

Healthy quarter for non-Revlimid companies

- Domestic sales driven by new product launches and price hike. Insulin players like Eris/Lupin benefit from outgoing Novo's pen based insulin
- In US, Revlimid selling companies to report lower growth vs non-Revlimid companies. The gap unlikely to be filled soon by new launches
- In CDMOs, growth to be driven across companies as molecules swiftly move from one phase to another, leading to record commercialisation

Foram Parekh

research@bobcaps.in

Overall decent quarter expected: We expect sales growth for our coverage companies to report at 10.57% YoY and 2.3% QoQ to Rs 560 bn, driven by healthy sales of 10.5% YoY in the domestic region and 2.4% YoY in the US region. EBITDA margin for our coverage companies is expected to be flat and increase by 16bps YoY and 5bps QoQ to 24.6%. Adjusted PAT is expected to grow by 43% YoY and 5.5% QoQ to Rs 93bn. From our coverage companies, Laurus Labs is expected to report 380% YoY PAT growth; Eris's PAT is expected to grow 66% YoY and Divi's is expected to grow at 39% YoY PAT.

All-round growth expected in domestic region: We expect all our companies, ex-acute business, to surpass IPM growth of ~9%, grow by 10.5% YoY and 12.8% QoQ to Rs 170mn, driven by price hike and new product launches. Companies like Sun will likely lead the growth through volume. Eris is expected to grow by cannibalising the opportunity of Mixtard, while others are expected to drive value growth. Acute focus companies like Alkem and Alembic are expected to grow in line with the IPM growth.

US cos' growth to be driven by non-generics: We expect US countries to report 2.4% YoY growth and 3.3% QoQ growth, driven by complex generics and specialty products. Though gRevlimid sales will taper in 1QFY26 due to competition, we expect the export to US to be better on the filing of channel inventory ahead of Tariff uncertainties.

CDMO companies: Sales for CDMO companies will likely grow by 38.6% YoY, though will decline by 10% to Rs 53bn in 1QFY26. We expect Laurus Labs sales to grow by 88% YoY given the very low base, followed by 14% YoY growth in Divi's and 15% YoY growth in Cohance. Overall, CDMO companies are likely to continue witnessing strong traction as all companies have record-high commercialised molecules.



Fig 1 – 1QFY26 Preview Table

Y/E March	Net Sales (Rs mn)					EBITDA Rs mn					EBITDA Margin (%)					Adjusted PAT (Rs mn)				
	Q1FY25	Q4FY25	Q1FY26E	YoY (%)	QoQ (%)	Q1FY25	Q4FY24	Q1FY26E	YoY (%)	QoQ (%)	Q1FY25	Q4FY24	Q1FY26E	YoY bps	QoQ bps	Q1FY25	Q4FY24	Q1FY26E	YoY (%)	QoQ (%)
Sun Pharma	126,528	129,588	135,487	7.1	4.6	36,581	34,249	37,031	1.2	8.1	28.9	26.4	27.3	(5.5)	3.4	28,357	21,499	29,106	2.6	35.4
Dr.Reddy's	76,727	85,060	82,112	7.0	(3.5)	21,270	20,505	20,117	(5.4)	(1.9)	27.7	24.1	24.5	(11.6)	1.6	13,920	15,931	13,252	(4.8)	(16.8)
Cipla	66,939	67,297	70,393	5.2	4.6	17,158	15,376	16,894	(1.5)	9.9	25.6	22.8	24.0	(6.4)	5.0	11,856	12,218	11,469	(3.3)	(6.1)
Lupin	56,003	56,671	60,719	8.4	7.1	12,864	12,921	14,694	14.2	13.7	23.0	22.8	24.2	5.4	6.1	8,013	7,725	9,405	17.4	21.7
Aurobindo Pharma	75,670	83,821	80,151	5.9	(4.4)	16,196	17,919	16,671	2.9	(7.0)	21.4	21.4	20.8	(2.8)	(2.7)	9,193	9,035	8,664	(5.8)	(4.1)
Ajanta	11,449	11,704	12,896	12.6	10.2	3,303	2,971	3,611	9.3	21.5	28.9	25.4	28.0	(3.0)	10.3	2,458	2,253	2,477	0.8	10.0
Alkem	30,318	31,438	32,298	6.5	2.7	6,087	3,913	5,814	(4.5)	48.6	20.1	12.4	18.0	(10.3)	44.6	5,452	3,065	4,540	(16.7)	48.1
Alembic Pharma	15,617	17,696	17,559	12.4	(0.8)	2,368	2,719	2,722	14.9	0.1	15.2	15.4	15.5	2.2	0.9	1,341	1,569	1,555	16.0	(0.9)
Eris	7,197	7,053	9,323	29.5	32.2	2,500	2,524	3,288	31.5	30.3	34.7	35.8	35.3	1.5	(1.4)	832	938	1,380	65.9	47.2
Divi's	21,180	25,850	24,122	13.9	(6.7)	6,220	8,860	7,960	28.0	(10.2)	29.4	34.3	33.0	12.4	(3.7)	4,300	6,630	5,960	38.6	(10.1)
Laurus Labs	11,949	17,203	12,810	7.2	(25.5)	1,712	4,206	2,434	42.2	(42.1)	14.3	24.4	19.0	32.6	(22.3)	125	2,330	601	380.4	(74.2)
Suven Pharma	4,827	8,412	5,560	15.2	(33.9)	1,344	2,293	1,271	(5.5)	(44.6)	27.8	27.3	22.9	(17.9)	(16.2)	838	1,204	559	(33.2)	(53.5)
Abbott India	15,576	16,046	17,289	11.0	7.8	3,910	4,285	4,702	20.3	9.7	25.1	26.7	27.2	209.4	49.1	3,280	3,670	4,280	30.5	16.6
Total	499,578	533,382	560,721	10.57	2.36	126,259	126,163	137,210	12.76	6.73	24.8	24.6	24.6	15.85	5.75	85,846	83,193	93,249	43.47	5.56

Source: Company, BOBCAPS Research

Fig 2 – Domestic sales growth

(Rs mn)	1QFY25	4QFY25	1QFY26E	YoY (%)	QoQ (%)
Sun Pharma	41,445	42,130	46,419	12.0	10.2
Dr.Reddy's	13,252	13,047	14,842	12.0	13.8
Cipla	28,980	26,220	32,168	11.0	22.7
Lupin	19,259	17,113	21,570	12.0	26.0
Ajanta	3,530	3,690	3,954	12.0	7.1
Alkem	20,223	21,355	21,841	8.0	2.3
Alembic Pharma	5,720	5,450	6,292	10.0	15.4
Abbott India	15,576	16,046	17,289	11.0	7.8
Eris	6,440	6,323	6,323	(1.8)	0.0
Total	154,426	151,374	170,698	10.5	12.8

Source: Company, BOBCAPS Research

Fig 3 – US sales growth

(Rs mn)	1QFY25	4QFY25	1QFY26E	YoY (%)	QoQ (%)
Sun Pharma	38,894	40,204	39,672	2.0	(1.3)
Dr.Reddy's	38,462	35,586	34,616	(10.0)	(2.7)
Cipla	20,870	19,190	18,783	(10.0)	(2.1)
Lupin	20,408	22,618	22,449	10.0	(0.7)
Aurobindo Pharma	38,270	36,390	36,710	(4.1)	0.9
Ajanta	2,280	3,250	2,736	20.0	(15.8)
Alkem	6,416	6,086	6,544	2.0	7.5
Alembic Pharma	4,610	5,080	5,302	15.0	4.4
Total	131,316	128,200	127,139	2.4	3.3

Source: Company, BOBCAPS Research

Fig 4 – CDMO companies

(Rs mn)	1QFY25	4QFY25	1QFY26E	YoY (%)	QoQ (%)
Laurus Labs	12,810	25,850	24,122	88	(7)
Divi's	21,180	25,850	24,122	14	(7)
Cohance	4,827	8,412	5,560	15	(34)
Total	38,817	60,112	53,805	38.6	(10.5)

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "**MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.