318	31,438	33,711	11.2	7.2	6,087	3,913	7,391	21.4	88.9	20.1	12.4	21.9	9.2	76.1	5,452	3,065	6,643	21.8	116.7
Alembic Pharma	15,617	17,696	17,107	9.5	(3.3)	2,368	2,719	2,814	18.8	3.5	15.2	15.4	16.4	8.5	7.0	1,341	1,569	1,544	15.2	(1.6)
Eris	7,197	7,053	7,730	7.4	9.6	2,500	2,524	2,767	10.7	9.6	34.7	35.8	35.8	3.1	0.0	832	938	1,180	41.8	25.8
Divi's	21,180	25,850	24,100	13.8	(6.8)	6,220	8,860	7,300	17.4	(17.6)	29.4	34.3	30.3	3.1	(11.6)	4,300	6,630	5,460	27.0	(17.6)
Laurus Labs	5,254	17,203	15,696	198.7	(8.8)	1,712	4,206	3,821	123.2	(9.1)	32.6	24.4	24.3	(25.3)	(0.4)	125	2,330	1,630	1203.1	(30.0)
Cohance Life	4,881	8,404	5,493	12.5	(34.6)	1,251	2,292	1,120	(10.5)	(51.1)	25.6	27.3	20.4	(20.4)	(25.2)	754	1,172	464	(38.4)	(60.4)
Abbott India	15,576	16,046	17,384	11.6	8.3	3,910	4,285	4,456	14.0	4.0	25.1	26.7	25.6	53.0	(107.4)	3,280	3,670	3,659	11.5	(0.3)
Total	**513,340**	**557,832**	**569,152**	**10.87**	**2.03**	**131,420**	**132,741**	**145,638**	**10.82**	**9.72**	**26.0**	**24.6**	**25.3**	**(0.74)**	**0.71**	**89,814**	**88,035**	**92,681**	**3.2**	**5.3**

Source: Company, BOBCAPS Research

Fig 6 – Actual vs Estimates

(%)	Net Sales	EBITDA	PAT
Sun Pharma	2.2	10.0	(21.7)
Dr. Reddy's	4.1	6.9	7.0
Cipla	(1.2)	5.3	13.6
Lupin	3.2	11.7	20.2
Aurobindo Pharma	(1.8)	(3.8)	(4.8)
Ajanta	1.0	(2.7)	3.1
Alkem	(4.2)	27.1	46.3
Alembic Pharma	(2.6)	3.4	(0.7)
Eris	(17.1)	(15.8)	(14.5)
Divi's	(0.1)	(8.3)	(8.4)
Laurus Labs	22.5	57.0	171.3
Cohance Life	(1.2)	(11.8)	(17.1)
Abbott India	(0.5)	(5.2)	(14.5)

Source: Company, BOBCAPS Research

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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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