MIRAE ASSET Sharekhan

Pharmaceuticals and Healthcare

Robust Q2; Outlook Positive on CDMO and complex drugs

Q2FY2026 Results Review

Sector:	**Pharmaceuticals and Healthcare**
Sector View:	**Positive**

Coverage universe

Company	Reco	CMP (Rs)	PT (Rs)
Dr Reddy's Laboratories Ltd	HOLD	1,246	1302
Cipla Ltd.	BUY	1,522	1,726
Lupin Ltd.	BUY	2,072	2,400
Abbott India Ltd.	BUY	29,965	34,470
Torrent Pharmaceuticals Ltd.	BUY	3,751	4,273
Laurus Labs Ltd.	HOLD	984	1,054
Sun Pharmaceutical Industries Ltd.	BUY	1,805	1,968
Artemis Medicare Services	Neutral	287	307
Biocon Ltd.	BUY	399	UR
Divis Laboratories Ltd.	HOLD	6,512	UR
Aurobindo Pharma Ltd.	HOLD	1,230	UR

*Source: Company; Mirae Asset Sharekhan estimates; *UR – Under Review.*

Summary

- Our universe of pharmaceutical companies clocked a strong 12% y-o-y revenue growth and 18% rise in EBITDA as complex drugs, biosimilars and branded formulations got a greater share of the revenue pie. EBITDA margins rose 240 bps on a favourable product mix. We expect complex and biosimilar drug pipeline to outperform in the current market scenario.
- Hospital sector clocked 14% y-o-y revenue growth and a 20% EBITDA growth on higher ARPOB and bed utilisation.
- We prefer companies focused on complex generics/ specialty business in the US market and chronic therapy focus in the domestic market.
- **Preferred Picks:** Lupin Ltd, Laurus Labs Ltd, Torrent Pharmaceuticals Ltd and Abbott India Ltd.

Q2FY26 numbers shows that Indian pharmaceutical companies are increasingly shifting from traditional generics to innovative, specialty, and complex drug portfolios, supported by higher R&D spending, product approvals, and global regulatory milestones that position them for sustainable differentiated growth. This shift helped pharmaceutical companies show resilience, offsetting some pressure in legacy segments and US generics market. R&D investments and innovation in differentiated therapies remain key growth areas.

Complex/Innovative drugs outperformed generics:

Sun Pharma's sales from global innovative medicines segment stood at $333 million, surpassing US generics' sales for the first time. They launched nine products during the quarter, focusing on high-margin specialties including dermatology, oncology, and obesity. Despite outperformance of the innovative drug portfolio, US revenues declined 4% y-o-y. Lupin's increasing portfolio mix of complex drugs led to revenue growth of 24% and and margin improvement of 76% on y-o-y basis. Biocon achieved over 20% revenue growth driven by biosimilars and specialty segments, reflecting ongoing diversification into complex and innovative drug solutions. Revenue reached Rs. 7,138 crore, up 24.3% y-o-y, supported by strong sales of its complex drugs.

CDMO continues growth trajectory:

Indian CDMO firms' Q2 numbers were a mixed bag, but improved, with strong growth for a few names, while larger diversified players with a heavy CDMO exposure still faced softness in certain segments. Broadly, growth came from differentiated services and complex products, while commoditised APIs and legacy contracts stayed stressed. Laurus Labs, which had been under pressure till H2FY25 has rebounded sharply, posting revenue and PAT growth of 35% and 993% y-o-y, led by a 982 bps rise in EBITDA margin, as CDMO formed ~30% of the portfolio mix.

Abbott and Torrent outperform IPM: The Indian Pharmaceutical Market (IPM) grew ~7.3% y-o-y, while revenue of our coverage universe with comparable companies increased by 9% in revenue and 15% in EBITDA y-o-y. The branded formulations segment for Dr Reddy's showed strong momentum with 13% y-o-y revenue growth, driven by higher volumes and new product launches. This segment outperformed the Indian pharmaceutical market by about 300 basis points, reflecting effective market penetration and brand acceptance.

Overall, Q2FY26 results indicate a cautiously optimistic outlook with steady growth in core business areas and improving profitability for leading pharma companies. Going forward, on the generics front, gRevlimid is going off the exclusivity agreement in January 2026 and it could have impact on generic pharma companies. Companies with a significant pipeline, particularly in the complex and biosimilar space will be more cushioned.

Valuation

Input costs stable, margins to rise: Q2FY26 saw strong double-digit sales growth and record-high margins in certain segments. Future growth for formulation companies will be driven by stable price erosion in the North American oral solids market and increased R&D spend on complex drugs like injectables and inhalers, boosting margins. The shift to specialty generics has helped offset logistics costs, pushing EBITDA margins. API companies are expected to see steady growth with stable pricing, further improving margins. gRevlimid going off patent starting January 2026 can cause valuation concerns for pharma companies in the near term. The Indian market will continue to grow, driven by higher medical representatives' productivity, new product launches, and volume increases from molecules going off patent. The GLP-1 opportunity presents a $100 billion market over the next decade, and we expect the pharma sector to continue its growth with reasonable valuations of 20-30x FY27-28 EPS.

Leaders: Artemis Medicare Services, Lupin Ltd. and Laurus Labs. .

Laggards: Sun Pharmaceuticals Ltd.

Preferred Picks: Lupin Ltd, Laurus Labs Ltd, Torrent Pharmaceuticals Ltd.

Key risks:

- Intense price erosion pressures
- Inclusion of drugs in the NLEM portfolio

Q2FY26 result snapshot

Company	Revenue					EBITDA					PAT				
	Q2 FY26	Q2 FY25	Y-o-Y ()	Q1 FY26	Q-o-Q ()	Q2 FY26	Q2 FY25	Y-o-Y ()	Q1 FY26	Q-o-Q ()	Q2 FY26	Q2 FY25	Y-o-Y ()	Q1 FY26	Q-o-Q ()
Laurus Labs Ltd.	1,653.5	1,223.7	35.1	1,569.6	5.3	403.3	178.3	126.1	382.1	5.5	193.8	17.7	993.4	161.1	20.3
Torrent Pharmaceuticals Ltd.	2,889	2,660	9	2,859	1	939	825	14	904	4	453	390	16	453	0
Abbott India Ltd.	1,633	1,494	9	1,558	5	439	381	15	391	12	347	313	11	328	6
Sun Pharmaceutical Industries Ltd.	14,478.3	13,291.4	9	13,851.4	5	45,27.1	3,939.0	15	3,483.7	30	3,118.0	3,040,16	3	2,872.3	9
Lupin Ltd	6,831.4	5,497.0	24	6,163.75	11	2,431.3	1,382.7	76	1,806.3	35	1,484.8	859.5	73	1,221.5	22
Cipla Ltd	7,589.4	7,051.0	8	6,957.50	9	1,894.8	1,885.6	01	1,778.1	7	1,353.1	1,306.0	4	1,292.1	5
Dr Reddy's Laboratories Ltd.	8,804.9	8,016.1	10	8,545.20	3	2,340.1	2,390.1	-2	2,464.1	-5	1,336.8	1,341.9	0	1,409.9	-5
Artemis Medicare Services Ltd.	274.7	241.4	14	255	8	50.6	42.3	0.2	41.4	22	30.0	22.1	36	21.2	41

Source: Company; Mirae Asset Sharekhan estimates

Valuations

Company	CMP (Rs.)	Reco / View	PT (Rs.)	EPS (Rs.)				PE (x)			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Active Coverage											
Laurus Labs Ltd.	984	HOLD	1,054	3.0	6.7	14.2	19.6	155.7	87.4	69.0	50.0
Torrent Pharmaceuticals Ltd.	3,751	BUY	4,232	48.93	58.31	75.77	94.06	70	59	49.6	39.9
Abbott India Ltd.	29,965	BUY	34,470	565.3	665.6	747.7	843.2	47.3	45.9	39.5	35.0
Sun Pharmaceutical Industries Ltd.	1,805	BUY	1,968	39.9	45.6	48.2	50.7	30.8	37.3	36.9	35.1
Lupin Ltd	2,072	BUY	2,400	42.1	72.7	92.7	95.6	38.7	28	21.4	20.8
Cipla Ltd	1,522	BUY	1,726	53.4	65	60.1	66.4	28	22.2	25.1	22.7
Dr Reddy's Laboratories Ltd.	1,246	HOLD	1,302	66.8	68.6	67.1	65.1	18.4	16.7	17.8	18.4
Artemis Medicare Services Ltd.	287	Neutral	307	3.6	5.97	6.3	9.9	48.3	48.5	44.9	28.6

*Source: Company; Mirae Asset Sharekhan estimates; *UR – Under Review.*

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