

Pharma and Healthcare

Q2FY26: Steady sales growth, margin to remain flat

The India Pharma and Healthcare sector is expected to see steady revenue growth but EBITDA margins to remain flat. We project sales/EBITDA growth of 11%/12% YoY for our coverage universe. Our assumptions are: (1) pharma coverage will see 11% YoY sales growth, as moderate 10% YoY increase in the India business due to new GST related disruption in Sep-25 month. The US formulations expected to be flattish on the back of pricing pressures in the base business and QoQ lower gRevlimid sales (Dr Reddy's, Zydus, Sun Pharma, and Aurobindo) will be offset by steady traction in key products (gSpiriva - Lupin, gJynarque - Lupin, gMyrbetriq - Zydus and Lupin), and new launches (gEntresto - Alkem, Torrent, Zydus, Dr Reddy's, gXarelto - Aurobindo, Lupin). (2) EBITDA margins for the pharma segment are expected to remain flat (+14bps YoY), as price erosion in the US and expected increase in R&D. SG&A to partly offset by India growth; (3) the hospital business is projected to grow by 13% YoY, as lower occupancy (high base effect) will be partly supported by steady ARPOBs and a better case mix. We expect EBITDA margins to expand for Apollo Hospital (due to reduced spending on Apollo 24/7), while Aster DM (slower growth in key cluster) and Max Healthcare (integration of low margin acquired hospitals) may see a margin decline. (4) The diagnostics segment is expected to post 15% YoY sales growth (ex-M&A growth at 12% YoY), driven by patient/test volume increases, while network expansion and M&A-led costs could impact margins; (5) while the retail pharmacy Medplus is expected to see muted growth, Apollo Pharmacy could see steady 15% YoY growth. Overall, we expect strong performances from Lupin, Torrent, and Apollo Hospitals, while Aurobindo, Dr Reddy's, Mankind, and Sun Pharma may post muted results.

- **US business to be flat QoQ:** The US generics market is likely to see no growth QoQ growth due to lower sales from gRevlimid (Dr Reddy's, Aurobindo, Zydus), and moderate base business price erosion. This is expected to partly offset by traction in key products gJynarque (Lupin), gSpiriva (Lupin) and gMyrbetriq (for Lupin and Zydus), and specialty scale-up (Sun Pharma).
- **India coverage growth expected at 10% YoY vs IPM's at ~7.7%:** Indian pharma market (IPM) saw steady growth of 7.7% in Jul/Aug'25 (as per IQVIA), led by steady 12% growth in the chronic segment, which was partly offset by ~5% growth in the acute segment for the same period. Moreover, GST rate revision related impact to reflected in mid-Sep-25. We expect our coverage universe to see 10% YoY growth in India business, led by M&As (Eris and Mankind), and traction in the specialty (Sun Pharma, Zydus) and chronic (Sun, Torrent). On the other hand, muted growth in anti-infectives (Alkem, Mankind) could impact the overall growth momentum.
- **Healthcare coverage to see muted occupancy and steady ARPOB:** Hospital companies with a focus on case/payor-mix have seen steady ARPOB growth. However, occupancy in Q2FY26E is expected to remain muted largely due to high base (higher infections related admissions led occupancy) and impact of leadership changes (for Aster DM in Kerala cluster). Retail pharmacy to see moderate sales growth and steady margins. Diagnostics will see 15% growth on steady volume growth and M&As (organic growth at 12% YoY); network expansion, no major price hikes, and M&A-related costs to restrict margins.
- **Price erosion and higher R&D to keep margin flat:** We expect muted gross margin (flat YoY) as GM expansion from few exclusivity-based launches may be offset by price erosion in the US (base business and gRevlimid) and increase in R&D as well as pre-launch related spend (Sun Pharma) to keep the EBITDA margin muted for our coverage companies.

YE March	Rec.	TP (INR/share)
Pharma		
Alkem	ADD	5,700
Aurobindo	ADD	1,230
Dr. Reddy's	REDUCE	1,240
Eris Life	ADD	1,850
IPCA	BUY	1,720
Lupin	ADD	2,060
Mankind	ADD	2,780
Sun Pharma	BUY	2,000
Torrent Pharma	ADD	3,780
Zydus Life	ADD	1,010
Healthcare		
Apollo Hospitals	BUY	8,950
Aster DM Healthcare	ADD	670
Max Healthcare	REDUCE	1,180
Medplus	BUY	1,120
Dr Lal Path labs	ADD	3,380
Metropolis	ADD	2,170

Mehul Sheth

mehul.sheth@hdfcsec.com
+91-22-6171-7349

Divyaxa Agnihotri

divyaxa.agnihotri@hdfcsec.com
+91-22-6171-7362

Exhibit 1: HSIE estimates snapshot

Companies (INR mn)	Revenues			EBITDA			EBITDA Margin %			Adjusted Net Profit		
	Q2FY26E	YoY gr.	QoQ gr.	Q2FY26E	YoY gr.	QoQ gr.	Q2FY26E	YoY bps	QoQ bps	Q2FY26E	YoY gr.	QoQ gr.
Alkem Labs	38,229	12%	13%	8,525	13%	15%	22.3	26	38	7,564	10%	16%
Aurobindo	80,963	4%	3%	16,516	5%	3%	20.4	32	3	8,703	8%	5%
Dr. Reddy's	86,733	8%	1%	22,377	3%	3%	25.8	(119)	45	14,693	6%	4%
Eris Lifesciences	8,021	8%	4%	2,904	10%	5%	36.2	52	41	1,230	34%	4%
IPCA	25,265	7%	9%	5,002	11%	18%	19.8	70	142	2,950	24%	22%
Lupin	65,584	16%	5%	17,577	29%	7%	26.8	271	62	11,338	30%	-1%
Mankind	37,140	21%	4%	9,768	15%	15%	26.3	(134)	259	5,496	-16%	25%
Sun Pharma	142,791	7%	3%	39,553	4%	-3%	27.7	(98)	(171)	30,005	2%	8%
Torrent Pharma	32,216	12%	1%	10,728	12%	2%	33.3	4	36	6,159	32%	4%
Zydus Life	64,677	23%	-2%	18,562	31%	-9%	28.7	161	(231)	11,903	35%	-17%
Pharma Total	581,619	11%	3%	151,512	11%	2%	26.1	14	(34)	100,041	11%	4%
Hospitals												
Apollo Hospital	62,404	12%	7%	9,280	14%	9%	14.9	29	29	4,636	22%	7%
Aster DM	11,801	9%	9%	2,331	6%	12%	19.8	(48)	52	1,087	12%	23%
Max Healthcare^	25,651	21%	4%	6,849	21%	9%	26.7	7	126	4,155	13%	10%
Hospitals Total	99,855	13%	6%	18,460	15%	10%	18.5	30	53	9,877	17%	10%
Diagnostic												
DLPL	7,365	12%	10%	2,195	8%	14%	29.8	(88)	109	1,471	14%	11%
Metropolis	4,300	23%	11%	1,066	19%	19%	24.8	(90)	156	571	23%	27%
Diagnostic Total	11,665	15%	10%	3,261	12%	16%	28.0	(100)	125	2,043	16%	15%
Retail Pharmacy												
MedPlus	16,733	6%	8%	1,439	16%	10%	8.6	71	13	488	26%	15%
Coverage total	709,872	11%	4%	174,673	12%	3%	24.6	15	(23)	112,449	11%	5%

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs, ^ Max Healthcare financial includes partnered healthcare facilities, Metropolis organic growth excluding M&A at 12% YoY

Exhibit 2: HSIE estimates for Q2FY26E – Pharma coverage...

INR mn	Q2FY25	Q1FY26	Q2FY26E	YoY ch	QoQ ch	Comments
Alkem Labs						
Revenue	34,147	33,711	38,229	12%	13%	Sales growth led by ~9% growth in India formulation business, 5% QoQ growth in the US (+21% YoY), and ~9% growth in international business (ex-US). Gross margins remain steady YoY and higher costs towards growth initiatives to keep EBITDA flat YoY.
EBITDA	7,528	7,391	8,525	13%	15%	
EBITDA margin %	22.0%	21.9%	22.3%	26 bps	38 bps	
PAT	6,886	6,531	7,564	10%	16%	
EPS (INR/sh)	57.6	54.6	63.3	10%	16%	
Aurobindo Pharma						
Revenue	77,961	78,681	80,963	4%	3%	US business to remain flat QoQ with moderation in injectable business, negligible gRevlimid sales, partly offset by steady growth in the OSD sales and new launches. Europe to sustain steady growth momentum. Steady gross margin and cost to support EBITDA margin.
EBITDA	15,661	16,034	16,516	5%	3%	
EBITDA margin %	20.1%	20.4%	20.4%	32 bps	3 bps	
PAT	8,075	8,250	8,703	8%	5%	
EPS (INR/sh)	13.9	14.2	15.0	8%	5%	
Dr Reddy's Lab						
Revenue	80,382	85,721	86,733	8%	1%	US business to decline 6% QoQ due to lower gRevlimid sales, as well as price and market share erosion in the base business. India to see 8% YoY growth due to GST related impact for Sep-25 month. We have factored NRT business contribution at INR 6.7 bn. We expect gross margin to decline on price erosion in key products and steady costs leading to lower EBITDA margin.
EBITDA	21,689	21,736	22,377	3%	3%	
EBITDA margin %	27.0%	25.4%	25.8%	-119 bps	45 bps	
PAT	13,915	14,181	14,693	6%	4%	
EPS (INR/sh)	16.7	17.0	17.6	6%	4%	
Eris Life						
Revenue	7,412	7,730	8,021	8%	4%	We expect base business to see 10% YoY growth on steady traction in key chronic therapies and gradual recovery in Biocon insulin business; this will partly offset by GST related disruption in Sep-25 month. Export business to remain lower YoY due to capacity constrain. Gross margin expansion on better mix and steady cost leading to EBITDA margin improvement.
EBITDA	2,645	2,767	2,904	10%	5%	
EBITDA margin %	35.7%	35.8%	36.2%	52 bps	41 bps	
PAT	916	1,180	1,230	34%	4%	
EPS (INR/sh)	6.7	8.7	9.0	34%	4%	
IPCA Labs						
Revenue	23,549	23,089	25,265	7%	9%	We assume India formulation business to see 9% YoY growth, export formulation to grew 5% YoY and API business to see 9% YoY growth. We assume ~13% YoY growth in Unichem sales (including Bayshore). Gross and EBITDA margin to improve YoY on better sales mix and cost controls.
EBITDA	4,498	4,246	5,002	11%	18%	
EBITDA margin %	19.1%	18.4%	19.8%	70 bps	142 bps	
PAT	2,378	2,414	2,950	24%	22%	
EPS (INR/sh)	9.4	9.5	11.6	24%	22%	
Lupin						
Revenue	56,727	62,683	65,584	16%	5%	US business to see strong 6% QoQ growth led by incremental sales from Tolvaptan, steady traction from its key products like gSpiriva, gMyrbetriq, and new launches. India business to see moderate growth of 7% YoY due to GST impact in Sep-25. Gross margin to remain strong (+200 bps YoY) leading to EBITDA margin expansion.
EBITDA	13,668	16,414	17,577	29%	7%	
EBITDA margin %	24.1%	26.2%	26.8%	271 bps	62 bps	
PAT	8,742	11,449	11,338	30%	-1%	
EPS (INR/sh)	19.1	25.1	24.8	30%	-1%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

Exhibit 3: ...HSIE estimates for Q2FY26E – Pharma coverage

INR mn	Q2FY25	Q1FY26	Q2FY26E	YoY ch	QoQ ch	Comments
Mankind						
Revenue	30,765	35,704	37,140	21%	4%	We assume ex-BSV, India business to see steady growth of 7% YoY due to GST impact in Sep-25 and exports to remain flat. We have factored BSV sales of ~INR 4.3 bn in Q2. Lower gross margin due to weak business mix and steady costs to drag EBITDA margin. Higher depreciation and interest cost to impact PAT growth.
EBITDA	8,500	8,468	9,768	15%	15%	
EBITDA margin %	27.6%	23.7%	26.3%	-134 bps	259 bps	
PAT	6,535	4,383	5,496	-16%	25%	
EPS (INR/sh)	15.8	10.6	13.3	-16%	25%	
Sun Pharma						
Revenue	132,914	138,514	142,791	7%	3%	US generic business is expected to remain flat QoQ. Specialty sales to see strong with growth of ~14% YoY. India to see 11%YoY growth. Steady gross margin to offset by higher costs (inch-up in specialty asset related spend) leading to EBITDA margin correction.
EBITDA	38,109	40,726	39,553	4%	-3%	
EBITDA margin %	28.7%	29.4%	27.7%	-98 bps	-171 bps	
PAT	29,323	27,671	30,005	2%	8%	
EPS (INR/sh)	12.2	11.5	12.5	2%	8%	
Torrent Pharma						
Revenue	28,890	31,780	32,216	12%	1%	India formulation business to see growth of 11% YoY as steady traction in key therapies to partly offset by GST impact in Sep-25 month. Brazil business to see 10% YoY growth. US to grew 6% QoQ led by new launches and flattish growth in Germany business. EBITDA margin to remain steady.
EBITDA	9,610	10,470	10,728	12%	2%	
EBITDA margin %	33.3%	32.9%	33.3%	4 bps	36 bps	
PAT	4,681	5,948	6,159	32%	4%	
EPS (INR/sh)	13.8	17.6	18.2	32%	4%	
Zydus Life						
Revenue	52,370	65,737	64,677	23%	-2%	The US to decline 5% QoQ as steady traction from gMyrbetriq and new launches to partly offset by QoQ decline in gRevlimid sales and generic competition in gAsacol HD. India business to see moderate growth of 8% due to GST impact. Consumer Wellness sales jump due to incremental sales from Naturell (India) and Comfort Click integration; this to partly offset by GST impact. We have also factored two-month integration of Amplitude Surgical in Europe. Steady gross margin and costs would lead to higher EBITDA margin YoY.
EBITDA	14,191	20,385	18,562	31%	-9%	
EBITDA margin %	27.1%	31.0%	28.7%	161 bps	-231 bps	
PAT	8,810	14,281	11,903	35%	-17%	
EPS (INR/sh)	8.8	14.2	11.8	35%	-17%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

Exhibit 4: HSIE estimates for Q2FY26E – Hospital companies' coverage

INR mn	Q2FY25	Q1FY26	Q2FY26E	YoY ch	QoQ ch	Comments
Apollo Hospitals						
Revenue	55,893	58,421	62,404	12%	7%	We expect 8% YoY growth in hospital business (lower occupancy due to high base and steady ARPOB growth), Healthco business to see 15% YoY growth and AHLL to see 14% YoY growth. Steady margin in hospital and YoY reduction Apollo 24/7 spend to help overall EBITDA margin expansion.
EBITDA	8,155	8,519	9,280	14%	9%	
EBITDA margin %	14.6%	14.6%	14.9%	29 bps	29 bps	
PAT	3,788	4,328	4,636	22%	7%	
EPS (INR/sh)	26.3	30.1	32.2	22%	7%	
Aster DM Healthcare						
Revenue	10,864	10,779	11,801	9%	9%	We expect 9% YoY growth in hospital business (lower occupancy due to continued pressure in Kerala cluster to partly offset by ARPOB growth). Lower growth in key cluster to drag operating performance.
EBITDA	2,197	2,074	2,331	6%	12%	
EBITDA margin %	20.2%	19.2%	19.8%	-48 bps	52 bps	
PAT	968	886	1,087	12%	23%	
EPS (INR/sh)	1.9	1.8	2.2	12%	23%	
Max Healthcare						
Revenue	21,250	24,600	25,651	21%	4%	Strong sales growth is largely led by the steady growth in the company' existing network and integration of acquired hospitals (Lucknow, Noida, and Nagpur). Max Lab to see steady growth. Integration impact of lower margin acquired hospitals and break-even at Dwarka (Delhi) to flattish margin for the company.
EBITDA	5,660	6,260	6,849	21%	9%	
EBITDA margin %	26.6%	25.4%	26.7%	7 bps	126 bps	
PAT	3,690	3,790	4,155	13%	10%	
EPS (INR/sh)	3.8	3.9	4.3	13%	10%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs, Max Healthcare financial includes partnered healthcare facilities

Exhibit 5: HSIE estimates for Q2FY26E – Diagnostics companies coverage

INR mn	Q2FY25	Q1FY26	Q2FY26E	YoY ch	QoQ ch	Comments
Dr Lal Path labs						
Revenue	6,602	6,698	7,365	12%	10%	Steady sales growth of 12% YoY largely led by the YoY growth in the volume and increasing bundle test business. Gross margin to sustain at 81% and expansion led cost to drag EBITDA margin.
EBITDA	2,025	1,923	2,195	8%	14%	
EBITDA margin %	30.7%	28.7%	29.8%	-88 bps	109 bps	
PAT	1,292	1,324	1,471	14%	11%	
EPS (INR/sh)	15.5	15.8	17.6	14%	11%	
Metropolis						
Revenue	3,498	3,861	4,300	23%	11%	Metropolis' Q2FY26 includes sales from recently acquired businesses of Core Diagnostics, Scientific Pathology, and Dr. Ahuja's Pathology leading to 23% YoY growth. Organics growth is expected at 12% YoY driven by patient and test volume growth, better product mix, and improved realizations. Lower EBITDA due to acquisition related costs. As per company update, B2C revenues grew at ~16% YoY for Q2FY26E.
EBITDA	899	898	1,066	19%	19%	
EBITDA margin %	25.7%	23.2%	24.8%	-90 bps	156 bps	
PAT	465	451	571	23%	27%	
EPS (INR/sh)	9.0	8.7	11.0	23%	27%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

Exhibit 6: HSIE estimates for Q2FY26E – Retail pharmacy

INR mn	Q2FY25	Q1FY26	Q2FY26E	YoY ch	QoQ ch	Comments
Medplus						
Revenue	15,762	15,426	16,733	6%	8%	We expect moderate growth in Pharmacy business (+6% YoY) as steady growth in Rx business to partly offset by flattish private label sales. Diagnostic sales at INR 328 mn (+16% YoY). Gross margin to expand (+235 bps YoY) with increasing share from private label (YoY) leading to EBITDA margin expansion. Operating margin (post rentals) to be at ~4.9% in Q2FY26E vs. 4.7% YoY. Private label to remain flat QoQ and store addition at ~100 in Q2FY26E and targets to add ~400 store in H2FY26.
EBITDA	1,244	1,307	1,439	16%	10%	
EBITDA margin %	7.9%	8.5%	8.6%	71 bps	13 bps	
PAT	387	424	488	26%	15%	
EPS (INR/sh)	3.2	3.5	4.1	26%	15%	

Source: Companies, HSIE Research. Note: EBITDA and PAT adjusted for one-offs

Exhibit 7: The US business to see flat growth QoQ as price erosion in base business and gRevlimid will be partly offset by traction in key products

(USD mn)	US revenues											
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26E	YoY	QoQ
Alkem	85	93	82	75	77	71	75	70	82	86	21%	5%
Aurobindo	402	419	456	438	426	421	435	470	408	412	-2%	1%
Dr. Reddy's	390	382	403	391	462	445	395	417	398	375	-16%	-6%
Lupin	181	213	212	209	231	223	240	250	282	300	35%	6%
Sun	471	430	477	476	466	517	474	464	473	496	-4%	5%
Torrent	36	30	33	32	31	32	32	35	36	38	19%	6%
Zydus	298	225	221	304	371	288	285	363	372	350	22%	-6%
Total	1,862	1,791	1,884	1,926	2,064	1,997	1,937	2,069	2,050	2,057	3%	0%

Source: Companies, HSIE Research

Exhibit 8: India formulation business to see moderation in growth to ~10%

(INR mn)	India formulations business											
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26E	YoY	QoQ
Alkem Labs	19,007	23,278	22,328	19,724	20,223	24,610	23,649	21,355	22,650	26,825	9%	18%
Aurobindo	524	660	600	480	610	710	700	560	710	781	10%	10%
Dr. Reddy's	11,482	11,860	11,800	11,265	13,252	13,971	13,464	13,047	14,711	15,158	8%	3%
Eris Lifesciences	4,600	5,005	4,835	4,923	6,416	6,570	6,461	6,096	7,036	7,226	10%	3%
IPCA Labs	7,827	8,450	7,796	6,898	8,734	9,405	8,772	7,641	9,610	10,252	9%	7%
Lupin	16,384	16,915	17,251	16,015	19,381	20,096	19,305	17,113	20,894	21,503	7%	3%
Mankind	22,110	23,360	22,510	20,180	24,280	25,640	25,800	23,660	28,640	29,512	15%	3%
Sun Pharma	35,604	38,425	37,785	37,078	41,445	42,652	43,004	42,130	47,211	47,343	11%	0%
Torrent Pharma	14,260	14,440	14,150	13,800	16,350	16,320	15,810	15,450	18,110	18,115	11%	0%
Zydus Life	12,270	13,341	14,273	13,912	14,073	14,569	14,982	15,394	15,195	15,735	8%	4%
Total	144,068	155,734	153,328	144,275	164,764	174,542	171,946	162,445	184,767	192,449	10%	4%

Source: Companies, HSIE Research, Mankind Pharma including BSV

Exhibit 9: IPM growth trend – leading companies

Value YoY growth %	FY20	FY21	FY22	FY23	FY24	FY25	Q1'26	Jul'25	Aug'25
India Pharma									
Alkem	17	0	28	13	5	6	9	7	7
Alembic Pharma	6	1	23	8	4	1	2	(2)	2
Cipla	8	11	14	7	8	7	7	6	8
Dr Reddy's	7	3	22	2	9	8	11	10	11
Eris Life	7	11	10	7	8	5	4	7	5
Glenmark	15	14	26	(4)	9	12	15	12	10
IPCA	19	11	22	14	13	13	9	9	11
Lupin	10	3	15	6	6	8	7	5	8
Sun Pharma	10	5	16	11	9	10	11	8	8
Torrent Pharma	8	8	11	14	8	8	10	6	7
Zydus	8	5	15	7	5	10	9	9	7
Aristo Pharma	20	6	25	7	9	3	8	6	6
Ajanta Pharma	13	7	18	17	10	11	11	13	12
Emcure	12	4	22	2	3	6	7	5	3
FDC	14	(1)	19	16	6	13	8	1	(5)
Intas Pharma	14	6	18	16	12	11	11	9	9
Indoco	14	(6)	20	3	0	3	10	1	2
JB Chemical	15	23	25	21	10	12	14	11	10
Macleods	10	(0)	25	12	9	5	8	10	14
Mankind	13	11	18	9	8	8	9	8	7
Micro Labs	13	(2)	37	4	2	3	5	1	4
USV	10	10	13	9	8	5	7	6	4
MNC Pharma									
Abbott	8	3	14	10	8	10	8	7	6
GSK Pharma	6	(1)	14	7	1	1	4	2	4
Pfizer	6	6	12	(1)	(5)	8	4	10	6
Sanofi	11	4	11	5	0	4	3	7	14
IPM	11	5	18	8	7	8	9	7	8

Source: Companies, HSIE Research

Exhibit 10: IPM growth trend – leading therapies

Value YoY growth %	% FY25 share	FY20	FY21	FY22	FY23	FY24	FY25	Q1'26	Jul-25	Aug-25
Cardiac	13%	12	13	11	9	10	12	13	12	11
Anti-Infectives	11%	13	(12)	35	6	3	5	6	4	6
Gastro Intestinal	11%	9	6	17	12	7	10	7	3	2
Anti Diabetic	9%	12	9	7	7	6	8	9	8	11
Respiratory	8%	15	(8)	44	7	3	3	12	7	19
Pain / Analgesics	8%	12	(1)	22	12	8	8	7	5	7
Vitamins/Minerals/Nutrients	8%	10	11	16	4	7	8	8	7	8
Derma	7%	9	6	10	7	6	10	6	5	3
Neuro / Cns	6%	10	10	11	12	9	9	10	8	8
Gynaec.	5%	9	3	16	16	6	4	6	6	7
Antineoplast/Immunomodulator	3%	18	11	20	25	23	13	14	23	23
Urology	2%	14	5	18	17	14	14	11	11	10
Ophthal / Otologicals	2%	11	(2)	22	16	9	5	9	7	6
Hormones	2%	9	4	17	10	7	6	8	10	11
Vaccines	1%	7	5	4	(7)	16	9	10	13	5
IPM	100%	11	5	18	8	7	8	9	7	8

Source: Companies, HSIE Research

Exhibit 11: Gross margin to remain flat due to price erosion in base business and high base

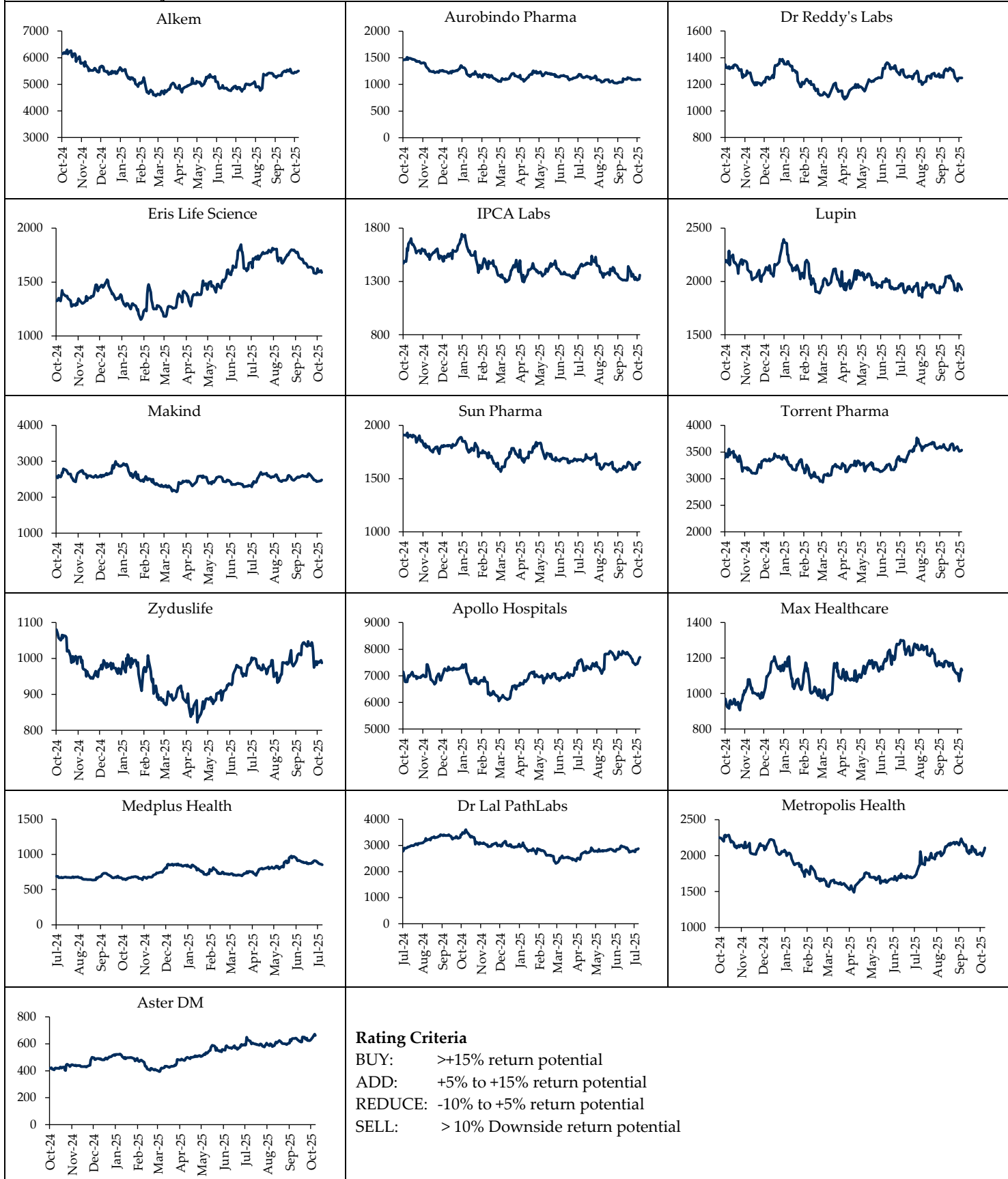
Gross margin %	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26E	YoY bps	QoQ bps
Alkem	59.6%	61.4%	60.8%	62.3%	64.5%	64.7%	64.3%	59.3%	65.3%	64.8%	8	(46)
Aurobindo	53.9%	55.2%	57.1%	59.6%	59.4%	58.8%	58.4%	59.7%	58.8%	58.8%	(2)	(3)
Dr. Reddys	71.3%	71.0%	69.9%	70.6%	71.7%	70.6%	69.2%	66.6%	67.2%	67.8%	(276)	55
Eris	83.2%	81.3%	81.7%	78.5%	74.9%	74.9%	75.7%	75.9%	76.1%	76.0%	113	(11)
IPCA Labs	67.5%	66.7%	66.0%	66.3%	69.2%	67.8%	70.2%	68.5%	70.0%	69.6%	181	(45)
Lupin	65.9%	66.2%	66.8%	68.3%	68.8%	70.2%	70.2%	70.2%	71.7%	72.2%	199	47
Mankind	68.2%	69.5%	68.3%	69.8%	71.9%	71.6%	71.0%	71.6%	70.5%	70.8%	(76)	31
Sun Pharma	76.9%	77.1%	77.9%	80.1%	78.9%	79.7%	80.0%	79.6%	79.7%	80.2%	47	52
Torrent Pharma	74.9%	75.2%	74.5%	75.3%	75.7%	76.5%	76.0%	75.9%	75.6%	76.0%	(53)	35
Zydus Life	67.4%	66.3%	67.4%	70.9%	74.4%	71.9%	69.9%	74.0%	72.8%	71.6%	(30)	(118)
Total Pharma gross margin	68.4%	68.6%	68.9%	70.7%	71.4%	71.2%	70.8%	70.5%	71.1%	71.2%	(3)	8

Source: Companies, HSIE Research

Exhibit 12: Currency movement

Currency vs. INR	(Q2FY26) (Avg)	% chg		(Q2FY26) (Spot)	% chg	
		YoY	QoQ		YoY	QoQ
USD	87.3	4	2	88.8	6	4
RUB	0.7	2	0	0.7	2	0
BRL	15.7	4	4	16.1	4	2
ZAR	4.9	4	4	4.9	2	3
EUR	100.0	9	3	100.4	8	(0)
YEN	0.6	3	(2)	0.6	(1)	(3)
AUD	56.0	(0)	2	56.5	(2)	0
CAD	62.1	1	0	61.4	(1)	(2)

Source: Bloomberg

1 Yr Price history

Disclosure:

We, **Mehul Sheth, MBA & Divyaxa Agnihotri, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com