

SECTOR UPDATE

Q3FY2026 Results Review

SECTOR

Pharmaceutical

SECTOR VIEW

Positive

Coverage universe

Company	CMP (Rs)	Reco.	PT (Rs)
Lupin	2,323	BUY	2542
Torrent	4400	BUY	4735
Sun Pharma	1786	BUY	1968
Laurus Lab	1093	HOLD	1100
Divi Lab	6474	BUY	7206
Cipla	1358	BUY	1565
Biocon	395	BUY	466
Artemis	236	HOLD	250
Abbott	26355	BUY	30715
Dr Reddy	1319	HOLD	1316
IPCA	1520	BUY	1726
Zydus Life	939	HOLD	990

Source: Company; Mirae Asset Sharekhan Research

Note: CMP as on Feb 26, 2026

Quick Snapshot

- Our universe of pharmaceutical companies clocked a strong 13% y-o-y revenue growth and 15% rise in EBITDA as complex drugs, biosimilars and branded formulations got a greater share of the revenue pie. EBITDA margins rose marginally by 27 bps (mainly on account of increased employee costs). We expect complex and biosimilar drug pipeline to outperform in the current market scenario.
- 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, Torrent Pharmaceuticals Ltd and Sun Pharmaceuticals Ltd, Biocon Ltd.

Indian pharma firms in our coverage delivered varied Q3 FY26 earnings, where strong domestic sales and high volumes in the export market cushioned US price erosion. Overall sector revenue rose about 13% year-over-year, fueled by India formulations and developing markets, but net earnings climbed only 2% amid profitability strains from some pharma companies. Carrying on from the last quarter, Q3FY26 reaffirmed 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.

Across the sector, EBITDA rose 15% year-over-year, mirroring revenue strength from India formulations and developing markets. However, margins increased by a marginal 27 bps basis points due to higher raw material prices, ongoing generic price cuts in the US, and a common one off labour welfare expense.

Profits differed a lot for key Indian pharma companies in Q3 FY26. Top gainers were Lupin (up 37% to Rs.1,181 Cr), Laurus Labs (up 171% to Rs. 252 Cr), and Torrent Pharma (up 26% to Rs.635 Cr). These resulted in better profit margins thanks to smarter product choices, good currency gains, and more sales from special drugs in home and export markets. On the other hand, the laggards for the quarter included Cipla, whose profit fell 57% from stopping Lanreotide supplies, slower growth in long-term drugs, and higher forex costs. Dr Reddy's profit dropped 14% due to less generic Revlimid sales, more spending on new drug research, and one-time costs in its US business.

Domestic/ Emerging markets cushion US headwinds : India drug sales remain a reliable base, powered by chronic treatments growing 10-16%. Sun Pharma eyes mid-to-high single-digit revenue for full FY26, boosted by gaining 8.4% market share. Emerging markets perform well (Dr Reddy's up 32% YoY), balancing flat US results and setting up companies like Lupin and Torrent for ongoing double-digit growth at home.

Complex/Innovative drugs outperformed generics: Growth in CDMO and specialty areas improves future clarity. Divi's Labs focuses on higher plant use to push margins above 32%. Dr Reddy's (with 7-8% R&D spend) performed relatively well considering price erosion in gRevlimid. Laurus Labs and Zydus use CDMO and biosimilars to beat expectations and cut risks from basic generics.

Way forward: After Q3 FY26 results, the outlook for these Indian pharma companies stays positive at its core. This is driven by strong domestic business and varied product pipelines, even with US price cuts holding back growth. Main factors include steady expansion in India and emerging markets, growth in CDMO and biosimilars, plus moves into specialty areas. Companies aim for mid-single-digit revenue growth while working to steady their margins.

Outlook and Valuation

Input costs stable, margins to rise: Q3FY26 saw strong double-digit sales growth and record-high margins in certain segments. The shift to specialty generics has helped offset logistics costs, pushing EBITDA margins. API companies are expected to see steady growth with stable pricing. Reddys, Cipla, and Sun have all witnessed significant price erosion from Grevlimid in the past few quarters and going forward, we expect to see limited volatility in quarterly results. 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. While the shift to complex and innovative are reflecting in companies like Sun pharma, Lupin, coming quarters will be more of an integration phase for Biocon, and Zydus Lifesciences.

Q3FY26 Leaders: Sun Pharmaceuticals Ltd, Torrent Pharmaceuticals, Lupin Ltd, Divis Laboratories Ltd.

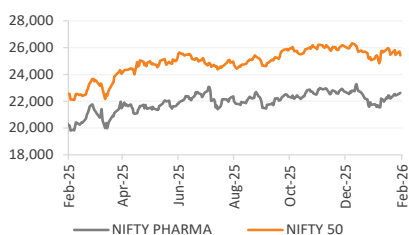
Q3FY26 Laggards: Cipla Ltd, Artemis Medicare Services Ltd.

Preferred Picks: Sun Pharmaceuticals Ltd, Torrent Pharmaceuticals, Lupin Ltd, Divis Laboratories Ltd, Biocon Ltd.

Key Risks

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

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

Q3FY26 result snapshot

Company	Revenue (Rs cr)				EBITDA (Rs cr)					PAT (Rs cr)					
	Q3 FY26	Q3 FY25	YoY %	Q2 FY26	QoQ %	Q3 FY26	Q3 FY25	YoY %	Q2 FY26	QoQ %	Q3 FY26	Q3 FY25	YoY %	Q2 FY26	QoQ %
Lupin	7,101	5,618	26%	6,831	4%	2,377	1,410	69%	2,431	-2%	1,181	859	37%	1,478	-20%
Torrent Pharma	3,303	2,809	18%	3,302	0%	1,088	914	19%	1,083	0%	635	503	26%	591	7%
Sun Pharma	15,469	13,440	15%	14,478	7%	4,949	4,010	23%	4,527	9%	3,369	2,904	16%	3,118	8%
Laurus Labs	1,778	1,415	26%	1,654	8%	480	285	68%	403	19%	252	93	171%	195	30%
Divi's Lab	2,604	2,319	12%	2,715	-4%	890	743	20%	835	7%	583	589	-1%	689	-15%
Cipla	7,075	7,073	0%	7,589	-7%	1,255	1,979	-37%	1,895	-34%	676	1,574	-57%	1,353	-50%
Biocon	4,173	3,821	9%	4,296	-3%	951	787	21%	835	14%	144	25	476%	133	8%
Artemis Medicare	272	232	17%	275	-1%	52	46	13%	58	-11%	22	21	8%	30	-26%
Abbott India	1,724	1,614	7%	1,757	-2%	464	436	6%	502	-8%	376	361	4%	415	-9%
Dr. Reddy's Lab	8,727	8,359	4%	8,805	-1%	2,049	2,298	-11%	2,351	-13%	1,210	1,413	-14%	1,426	-15%
IPCA	2,395	2,245	7%	2,557	-6%	533	463	15%	545	-2%	364	276	32%	281	30%
Zydus Life	6,865	5,269	30%	6,123	12%	1,816	1,388	31%	2,016	-10%	1,042	1,024	2%	1,259	-17%
	61,485	54,214	13%	60,382	2%	16,904	14,759	15%	17,482	-3%	9,853	9,642	2%	10,967	-10%

Source: Mirae Asset Sharekhan Research

Valuations

Company	CMP (Rs.)	Reco.	Price Target (Rs.)	EPS (Rs)					PE (x)				
				FY24	FY25E	FY26E	FY27E	FY28E	FY24	FY25E	FY26E	FY27E	FY28E
Lupin	2,323	BUY	2542	42.1	72.7	102.3	100.4	101.7	38.4	27.9	21.9	22.4	22.1
Torrent	4400	BUY	4735	47.8	57.5	72.8	92.9	118.4	54.4	56.2	58.5	45.8	36.0
Sun Pharma	1786	BUY	1968	39.9	45.6	48.2	50.7	57.9	30.8	37.3	35.3	35.1	30.8
Laurus Lab	1093	HOLD	1100	3	6.7	14.2	19.6	23.4	335.9	150.5	70.3	51	42.7
Divi Lab	6474	BUY	7206	60.3	82.5	100	118.3	1411	69.7	71.5	61.9	52.3	43.9
Cipla	1358	BUY	1565	53.4	65	52.4	57	66.0	28	22.2	30.2	27.7	19.9
Biocon	395	BUY	466	8.3	7.2	4.8	7.1	11.7	36.1	42.6	78.3	53	32.4
Artemis	236	HOLD	250	3.6	6	7.4	4.1	9.6	48.3	45.5	32.3	59.1	24.9
Abbott	26355	BUY	30715	565.3	665.6	747.7	830.1	889.1	47.3	45.9	35.4	31.9	29.7
Dr Reddy	1319	HOLD	1316	66.8	68.6	67.1	65.7	71.2	18.4	16.7	17.9	18.4	17.0
IPCA	1520	BUY	1726	21.6	30.1	25.6	31.4	38.4	56.6	41.5	48.8	39.8	32.6
Zydus Life	939	HOLD	990	35.7	45.5	49.1	43.8	49.5	33.8	28.5	18.6	20.9	18.4

Source: Mirae Asset Sharekhan Research

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