

Q4FY25E

Pharma Sector

Sector Preview



Pharmaceuticals

Continued strong profitability growth led by high-margin therapies

COVERAGE STOCKS

Company name	Rating	CMP	Target price	Upside
Granules India (GRAN)	BUY	505	700	38.6%
Aurobindo Pharmaceuticals (ARBP)	BUY	1,195	1,591	33.1%
Zydus Lifesciences (ZYDUSLIF)	BUY	907	1,201	32.4%
Glenmark Pharmaceuticals (GNP)	BUY	1,481	1,768	19.4%
Lupin (LPC)	BUY	2,073	2,472	19.2%
Supriya Lifescience (SUPRIYA)	BUY	729	740	1.5%
Laurus Labs (LAURUS)	ACCUMULATE	615	687	11.7%
Sun Pharmaceutical Industries (SUNP)	ACCUMULATE	1,760	1,967	11.8%
Divi's Laboratories (DIVI)	ACCUMULATE	5,829	6,435	10.4%
Cipla (CIPLA)	ACCUMULATE	1,506	1,598	6.1%
Dr. Reddy's Laboratories (DRRD)	HOLD	1,181	1,245	5.4%
Alembic Pharmaceuticals (ALPM)	HOLD	932	909	TA*

MARKET DATA

	Close	1M (%)	YTD (%)
Nifty	23,669	5.0%	-0.3%
Sensex	78,017	4.6%	-0.6%
USD / INR	85.7	-1.7%	0.1%

Note: TP and recommendation have been retained from previous update reports; we will review it post detailed Q4FY25E results analysis and conference call of the said companies. Source: NSE; Data as of March 25th, 2025. *TA stands for Target Achieved

India business to remain a high-margin growth engine driven by chronic therapies and pricing momentum

- As per AIOCD and AWACS data, in January 2025, the Indian pharmaceutical market (IPM) grew 8.7% YoY, led by price hikes (+5.3%) and new launches (+2.6%), but posted muted volume growth (+0.9%). In February 2025, the Indian pharmaceutical market (IPM) grew 7.5% YoY, driven by price hikes (+5.2%) and new launches (+2.7%), while volume declined marginally (-0.2%).
- Across both months, cardiac, gastro, derma, and neuro/CNS therapies outperformed overall IPM growth, whereas anti-infectives, respiratory, and gynaecology segments underperformed.
- We expect the domestic business to deliver high single-digit growth (~8.0%) in Q4FY25E and sustain its momentum into FY26E. With branded generics forming the backbone of the Indian market, offering superior margins, India remains a key growth and profitability driver for pharma companies.
- In the medium term the increasing incidences of lifestyle diseases and longer duration of drug usage to treat chronic diseases are expected to drive volumes for this segment.

Muted near-term outlook for US business amid tariff overhang; companies explore diversification and mitigation strategies

- The proposed 25.0% US import tariffs on pharmaceutical products could significantly impact Indian exports (worth ~ USD 8.7 bn), especially generics. The US remains India's largest export market, contributing 30.0%–35.0% of revenues for most large-cap Indian pharma companies.
- Any disruption in pricing or access could impair volume growth and profitability, particularly for companies with high US exposure.
- Indian pharma companies are preparing countermeasures such as exploring price pass-through options and considering geographic diversification to reduce overdependence on the US.
- We believe the near short-term outlook to be muted as companies are cautious awaiting clarity on policy implementation. Approvals, niche launches, and complex generics continue to support revenue growth in the short term.

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Pharmaceuticals

SECTOR OVERVIEW

- We believe several pharma companies are driving growth through increased traction in Emerging Markets (EM), the Rest of the World (RoW), and Europe. Key contributors include the expansion of speciality products like Odomzo and Ilumya, focusing on South Africa, EU markets, and branded portfolio gains in Europe.

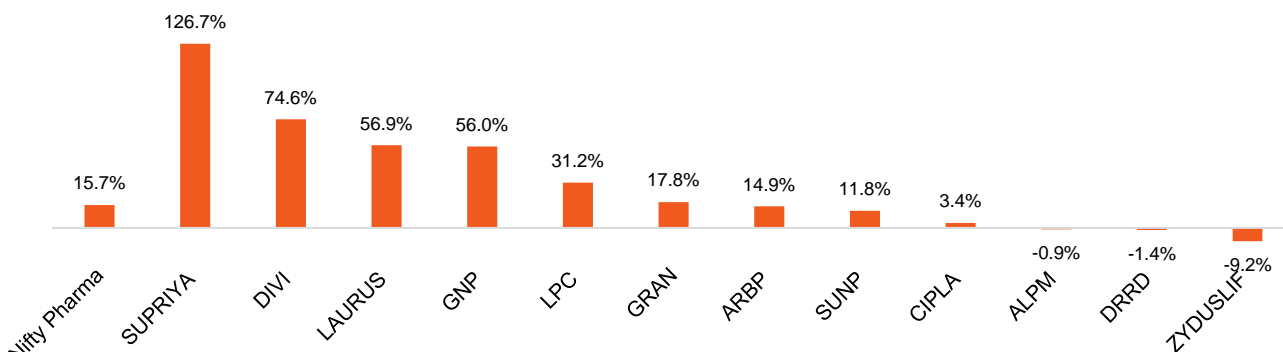
Coverage companies to post double-digit revenue growth coupled with expansion in profitability margin

- In Q4FY25E, we expect double-digit YoY revenue growth from the pharma companies in our coverage. The revenue is expected to grow 11.5% YoY (+1.4% sequentially), driven by new product launches across geographies, expansion in domestic formulations, and continued momentum in EM (Emerging markets) and Europe.
- Notable companies which post strong revenue growth are as follows, Divis Laboratories (sustained double-digit growth in the Custom Synthesis segment), Supriya Lifescience (focus on launching new products in niche therapy areas), and Sun Pharma (Odomzo, Ilumya growth and India launches driving momentum.)
- EBITDA is expected to grow at a robust rate of 16.1% YoY and decline 1.5% sequentially. EBITDA margin is expected to expand 99 bps YoY (-72 bps QoQ), led by a shift toward higher-margin therapies, and improved product mix, with a higher share of specialty, complex generics, and branded formulations across key geographies.
- Laurus Labs, Lupin, and Sun Pharma are expected to post strong margin expansion among our coverage supported by late-stage projects, a better product mix including complex generics, and higher-margin speciality drugs respectively.
- Alembic Pharma and Zydus Lifesciences are expected to post weak margin growth among our coverage due to an increase in operating expenses.
- Adj. PAT is expected to grow at 22.6% YoY and decline 5.0% sequentially. Adj. PAT margin is expected to expand 150 bps YoY (contract 112 bps QoQ) due to strong operating performance.

Valuation

- Currently, Nifty Pharma 1-year forward PE is 28.0x which is close to a 3-year average. This suggests that the sector is currently fairly valued, however, we expect upside potential may be stock-specific, driven by execution on margin improvement, differentiated product launches, or geographic diversification.
- **Based on the structural growth drivers, our top picks are Laurus Labs (improved utilization of the capacities in Custom Synthesis), Supriya Lifescience (consistent revenue and profit growth) and Lupin (better product mix supported by complex generics)**

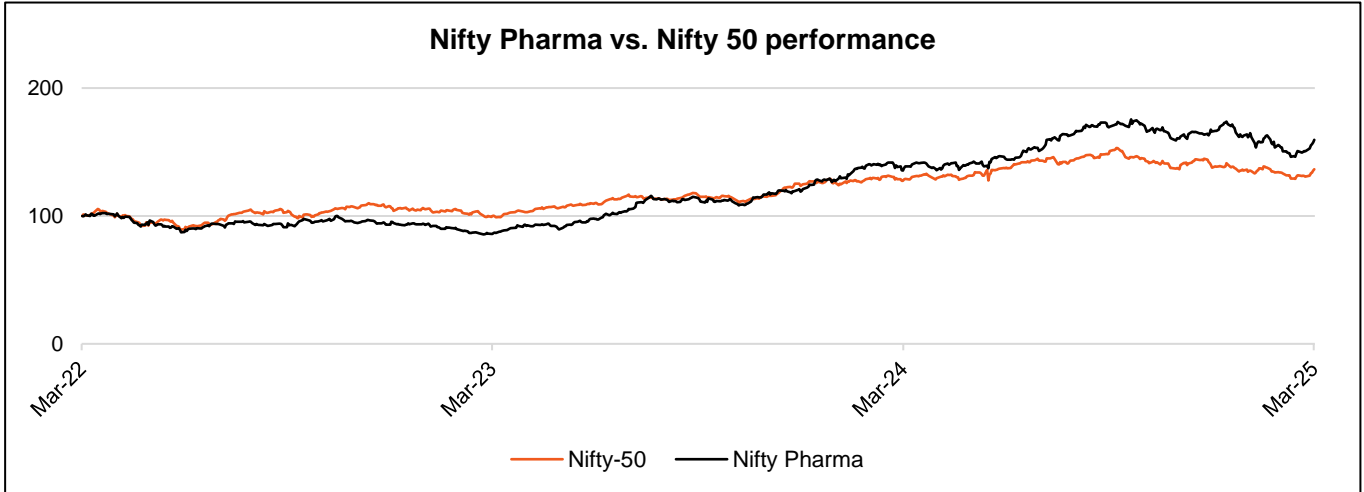
Coverage stock & Nifty Pharma 1-Year return



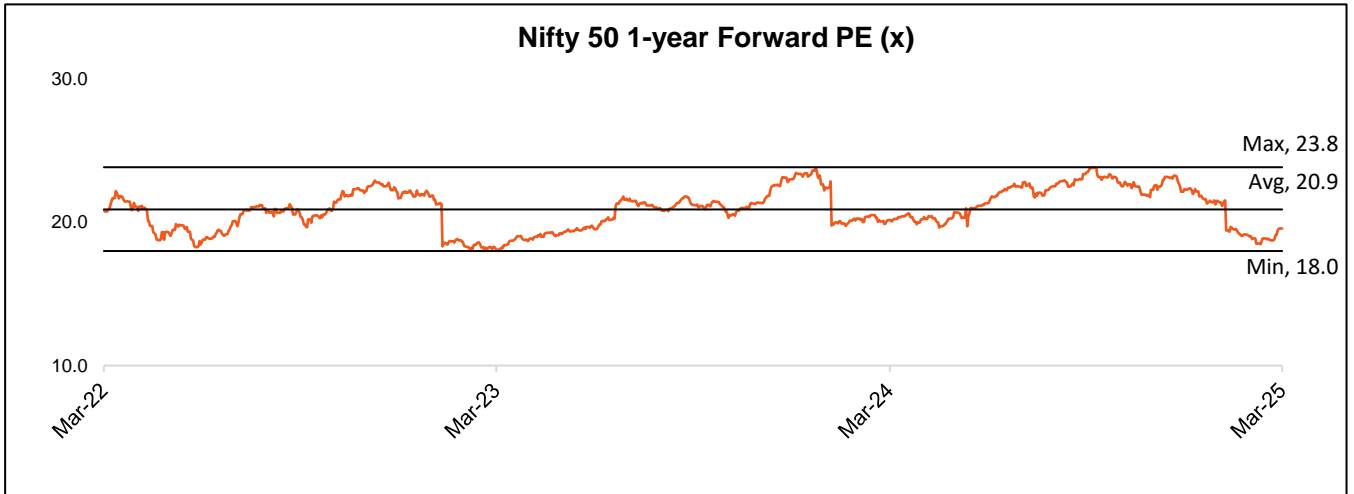
Source: NSE

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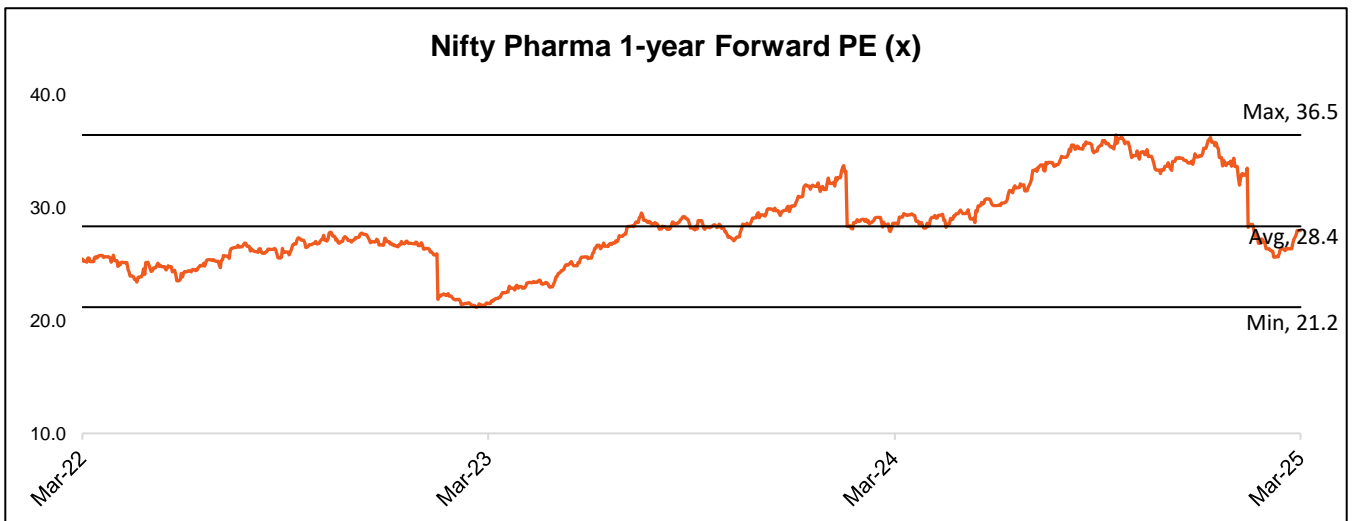
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Source: NSE, Deven Choksey Research



Source: NSE, Deven Choksey Research



Source: NSE, Deven Choksey Research

Pharmaceuticals

Exhibit 1: Quarterly result expectation for companies under coverage

INR Mn

Q4FY25E	Outperform	Base	Underperform	View
SUNP				
Sales	140,918	134,926	128,935	<ul style="list-style-type: none">We expect revenue to increase 12.6% YoY (-1.3% QoQ) driven by the continued expansion of speciality products like Odomzo and Ilumya in emerging markets (EM) and the rest of the world (ROW). Additionally, new product launches are expected to strengthen the company's leadership in branded generics in India.EBITDA margin is expected to expand 247 bps YoY (-239 bps QoQ) to 28.3%, due to the increased contribution of higher-margin specialty and branded formulations across geographies.Adj. NPM is expected to contract 136 bps YoY (-277 bps QoQ) to 22.1% due to normalised tax rate.
EBITDA	40,533	38,135	35,797	
Adj. PAT	31,869	29,840	27,870	
EBITDA (%)	28.8%	28.3%	27.8%	
Adj. NPM (%)	22.6%	22.1%	21.6%	
CIPLA				
Sales	69,437	66,355	63,274	<ul style="list-style-type: none">We expect revenue to grow 7.7% YoY (-6.2% QoQ) driven by domestic workforce expansion, which is expected to support prescription growth. Additionally, the company's strategic focus on EMEU and SAGA markets, along with a strong product pipeline, should sustain a robust revenue trajectory.EBITDA margin is expected to expand 278 bps YoY (-399 bps QoQ) to 24.1%, due to favorable product mix, and cost optimization measures.Adj. NPM is expected to expand 162 bps YoY (-535 bps QoQ) to 16.9%
EBITDA	17,106	16,015	14,955	
Adj. PAT	12,052	11,186	10,350	
EBITDA (%)	24.6%	24.1%	23.6%	
Adj. NPM (%)	17.4%	16.9%	16.4%	
DRRD				
Sales	85,874	82,317	78,760	<ul style="list-style-type: none">We expect revenue to increase 15.7% YoY (-1.8% QoQ), driven by advancements in the biosimilars pipeline and key launches in India for cancer therapy and chronic constipation.EBITDA margin is expected to expand 162 bps YoY (flat QoQ) to 27.1% due to better product mix.Adj. PAT margin is expected to contract 142 bps YoY (-11 bps QoQ) to 16.8% due to normalized tax rate.
EBITDA	23,714	22,321	20,962	
Adj. PAT	14,814	13,789	12,799	
EBITDA (%)	27.6%	27.1%	26.6%	
Adj. NPM (%)	17.3%	16.8%	16.3%	

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INR Mn

Q4FY25E	Outperform	Base	Underperform	View
ZYDUSLIF				
Sales	65,310	62,543	59,776	<ul style="list-style-type: none">We expect revenue to grow 13.0% YoY (+18.07% QoQ), driven by exclusive product launches in the US market, expansion in chronic therapies supporting domestic business growth, and double-digit growth in Consumer Wellness aided by strategic acquisitions.EBITDA margin will contract 503 bps YoY (+156 bps QoQ) to 24.4% due to an increase in operating expenses.Adj. NPM is expected to contract 420 bps YoY (+115 bps QoQ) to 17.1%.
EBITDA	16,282	15,280	14,305	
Adj. PAT	11,502	10,702	9,930	
EBITDA (%)	24.9%	24.4%	23.9%	
Adj. NPM (%)	17.6%	17.1%	16.6%	
DIVI				
Sales	29,575	28,424	27,272	<ul style="list-style-type: none">We expect revenue to increase 23.4% YoY (+22.6% QoQ), driven by sustained double-digit growth in the Custom Synthesis segment with a focus remains on scaling up high-value projects.EBITDA margin is expected to stay flat YoY (-54 bps QoQ) at 31.5% due to the high base of last year and strategic investments in backward integration.Adj. NPM is expected to expand 96 bps YoY (-108 bps QoQ) to 24.3%.
EBITDA	9,464	8,953	8,454	
Adj. PAT	7,341	6,913	6,497	
EBITDA (%)	32.0%	31.5%	31.0%	
Adj. NPM (%)	24.8%	24.3%	23.8%	
LPC				
Sales	57,892	55,412	52,931	<ul style="list-style-type: none">We expect revenue to increase 11.7% YoY (-3.9% QoQ) driven by double-digit U.S. growth from complex generics and injectables, while India Formulations should outperform with new launches, acquisitions, and a chronic focus.EBITDA margin is expected to be 286 bps YoY (-73 bps QoQ) to 23.0%, supported by better product mix including complex generics and operating leverage.Adj. NPM is expected to expand 276 bps YoY (-82 bps QoQ) to 14.2%.
EBITDA	13,577	12,718	11,884	
Adj. PAT	8,533	7,891	7,273	
EBITDA (%)	23.5%	23.0%	22.5%	
Adj. NPM (%)	14.7%	14.2%	13.7%	

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INR Mn

Q4FY25E	Outperform	Base	Underperform	View
ARBP				
Sales	84,489	80,699	76,909	<ul style="list-style-type: none">We expect revenue to increase 6.5% YoY (+1.1% QoQ), driven by sustained double-digit growth in Europe and strong momentum in Growth Markets, supported by expanding domestic sales and deeper market penetration.EBITDA margin is expected to be flat at 22.2%, due to higher R&D expenses which will be offset by improved geographical mix.Adj. NPM is expected to contract 153 bps YoY (+103 bps QoQ) to 12.3%.
EBITDA	19,156	17,893	16,668	
Adj. PAT	10,781	9,894	9,044	
EBITDA (%)	22.7%	22.2%	21.7%	
Adj. NPM (%)	12.8%	12.3%	11.8%	
GNP				
Sales	35,565	34,034	32,502	<ul style="list-style-type: none">GNP is expected to post revenue growth of 11.1% YoY (+0.5% QoQ) driven by new launches in India, growth in respiratory and injectable products in the U.S., and branded portfolio expansion in Europe.EBITDA margin is expected to expand 75 bps YoY (-50 bps QoQ) to 17.2% supported by higher-margin branded sales in India and Europe.Adj. PAT margin is expected to be at 9.7% as against loss in Q4FY24 and 10.3% in Q3FY25.
EBITDA	6,301	5,860	5,434	
Adj. PAT	3,635	3,309	2,997	
EBITDA (%)	17.7%	17.2%	16.7%	
Adj. NPM (%)	10.2%	9.7%	9.2%	
LAURUS				
Sales	15,837	15,117	14,397	<ul style="list-style-type: none">We anticipate a 5.0% YoY (+6.8% QoQ) revenue growth, driven by the company's strategic emphasis on advanced intermediates and APIs, along with multiple R&D-driven launches supporting expansion.EBITDA margin is expected to expand 674 bps YoY (+337 bps QoQ) to 23.5%, supported by late-stage projects, and improved utilization of the capacities in Custom Synthesis.Adj. PAT margin is expected to expand 534 bps YoY (+403 bps QoQ) to 10.6%.
EBITDA	3,803	3,555	3,313	
Adj. PAT	1,756	1,601	1,453	
EBITDA (%)	24.0%	23.5%	23.0%	
Adj. NPM (%)	11.1%	10.6%	10.1%	

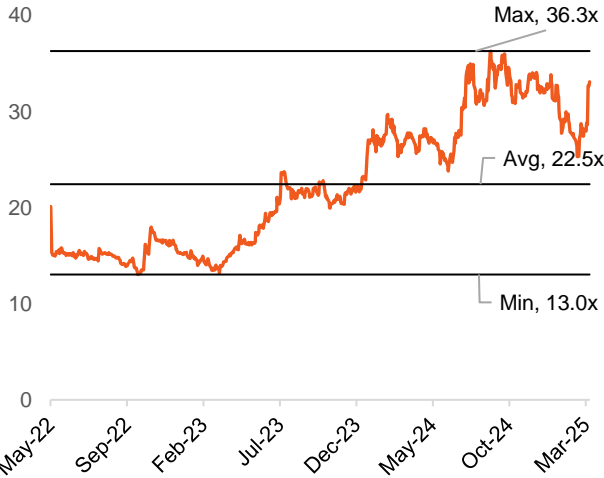
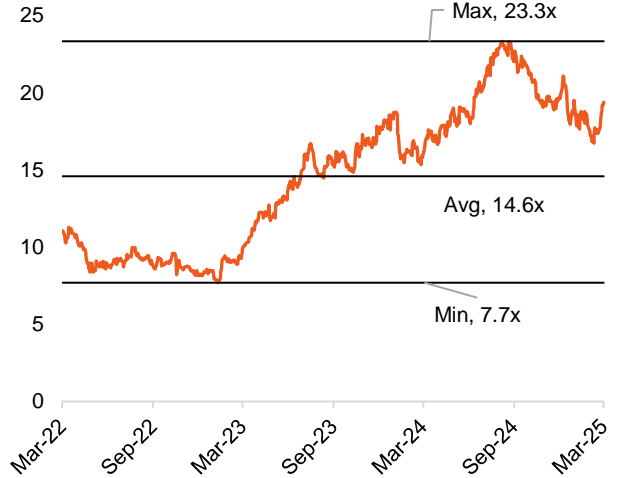
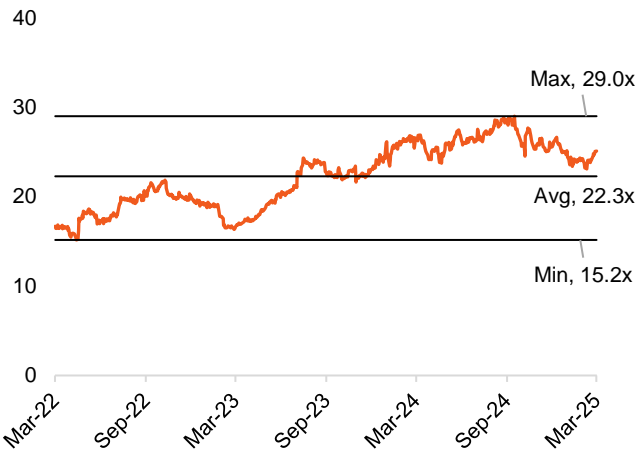
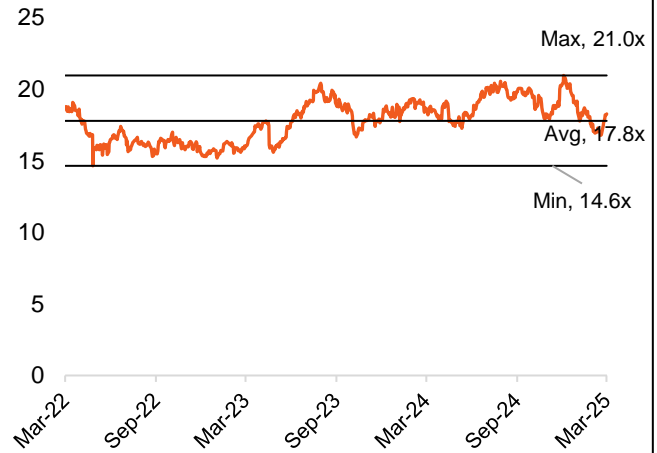
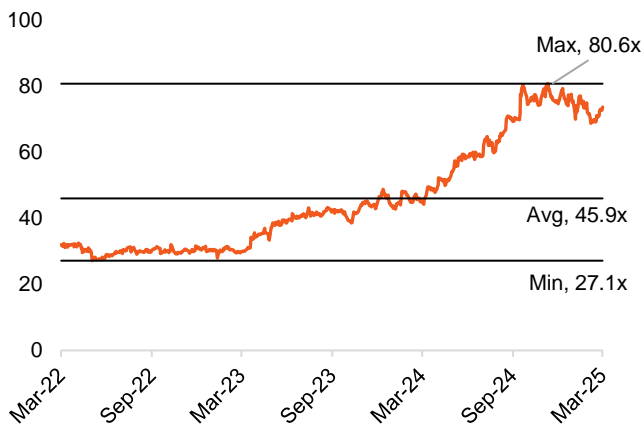
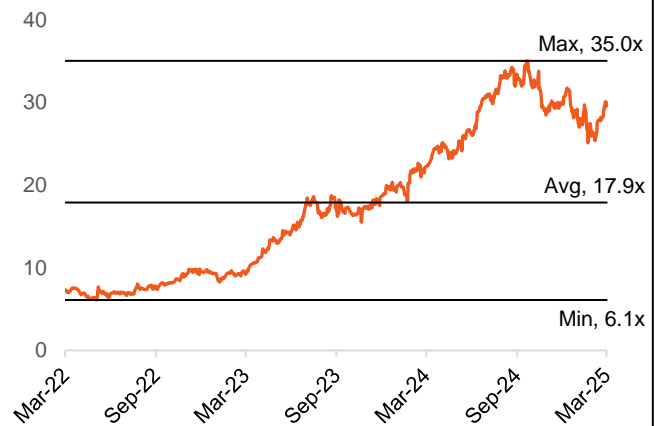
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INR Mn

Q4FY25E	Outperform	Base	Underperform	View
ALPM				
Sales	16,610	15,852	15,093	<ul style="list-style-type: none">ALPM is expected to post revenue growth of 4.5% YoY (-6.4% QoQ), due to ongoing struggle in the API business and weak growth in the domestic market.EBITDA margin is expected to contract 441 bps YoY (-264 bps QoQ) to 12.7% due to higher operating expenses.Adj. NPM contracted 574 bps YoY (-217 bps QoQ) to 6.0%.
EBITDA	2,199	2,019	1,847	
Adj. PAT	1,081	953	832	
EBITDA (%)	13.2%	12.7%	12.2%	
Adj. NPM (%)	6.5%	6.0%	5.5%	
GRAN				
Sales	13,829	13,241	12,653	<ul style="list-style-type: none">We expect revenue to grow 12.6% YoY (+16.4% QoQ), supported by multiple new product filings in niche therapies, ongoing launches, and recent FDA approvals for formulations in diabetes and ADHD medications, which are expected to drive growth.EBITDA margin is expected to stay flat YoY (+143 bps QoQ) due to increased expenses related to the US FDA inspection.Adj. NPM is expected to expand 120 bps YoY (+189 bps QoQ) to 12.2%.
EBITDA	3,066	2,869	2,679	
Adj. PAT	1,760	1,619	1,484	
EBITDA (%)	22.2%	21.7%	21.2%	
Adj. NPM (%)	12.7%	12.2%	11.7%	
SUPRIYA				
Sales	1,997	1,918	1,839	<ul style="list-style-type: none">We expect revenue to grow 21.3% YoY (+3.3% QoQ), supported by the company's focus on launching new products in niche therapy areas and the commissioning of additional production blocks at the Lote facility to expand manufacturing capacity.EBITDA margin is expected to contract 809 bps YoY (-853 bps QoQ) to 27.0% due to the high base of last year's same quarter.Adj. NPM is expected to contract 446 bps YoY (-632 bps QoQ) to 18.9%.
EBITDA	549	518	487	
Adj. PAT	387	362	338	
EBITDA (%)	27.5%	27.0%	26.5%	
Adj. NPM (%)	19.4%	18.9%	18.4%	

Pharmaceuticals

Alembic Pharma 1-Yr forward PE (x)

Aurobindo Pharma 1-Yr forward PE (x)

Cipla 1-Yr forward PE (x)

Dr. Reddy's 1-Yr forward PE (x)

Divi's Lab 1-Yr forward PE (x)

Glenmark Pharma 1-Yr forward PE (x)


Source: Bloomberg, Deven Choksey Research

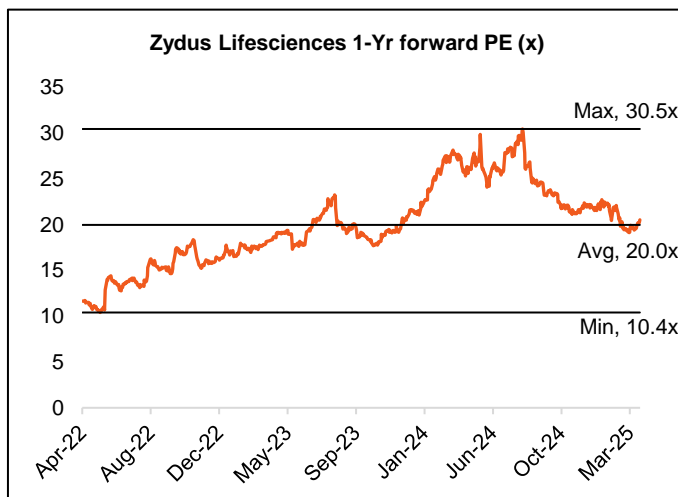
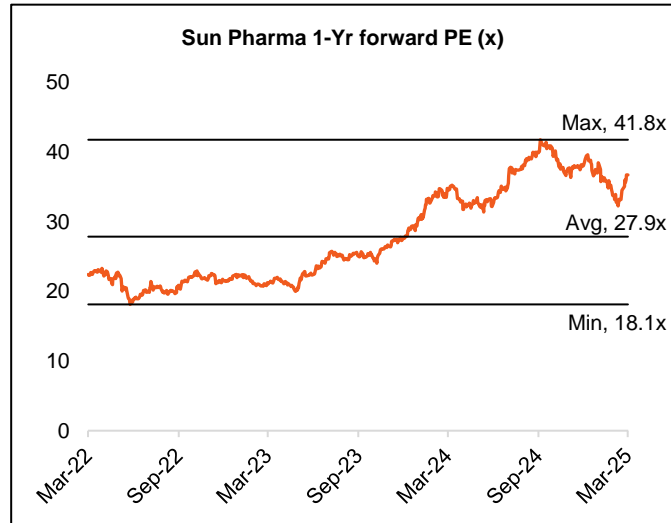
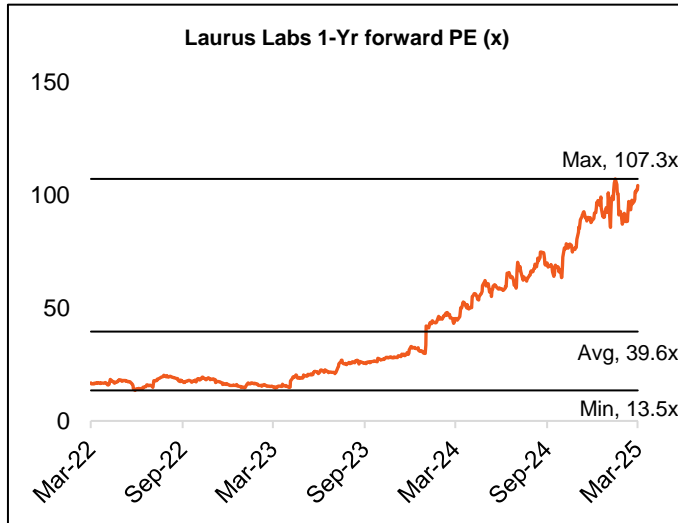
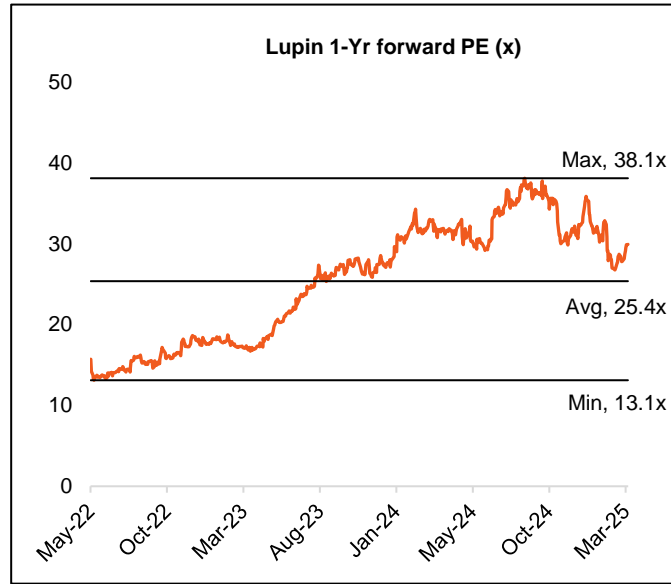
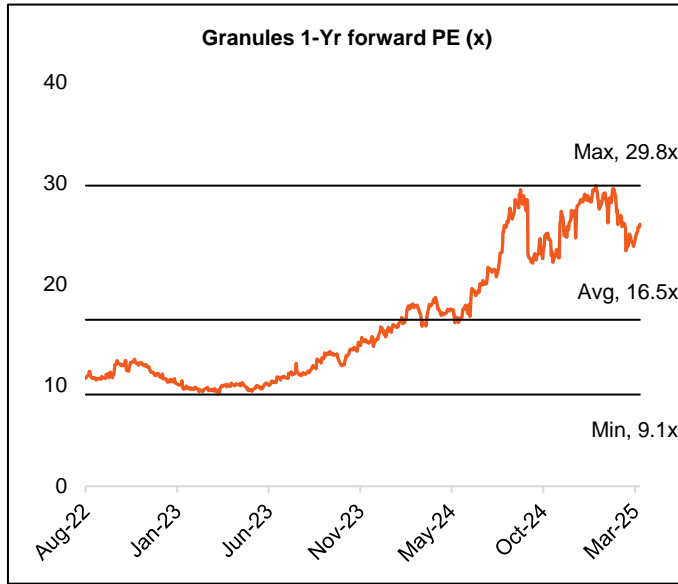
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Pharmaceuticals



Source: Bloomberg, Deven Choksey Research

Pharmaceuticals

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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