

Q3FY2026 Results Preview

Sector: Pharmaceuticals and Healthcare

Sector View: Positive

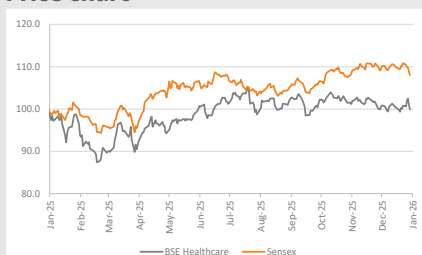
Coverage universe

Company	CMP (Rs)	Reco	PT (Rs)
Torrent Pharmaceuticals Ltd.	3963	BUY	4273
Lupin Ltd.	2181	BUY	2400
Sun Pharmaceuticals Ltd.	1730	BUY	1968
IPCA Labs.	1570	BUY	1734
Divis Laboratories	6617	BUY	7375
Zydus Lifescience	895	BUY	1500
Dr. Reddy's Laboratories	1209	HOLD	1302
Aurobindo Pharma Ltd.	1199	HOLD	1663
Cipla Ltd.	1466	BUY	1726
Biocon Ltd.	380	BUY	462
Granules India Ltd.	602	BUY	700
Laurus Labs Ltd.	1082	HOLD	1054
Abbott India Ltd.	28043	BUY	34770

Source: Company, Mirae Asset Sharekhan Research estimates

*UR – Under Review

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Pharmaceuticals and Healthcare

Eyeing a mixed bag Q3

Summary

- ◆ Our universe of pharmaceutical companies is likely to clock ~13% y-o-y revenue growth in Q2FY2026.
- ◆ Domestic market remains strong and our coverage universe is expected to outperform the IPM while price erosion in the US and lack of new product launches in the region will weigh down the performance of some of the export reliant companies.
- ◆ Overall EBITDA growth seen at 12% y-o-y with companies such as Torrent, Laurus, Divis and Lupin to witness significant margin expansion.
- ◆ Sun Pharmaceuticals, Dr Reddy's to lag on account of gRevelimid impact and lack of significant launches in the near term.

Indian generics face a tempered outlook for Q3FY26 (October-December 2025), where challenges in the US market from pricing headwinds were largely counterbalanced by contributions from domestic sales and European expansion. Companies in our coverage are expected to see revenues grow by 13%, but strategic moves toward premium products in the exports and continued growth in the domestic market will help maintain EBITDA margins of 23-28% for most players, fostering resilience for leading companies.

- ◆ **Domestic companies to grow consistently:** The domestic branded generics segment continues to shine, (IPM projection of 9-11% through Q3FY26), building on strong performance in Q1. This momentum stems from fresh product introductions, modest price increases, and robust demand in chronic categories such as cardiology, despite subdued volume trends tied to seasonal patterns. Such dynamics affirm the home market's pivotal role in driving broader industry progress toward 9-11% for 2026. Torrent remains our top pick from this space with revenue growth of 20% and EBITDA growth expectation of 26% y-o-y.
- ◆ **Generics to drag on price erosion, complex drugs to shine:** In contrast to the IPM, the US generics arena anticipates subdued revenue growth in Q3FY26, hampered by significant revenue erosion from gRevlimid (impacting 10-15% of sales for key players) alongside fierce rivalry and sparse new ANDA (Abbreviated New Drug Application) clearances. On a brighter note, Europe counters these pressures with vigorous double-digit gains, propelled by biosimilar successes, competitive tenders, and steady pricing frameworks following Brexit-related changes, thereby bolstering export diversification. Lupin is likely to deliver strong 24.0% y-o-y revenue growth on account of launches, and traction in g-Tolvaptan/g-Spiriva/Mirabegron, offsetting price erosion in base portfolio and competition in g-Albuterol. Delayed competitor approval of g-Tolvaptan would extend the low-competition window, supporting continued growth.
- ◆ **Shift in sector, early companies to sustain higher valuations :** A transformative industry trend involves transitioning from basic generics to sophisticated offerings like biosimilars, peptide therapies, antibody-drug conjugates (ADCs), and GLP-1 agonists such as semaglutide variants. As per market reports, these advanced assets fetch 20-40% higher prices and deliver 30-35% margins—far surpassing the 15-20% from standard generics. Also CDMO companies are witnessing traction. Biocon, Laurus and Divis are standouts in this space.

Valuation:

We expect Q3FY26 numbers to be a mixed bag. For companies with a higher exposure to US, new launches into complex drugs/ biosimilars are key to margin growth. Companies have also used their US product pipeline to launch the same in Europe and have witnessed good traction. This has helped in diversifying the risk, while improving shareholder value.

Key risks: Larger-than-expected price erosion in the US, consolidation and growth in the diagnostics space taking longer than anticipated.

Leaders: Lupin Ltd, Torrent Pharmaceuticals, Divis Laboratories, Laurus Labs.

Laggards: Sun Pharmaceuticals, Dr Reddy's Laboratories.

Q3FY26 Result estimates

Company	Revenue					EBITDA					PAT				
	Q3 FY26E	Q3 FY25	Y-o-Y (%)	Q2 FY26	Q-o-Q (%)	Q3 FY26E	Q3 FY25	Y-o-Y (%)	Q2 FY26	Q-o-Q (%)	Q3 FY26E	Q3 FY25	Y-o-Y (%)	Q2 FY26	Q-o-Q (%)
Torrent Pharmaceuticals Ltd.	3380.9	2809	20%	3246	4%	1148.6	914	26%	1083	6%	593.8	503	18%	591	0%
Lupin Ltd.	6979	5618.5	24%	6831.4	2%	1939.8	1365.8	42%	2137.6	-9%	1263.4	855.1	48%	1477.9	-15%
Sun Pharmaceuticals Ltd.	15530	13436.9	16%	14405.2	8%	4093	4192.3	-2%	4096.5	0%	3128	3124.7	0%	3117.9	0%
IPCA Labs.	2464	2245.3	10%	2556.5	-4%	576	463.08	24%	544.9	6%	281	248.1	13%	282.5	0%
Divis Laboratories	2811	2319	21%	2338	20%	961	743	29%	729	32%	691	589	17%	510	35%
Zydus Lifescience	6131	5237	17%	6123	0%	1524	1461.4	4%	1601.7	-5%	1002	910.9	10%	1258.6	-20%
Dr. Reddy's Laboratories	8364	8359	0%	8805	-5%	1809	2344	-23%	2323	-22%	1115	1413	-21%	1484	-25%
Aurobindo Pharma Ltd.	8486	7893.1	8%	8285.7	2%	1731	1627.8	6%	1678.1	3%	936	845.8	11%	848.4	10%
Cipla Ltd.	7109.1	6962	2%	7447	-5%	1697	1886	-10%	1895	-10%	1117	1303	-14%	1351	-17%
Biocon Ltd.	4566.2	4295.5	6%	3941.9	16%	871.4	835.4	4%	748.9	16%	164	25.1	553%	84.5	94%
Granules India Ltd.	1290.3	1137.7	13%	1296.9	-1%	279.1	230.3	21%	278.2	0%	140.3	117.6	19%	130.6	7%
Laurus Labs Ltd.	1415	1223.7	16%	1653.4	-14%	370.7	285.1	30%	403.2	-8%	168.9	92.3	83%	194.9	-13%
Abbott India Ltd.	1785.81	1614.2	11%	1757.1	2%	459	436	5%	502.1	-9%	372.3	360.7	3%	415.2	-10%
Total	5408.6	4857.7	13%	5283.7	2%	1343.0	1291.0	12%	1386.2	0%	843.9	799.1	57%	903.5	4%

Source: Company; Mirae Asset Sharekhan estimates

Valuations

Company	Reco.	Price Target (Rs.)	CMP (Rs.)	P/E (x)			EV/EBITDA (x)		
				FY25	FY26E	FY27E	FY25	FY26E	FY27E
Pharmaceuticals									
Torrent Pharmaceuticals Ltd.	3963	BUY	4273	56.2	54.5	42.7	30.7	31.8	26.2
Lupin Ltd.	2181	BUY	2400	28.0	21.5	20.8	18.0	14.6	13.7
Sun Pharmaceuticals Ltd.	1730	BUY	1968	37.3	35.9	35.1	25.1	23.4	21.7
IPCA Labs.	1570	BUY	1734	46.7	46.7	39.6	27	23	19
Divis Laboratories	6617	BUY	7375	71.5	63.2	53.5	45.6	41.2	34.8
Zydus Lifescience	895	BUY	1500	32.4	28	25.5	21	17.8	16.5
Dr. Reddy's Laboratories	1209	HOLD	1302	16.7	18.0	18.4	11.3	12.3	12.5
Aurobindo Pharma Ltd.	1199	HOLD	1663	22.6	22.6	-	9.7	9.7	-
Cipla Ltd.	1466	BUY	1726	22.2	26.3	23.8	16.3	18.0	16.3
Biocon Ltd.	380	BUY	462	42.6	82.0	58.9	17.0	18.9	14.9
Granules India Ltd.	602	BUY	700	26	21	28	14	12	10
Laurus Labs Ltd.	1082	HOLD	1054	87.4	69.2	50.2	23.59	14.77	12.23
Abbott India Ltd.	28043	BUY	34770	45.9	37.5	33.3	-	28.8	25.5

Source: Company; Mirae Asset Sharekhan estimates

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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