

Pharmaceutical Sector

1QFY26 Result Preview

July 11, 2025

Acute revival and price hikes provide support

Key Points

- NBIE's pharma coverage universe's revenue is expected to grow 10.5% YoY, mainly driven by robust growth in the US on the back of key products including Revlimid and favourable currency movement. We expect the IPM to grow 8% mostly on account of price hike, new launches, and muted volume uptick. In our coverage universe, we expect Ajanta, DRL, JB Chemicals, ERIS, Sun Pharma, and Lupin to outperform the IPM.
- Margins are expected to improve YoY on the back of a better product mix, price hike benefits in branded markets, and normalizing cost inflation.
- US is expected to grow ~8% YoY in CC terms mainly on account of Revlimid and new launches but it is expected to remain almost flat to negative QoQ. Also, the raw material prices softening is supporting US growth.

Company-wise performance: Among the Large Caps, all coverage companies are expected to report decent set of numbers. In terms of revenue, Dr. Reddy's (due to acquisition), Sun Pharma, Mankind Pharma (due to acquisition), and Ajanta Pharma are expected to report >10% YoY growth among the Large Caps, while Eris Life/JB Chemicals (due to acquisitions), Gland Pharma (on a low base), and Natco Pharma are expected to report double-digit YoY revenue growth in the Mid Cap/Small Cap space. Among MNCs, Sanofi is expected to report 5% revenue growth in spite of divestment of brands with YoY margin improvement, whereas Pfizer is expected to report a weak quarter owing to slow growth in the acute portfolio. Our preferred picks are Cipla and Sun Pharma in Large Caps and Ajanta Pharma and Eris Life the in Mid Cap/Small Cap space.

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Currency tailwinds to aid growth: INR depreciated against USD on an average by 3.6% YoY but was flat QoQ. INR also depreciated against the Euro and Brazilian Real by around 11.9%/11.4% YoY; however, INR appreciated against the Russian Ruble by 34%.

Company (Rsmn)	TP CMP		Rating	Sales			EBITDA			EBITDA margin (%)			PAT		
	(Rs)	(Rs)		1QFY26E	YoY (%)	QoQ (%)	1QFY26E	YoY (%)	QoQ (%)	1QFY26E	4QFY25	1QFY25	1QFY26E	YoY (%)	QoQ (%)
Ajanta Pharma	2,845	2,591	Hold	12,551	9.6	7.2	3,485	5.5	17.3	27.8	25.4	28.9	2,497	1.6	10.9
Alembic Pharma	930	977	Hold	17,172	10.0	-3.0	2,786	17.64	2.5	16.2	15.4	15.2	1,601	19.4	2.0
Alkem Laboratories	5,095	4,733	Hold	32,155	7.5	2.3	6,184	1.6	58.0	19.2	12.4	20.4	4,988	-8.5	62.7
Cipla	1,835	1,478	Buy	70,942	6.0	5.4	17,594	2.5	14.4	24.8	22.8	25.6	12,637	7.7	0.2
Dr. Reddy's Labs	1,291	1,263	Hold	90,852	18.4	6.8	22,713	30.1	10.8	25.0	24.1	22.7	15,357	52.0	-3.7
Eris Lifesciences	2,068	1,744	Buy	7,977	10.8	13.1	2,885	15.4	14.3	36.2	35.8	34.7	1,252	50.5	33.5
Gland Pharma	1,794	1,844	Hold	15,138	8.0	6.2	3,685	39.4	6.0	24.3	24.4	18.9	2,011	39.9	7.8
Indoco Remedies	322	327	Hold	4,146	-3.9	6.3	-15	-103.1	91.9	-0.4	-0.2	11.1	-355	NA	NA
J.B Chemicals	1,639	1,676	Hold	11,300	12.5	19.0	2,999	7.0	32.4	26.5	23.8	27.9	1,983	12.1	36.1
Jubilant Pharmova	1,159	1,172	Hold	19,049	10.0	-1.2	2,781	10.6	-19.5	14.6	17.9	14.5	953	10.6	-38.4
Lupin	2,117	1,895	Hold	61,122	9.1	7.9	14,848	15.4	12.7	24.3	23.2	23.0	9,101	8.6	21.8
Mankind	2,650	2,544	Hold	36,135	24.9	17.3	9,321	36.7	36.4	25.8	22.2	23.6	4,469	-17.7	5.2
Natco	971	998	Hold	15,261	12.0	25.0	7,378	-8.3	34.6	48.3	44.9	59.1	5,565	-16.8	36.9
Pfizer	5,220	5,613	Sell	5,695	1.2	-3.8	1,503	-15.3	-33.9	26.4	38.4	31.5	1,774	17.7	-9.8
Sanofi India*	6,599	5,998	Hold	5,627	21.4	5.0	1,398	20.8	-18.7	24.8	32.1	25.0	955	2.2	-20.1
Sun Pharma	2,024	1,694	Buy	1,38,854	9.7	7.1	37,794	4.8	1.7	27.2	28.7	28.5	28,295	-0.2	18.4
Torrent Pharma	3,496	3,339	Hold	30,953	8.3	4.6	10,373	14.7	7.6	33.5	32.6	31.6	5,817	27.3	12.7
Zydus Lifesciences	953	973	Hold	65,293	5.2	0.0	20,126	-4.6	-7.0	30.8	33.2	34.0	13,317	-7.5	-2.4
Our coverage universe				6,40,221	10.5	6.2	1,67,837	8.9	8.2	26.2	25.7	26.6	1,12,216	5.6	9.5

Source: Company, Nirmal Bang Institutional Equities; Note: *Sanofi follows calendar year

Ajanta Pharma: Revenue is expected to grow 10% YoY, mainly driven by double-digit growth in domestic and Africa-branded business. Domestic businesses is expected to grow 11% YoY, led by growth across key segments. Asia and Africa-branded businesses are expected to grow 10% YoY and 12% YoY, respectively. Africa-branded business growth is primarily led by distribution rationalization and a low base last year. US market revenue is expected to remain muted QoQ in CC terms mainly due to lack of meaningful launches. EBITDA margin is expected to remain healthy around 28%.

Alembic Pharma: Revenue is expected to grow 10% YoY on the back of strong recovery in the US market (due to new launches). Domestic business is expected to remain flat YoY due to underperformance of the acute portfolio. EBITDA margin is expected to improve by 106bps on YoY basis to 16.2%. Net profit is expected to grow 20% YoY on account of US generics and international generics.

Alkem: Revenue is expected to grow 6% YoY as growth in the domestic business is expected to grow by ~7% largely due to underperformance of acute the portfolio. US business is expected to improve 8% YoY to US\$82mn (owing to a low base). ROW business is expected to grow 10% YoY. EBITDA margin is expected to decline by 84bps YoY to 19.2% due to increased R&D cost and change in product mix.

Cipla: Revenue is expected to grow 6% YoY, driven by 8% YoY growth in the domestic business on the back of a favorable season and a low base last year. US business is expected to remain flat YoY; Lanreotide (inj) & Albuterol partially offset by decline in the base business. EBITDA margin is expected to decline by ~80bps YoY to 24.8%, mainly due to cost increased R&D spends and other expenses. Net profit is expected to grow ~8% YoY mainly driven by other income coupled with lower tax outgo.

DRL: Revenue is expected to grow 18.4% YoY mainly owing to acquisition of the NRT portfolio. US revenue is expected to grow ~5% YoY to US\$475mn. India business is expected to grow 12% YoY on account of expectations of a favorable season and a slight uptick in the cardiology and GI segment. EBITDA margin is expected to improve by 230bps YoY to ~25% on account of softening of raw material prices.

Eris Life: Revenue is expected to grow 11% YoY on the back of continuous strong growth in key brands and newly-acquired growth in Biocon and SWISS business. Consolidated EBITDA margin is expected to improve by ~143bps to 36% as operations improve and expenses reduce.

Gland Pharma: Revenue is expected to grow 8% YoY on the back of consolidation of Cenexi, gradual recovery in Emerging Markets (EM), and currency tailwinds. US business revenue should improve QoQ with normalization of the supply chain. EBITDA margin is likely to remain flat QoQ at ~24% mainly due to consolidation of Cenexi and operating deleverage in the base business.

Indoco Remedies: Revenue is expected to decline ~4% YoY due to remediation process and regulatory issues. The domestic formulations business is expected to grow 19% YoY on account of a low base last year. EBITDA margins are expected to remain similar QoQ due to the ongoing remediation process.

JB Chemicals: Revenue is expected to grow 12.5% YoY, mainly driven by double-digit growth in the domestic base business following brand acquisitions. Export business growth is expected to remain muted YoY. We expect EBITDA margins to decline by 138bps due to increased other expenses.

Jubilant Pharmova: Revenue is expected to grow ~10% YoY. The radiopharma business is expected to remain flat YoY, while strong growth is seen in the radiopharmacy business. EBITDA margin is expected to remain flat at 14.6%

Lupin: Revenue is expected to grow ~9% YoY with the US market expected to report strong double-digit growth, largely led by the launch of Mirabegron & Tolvaptan and currency tailwinds. The Domestic business is expected to grow 8% YoY. EBITDA margin is expected to expand by ~130bps YoY on account of a low base and launch of Tolvaptan.

Natco Pharma: Revenue is expected to improve ~12% YoY on account of Revlimid. EBITDA margin is expected to decline to 48% owing to change in product mix and price erosion in the US business. Net profit is expected to decline 17% YoY due to lack of profitable new product launches.

Pfizer: Revenue is expected to grow ~6% YoY due to the weak acute portfolio. EBITDA margin is expected to improve by 500bps to 36.7% due to lower other expenses and raw material costs. Net profit is expected to improve YoY by 16%.

Sanofi India: Revenue is expected to grow by a mere 5% YoY due to launch of new long-acting insulin drugs and divestment of brands. EBITDA margin is expected to decline YoY owing to change in product mix to 25%. Net profit margin is expected to decline YoY to ~17%.

Sun Pharma: Revenue is expected to grow 8% YoY, driven by continuous strong growth in the US Specialty business. US business is expected to grow 5% YoY in CC terms, driven by continuous growth in Winlevi, Ilumya, unloxcyt, and leqselvi along with ramp-up of gRevlimid. The India business is expected to grow 10% YoY, driven by growth across segments. ROW and EMS are expected to grow 11% and 8% due to launch of Ilumya in China and other new products. EBITDA margin is expected to remain strong at 27.9%.

Torrent Pharma: Revenue is expected to grow 8.3% YoY, led by 10% growth in India and Brazil. US business growth is expected to improve on account of a weak base last year in the same quarter. Germany business is expected to remain muted YoY due to uncertainty in the tender business. EBITDA margin is expected to remain healthy at 34%, mainly led by cost rationalization measures.

Zydus Life: Revenue is expected to grow 7% YoY with the US business expected to grow 5% due to contribution from gRevlimid and in-line market growth in the domestic business at 9% YoY (due to weak growth in acute therapies). EBITDA margin is expected to decline by 315bps YoY to 30% owing to change in product mix and increase in other expenses. Net profit is expected decline by 300 bps YoY, in line with the operational performance.

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