

India

**Overweight** (no change)**Highlighted Companies****Cipla Ltd****ADD, TP Rs1640, Rs1480 close**

Goa plant's VAI removes a key overhang.

**Lupin Ltd****ADD, TP Rs2329, Rs1978 close**

Healthy drug launch pipeline and visibility beyond FY26F.

**Summary Valuation Metrics**

	Mar25-F	Mar26-F
<b>P/E (x)</b>		
Cipla Ltd	24.0	22.3
Lupin Ltd	27.0	22.6
<b>P/BV (x)</b>		
Cipla Ltd	3.8	3.3
Lupin Ltd	5.2	4.3
<b>Dividend Yield</b>		
Cipla Ltd	0.4%	0.4%
Lupin Ltd	0.4%	0.4%

# Healthcare - Overall

## 3QFY25 results review

- 3Q results of our pharma coverage universe were in line. Downgraded Gland Pharma to REDUCE while retaining our rating for the rest of the cos.
- Maintain Overweight stance on the sector while remaining negative on the US generics business due to reciprocal tariffs and other policy changes.
- Retain ADD rating on diagnostics companies. Recent price decline (25%+) offers a suitable entry point (trading between long-term mean & SD-1 level).

### Pharma: 3QFY25 performance broadly in line with expectations

The 3QFY25 earnings were broadly in line for companies in our coverage universe, with most companies meeting expectations, a couple of misses, and one downgrade. Our coverage universe saw 10.5% YoY/1.5% QoQ revenue growth while margin expanded by 220bp YoY/120bp QoQ. Alkem Laboratories, Cipla, Laurus Labs, Lupin and Ipca Laboratories posted results that were better than our estimates while Dr. Reddy's Laboratories, Torrent Pharmaceuticals, (both HOLD-rated) and Zydus Lifesciences (ADD-rated) were below expectations. Diagnostic companies posted in-line results, except for Metropolis Healthcare (MHL), which missed on the margin front. We maintain our **Overweight** stance on the sector as the recent correction offers a favourable risk-reward ratio. We continue our positive stance on structural themes like branded generics, domestic formulations, CDMO plays and diagnostic companies while we retain our negative stance on US generics ([link](#)), given the risk of policy uncertainty and gRevlimid tailwinds nearing their end (from Jan 2026F).

### US generics growth tapers; India business 2H to be better than 1H

In 3QFY25, our coverage universe's US revenue grew by 4.8% YoY (mid-single digit YoY growth after nine consecutive quarters of double-digit growth) but declined 2% QoQ, impacted by lower gRevlimid sales and competition in key products. Price erosion remained moderate during the quarter. gMirabegron maintained its strong momentum, benefiting Lupin and Zydus Lifesciences, despite ongoing litigations. While the US pricing dynamics remain stable, medium-term concerns linger on growth beyond Jan 2026F (post gRevlimid settlement expiry) and potential policy shifts (reciprocal tariffs) under the new US government. However, we see bright spots in Lupin and Cipla, where we have a relative preference. India revenue grew robustly by ~11% YoY, with most chronic therapy-focused companies (Sun Pharmaceutical Industries, Torrent Pharmaceuticals, Ipca Laboratories, Ajanta Pharma and Lupin) outperforming.

### Diagnostics – Volume rise, inorganic expansion & better valuation

Diagnostics companies in our coverage universe saw 12.5% YoY revenue growth, (8% QoQ decline due to seasonality) led by healthy volume growth (YoY). The companies saw YoY margin improvement of 50bp. In the B2C segment, MHL undertook price revision, leading to a 2% positive impact, while Dr Lal Pathlabs (DLPL) decided to keep price hikes at bay for the next two-to-three quarters. On the expansion front, DLPL is growing organically in core geographies (north & east) while MHL is nearing the completion of its organic growth (in FY25F) & started inorganic expansion in non-core geographies (north & east). We maintain our positive stance (ADD rating) on all three diagnostics companies. In the last three-to-four months, our coverage diagnostic companies corrected by 25-30% (trading below the long-term mean/near SD-1 valuation). We understand these valuations provide a suitable entry point given the double-digit/near mid-teen growth in FY26F, margin sustenance & high RoCE (20%+).

### Sector outlook

We maintain our Overweight stance on sector, as the recent correction has made several stocks attractive. The near-term earnings momentum in the US market appears sustainable, although growth headwinds post-FY26F and potential policy changes (US reciprocal tariffs) could limit any significant upside. Our preference remains firmly on branded and domestic market-focused companies, and CDMO plays. We are bullish on Ajanta Pharma, Lupin, Cipla, Ipca Laboratories, and Divi's Laboratories.

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## Discussions heavily focused on Glucagon-like peptide 1 (GLP-1)

Discussions in progress on GLP-1 was the key highlight in 3QFY25 earnings of our coverage companies, with many preparing to launch their products in India, Canada, and other emerging markets. Companies such as Aurobindo Pharma, Dr. Reddy's Laboratories, and Zydus Lifesciences have made significant progress by developing their own APIs. On the manufacturing side, Lupin and Torrent Pharmaceuticals are relying on their partners for injectables, while oral solids will be produced in-house. Some companies are also progressing with their clinical studies in India.

CDMO companies are targeting the GLP-1 market through API production, with Divi's Laboratories collaborating with MNCs for manufacturing building blocks & fragments and setting up a pilot plant for the same. Meanwhile, Gland Pharma is already working with two customers and has made investments to support its offerings.

### US reciprocal tariffs on pharma companies

The recent proposal by US President Donald Trump to impose a 25% tariff on imported pharmaceuticals could have far-reaching consequences, if implemented. India, the largest supplier of generic drugs to the US, exported US\$8.7bn worth of generics in FY24, accounting for 31% of India's pharmaceutical exports to the US. Major players like Aurobindo Pharma, Dr. Reddy's Laboratories, Zydus Lifesciences, and Sun Pharmaceutical Industries derive 30-50% of their revenue from the US market. A tariff of this scale would lead to a significant decline in exports, potentially hitting profitability for companies unable to absorb the additional costs.

However, we view this tariff as unlikely. Manufacturing costs in the US are two-to-three times higher than in India, which would drive end-prices up significantly. With most generic companies operating with a thin margin of 15-25% in the US, a 25% tariff would make the business unsustainable for many, likely worsening the current shortage of drugs there. While some companies might shift production to their US-based plants to mitigate the impact, we believe APIs will still be sourced from India, which could erode margins.

Given the limited capacity of the US to produce generic drugs, the tariff, if enforced, could either exacerbate drug shortage or raise healthcare costs, negatively affecting US consumers. We will closely monitor any capex announcements from companies expanding their US manufacturing facilities, as we believe such investments would not drive profitability but hurt return ratios.

### Hits and misses

Post 3QFY25 results, we had one downgrade – Gland Pharma's rating to REDUCE (from HOLD) due to the delay in Cenexi's turnaround, while we have maintained our ratings (ADD/HOLD) for the rest of the coverage universe. Enthused by strong earnings as well as a positive outlook, we have maintained our high-conviction ADD rating on Cipla (resolution of Goa plant), and Lupin (healthy launch pipeline). In the CDMO space, we are optimistic on Divi's Laboratories due to a pick-up in the custom synthesis business and order inflow due to the ongoing speculation regarding the Biosecure Act, while we have our neutral stance on Laurus Labs (expensive valuation offsetting an imminent recovery). We maintain our HOLD rating on Dr. Reddy's Laboratories, Torrent Pharmaceuticals, Sun Pharmaceutical Industries and Aurobindo Pharma due to lack of product visibility /adverse risk-reward scenario /moderate earnings/being fairly priced, respectively. Conversely, we continue our ADD rating on Ajanta Pharma, Alkem Laboratories, Ipca Laboratories, and Zydus Lifesciences on account of strong branded generics growth/ subsidiary Unichem's synergy benefits, and US market growth, respectively.

**Figure 1: 'GLP-1' and 'Semaglutide' were the buzz words throughout 3QFY25 earnings; most companies are looking to participate in the GLP-1 opportunity in India and globally post loss of exclusivity (LoE) and discussed their future plan**

Company	Speaker	Event	Comments
Ajanta Pharma	Mr. Yogesh Agrawal (MD)	3QFY25 Con-call	"No such plans actively being pursued for the peptides."
	Mr. Rajesh Agrawal (Joint MD)	3QFY25 Con-call	"Semaglutide, undoubtedly is expected to be a blockbuster drug even in India when it comes off-patent. Of course, there are several companies that are working upon it. As we shared in our previous question, it's too early to comment really 12, 16 months out from today. So, it's like a moving target. I would not like to comment anything on that at this point. But yes, it's just going to be a very lucrative market that is going to unfold in India for sure." "It's a complicated product. It's not a small molecule. And therefore, it's going to be a limited play. So, if you are asking from Ajanta standpoint, we don't have those capabilities. Very few companies in the country have those capabilities to be able to manufacture Semaglutide."
Alkem Laboratories	Dr. Vikas Gupta (CEO)	3QFY25 Con-call	"We should be amongst the first wave of players who would come in with GLP-1. We have already represented ourselves to the regulator in India. And think we are pretty much on track to be amongst the first few players who will come up with Semaglutide in India at the time of launch." "We are looking at a big opportunity in the market. And I don't think any one player will be able to service the entire market fully. So, there is enough opportunity for many players as far as this market is concerned. This will be not as crowded. But of course, still, there will be many players, but I'm sure the opportunity for everyone is quite substantial as far as this market is concerned." "Currently, the market is around INR500-plus crores already (in India). But it's a single-player market as of now, and it's only orals. The injectable GLP-1 is not even introduced in India. We expect that to be another large market in line with what the oral market is. With regard to our strategy, as I said, we have developed our own product. Our R&D has worked and made the product. So, we will -- we are in full control of this. We are not depending on any. So, our filings have already been there on the regulator side, where we will have to conduct a clinical trial, which we will do and introduce the product to the market."
Aurobindo Pharma	Mr. Yugandhar Puvvala (CEO of Eugia Pharma)	3QFY25 Con-call	"We have entire GLP product range. In fact, at our Vizag plant, we have a significant capacity cartridge line where we'll be filing all the GLP-1 products, Liraglutide, Semaglutide, Teriparatide, okay. Everything in the GLP pipeline is covered by us." "Device is always outside, because either it is from BD or from somebody else like the device manufacturing company, but device assembly, along with the medicine, happens in our plant."
	Dr. Satakarni Makkapati (Director)	3QFY25 Con-call	"We have 1 GLP-1 peptide, active DMF, the other one we are going to file the DMF this year and we are investing in development of another GLP-1 peptide." "For India, GLP-1, we have our plans. We are talking to the agencies to see what sort of study requirements must be met, but you will see some announcement from me in the next two quarters' time about our strategy in domestic markets of GLP-1s."
Cipla	Mr. Umang Vohra (MD & Global CEO)	2QFY25 Con-call 3QFY25 Con-call	"In-licensing is always an option for us in deepening our partnership with large multinational corporations that sell categories of GLP-1 drugs." "On Semaglutide, I think we believe the market will form in 2026 and there will be obviously, depending on who all get approval in India, I think Cipla is aiming to be in the first wave of launches."
Divi's Laboratories	Dr. Kiran S. Divi (WTD & CEO)	3QFY25 Con-call	"We are working closely in the last six months, we have seen several opportunities, and we are working closely with most of the MNCs on their interest, and we are seeing several new growth molecules coming into place. We are manufacturing both by SPPS and LPPS, that is solid phase peptide synthesizer and liquid phase peptide synthesizer." "We are looking actively at these fragments and also at building block resins." "We make our own resins. We make our own building blocks. Okay. We make our own protected amino acids. And that's why we have a much more edge over working over others." "We have built our pilot plant. We have been very successful in conducting several products for our customers at different phases, and still a lot of work is going on."
Dr. Reddy's Laboratories	Mr. Erez Israeli (CEO)	3QFY25 Con-call	"First, the product, if I recall correctly, January 2026 is where the patent expiration will happen for Ozempic®, and this is the product that generic version of it is expected to be launched, if we will get approval. I believe we are positioned well to get approval for that period of time. And naturally, it is (Canada) a very important market for us. Normally, between the time that you submit the product to the Canadian authorities, until you get approval is 12 to 14 months. So, if they want to be in the market in January of 2026, they have to have already filed it to be on time. Anyone that filed after that date likely to get approval only after that. So, what you're going to see is probably the sequence in which people will get approval, and we hope to be the first one in the pack. And, of course, but for that, we need to get the approval." "So potentially, it could be that earlier in time, it will be more of a limited competition. And of course, it will intensify over time, as more people will join and the reimbursement price will go down." "There are about 80 markets that can be open for 2026 because the product is in demand in all the markets in the world, but there are certain markets in which the innovator product has not even come to it. We believe that it's also a nice opportunity, in its own merit." "The most notable markets will be Canada, India, and Brazil. The 80 markets that we are discussing are primarily markets in which there was no patent protection. These are markets in, primarily, emerging markets like in Asia, Africa, Latin America. Much smaller markets in nature, but cumulatively and demand-wise, it can add a very nice growth to that. We are working on both B2B and B2C. We have global partners, who they are licensing our product, that have great presence in those markets and in some of them, we are going to do it by ourselves. So it's a combination of selling API, selling finished dose, and of course, marketing the product. And we are going for all the products, Ozempic®, Segovia® and the oral product. So overall, it's something that will come in multi-markets. This specific product, as you know, US and Europe will come later into the years." "Oral will come later. In some places, there are also patents on the oral and the other formulations. So, in most of the markets, it will come between 12 to 18 months after Ozempic®. But we are planning to be on Day 1 in all the places that we can with this product." "So, we are fully integrated for all the stages of the API, we are making the peptides from the basic building blocks, as well as the formulation. We are buying the device."

Gland Pharma	Mr. Srinivas Sadu (Executive Chairperson)	3QFY25 Con-call	"It's <b>two customers and three products contracts</b> . Slowly we'll <b>start seeing some numbers in FY26</b> ." " <b>GLP-1, we have already invested</b> into it. The <b>line will be installed this year, next two quarters</b> . So, there's <b>no additional investment into GLP-1 in terms of finished products</b> . But we are looking at now that the current manufacture site also kind of maxed out in terms of capacity. We are looking at a greenfield project for the next phase of growth."
Lupin	Ms. Vinita Gupta (CEO)	3QFY25 Con-call	"The team is working on it (Semaglutide - Canada opportunity). We're hopeful that we'll <b>be in the first wave between FY26 and FY27</b> ." "For the <b>oral solid</b> , which is <b>an opportunity also in multiple markets, we have internal development</b> . And <b>for the injectable Semaglutide, we have partnerships in place</b> . For a few markets, we have existing partnerships, others in the works. But we would <b>expect the 2027 calendar year to be in at least a handful of the open markets for Semaglutide</b> ." "For the <b>oral solid, definitely we have internal capacity, as well as injectable</b> , although we have partnered with companies, we have the ability to double up with our Nagpur facility. But <b>right now, we are counting on partners for the injectable</b> ."
	Mr. Nilesh Gupta (MD)	3QFY25 Con-call	"I think on <b>India - on the injectable</b> , I mean there's <b>going to be many players</b> . We'll have it in that <b>first wave</b> as well. The <b>more interesting part to solve for in India is the oral product</b> , and we're <b>hoping to have that at the time of loss of exclusivity as well</b> . We think that that will be the more important product to deliver on and that <b>will come from an internal development</b> ."
Sun Pharmaceutical Ind.	Mr. Dilip Shanghvi (Chairman & MD)	3QFY25 Con-call	"We filed Para IV to Semaglutide in the US." "Our plan is <b>to be there on Day 1 of the launch in GLP-1</b> . Cannot comment anything further at this stage, but that's certainly the endeavour. That's <b>for India and for Brazil also similar</b> ." "I think in India, historically the GLP-1 market has not been very big compared to some of the regulated markets. It's been much smaller, but <b>we believe this upcoming wave will probably be on the higher side and larger offtake compared to the past historical brand launches or recent other GLP-1s</b> . I think the acceptance probably will be on the higher side for the Indian population as well. So, probably a much bigger opportunity than the earlier GLP-1s. We are quite <b>optimistic on this space</b> , and we will be <b>looking for a reasonably significant share</b> in this as well." "The <b>endeavour is to match our current share in the overall diabetes and chronic space</b> which has been increasing year-on-year. So, if you are able to get a market share of a similar level which has been seen in the recent new launches, particularly in diabetes, that itself is a significant share." " <b>Yes, that's (clinical trials in India) currently ongoing</b> ." "The <b>injectable GLP-1 would be partnered</b> (buying finished unit). The <b>oral GLP-1s would be in-house</b> ." " <b>Supply side</b> , over time, at least <b>our current view is that there may not be too much of a constraint</b> . We believe there are a lot of investments going into this space within India and globally as well. So, maybe initially potentially there may be but over a one year-two-year period, that should not really be a constraint is what we believe. What the actual demand in offtake looks like that is obviously still yet to be seen."
Torrent Pharmaceuticals	Mr. Aman Mehta (ED - India business)	3QFY25 Con-call	"So, the first is US, obviously we have one for, <b>we have filed in the US and that opportunity is much later</b> . In <b>India, we hope to be in the first wave launches with our own Semaglutide franchise with some unique differentiation and similarly, we would like to build this differentiation in the emerging markets also</b> , both with the current formats and new format. So, yeah, we will be playing in the Semaglutide market, starting with India first." "We are <b>making our own API and formulation</b> and we have a second source also. So, we are back, we have de-risked also, including devices." "Currently, we <b>don't have immediate China plans</b> . So, I doubt we'll be in any first wave. But we do <b>have plans for the other EM markets</b> ." "First is the complexity of the API, which is sort of <b>now readily available for most companies</b> . I would say that challenge is gone for us, we are backwards, so, the only good part is we would see less disruption but we also have an alternate source, so, we have both options." " <b>We have two formulations for the franchise</b> , and we look forward to, you know, creating some differentiation for us. I think we are sort of <b>good on the device, not that we are exclusive</b> , but we are good on that device. The second is to <b>finish the clinical trial in India and be ready for launch on time</b> . So, well, many companies will do it. All companies will not be able to do it, so we'll see how that plays out. But I still <b>believe it will be a very competitive, disruptive time for the launch in India</b> , so we have to wait and see. But I think we are fully geared, at least have the product ready and launched."
Zydus Lifesciences	Dr. Sharvil Patel (MD)	3QFY25 Con-call	"So, the first is US, obviously we have one for, <b>we have filed in the US and that opportunity is much later</b> . In <b>India, we hope to be in the first wave launches with our own Semaglutide franchise with some unique differentiation and similarly, we would like to build this differentiation in the emerging markets also</b> , both with the current formats and new format. So, yeah, we will be playing in the Semaglutide market, starting with India first." "We are <b>making our own API and formulation</b> and we have a second source also. So, we are back, we have de-risked also, including devices." "Currently, we <b>don't have immediate China plans</b> . So, I doubt we'll be in any first wave. But we do <b>have plans for the other EM markets</b> ." "First is the complexity of the API, which is sort of <b>now readily available for most companies</b> . I would say that challenge is gone for us, we are backwards, so, the only good part is we would see less disruption but we also have an alternate source, so, we have both options." " <b>We have two formulations for the franchise</b> , and we look forward to, you know, creating some differentiation for us. I think we are sort of <b>good on the device, not that we are exclusive</b> , but we are good on that device. The second is to <b>finish the clinical trial in India and be ready for launch on time</b> . So, well, many companies will do it. All companies will not be able to do it, so we'll see how that plays out. But I still <b>believe it will be a very competitive, disruptive time for the launch in India</b> , so we have to wait and see. But I think we are fully geared, at least have the product ready and launched."

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our coverage companies laid out their plans on the GLP-1 opportunity; most of these companies are looking to be a part of the first wave of launch in India**

Company	Comments	Market	API Capability	Manufacturing	Clinical Trials/study	Device
<b>Formulation companies</b>						
Ajanta Pharma	Not participating in the opportunity as of now.	-	-	-	-	-
Alkem Laboratories	To be present among the first wave of players in India.	India - Semaglutide post LoE	-	-	To be conducted	-
Aurobindo Pharma	Plans to have the entire range of GLP-1 products.	India - Announcement in the next one-two quarters	Developed own API and plans to file additional DMF	From Vizag plant	Under discussion	Third party
Cipla	Aiming to be in the first wave of launches in India. Also looking at in-licensing opportunities.	India	-	-	-	-
Dr. Reddy's Laboratories	Looking to have a presence in entire GLP-1s - from oral to injectables.	Canada – 2026F, India & Brazil - Not mentioned	Developed own API	Inhouse	-	Third party
Lupin	Working on Semaglutide (both oral and injectable) and Liraglutide.	Semaglutide: Canada in FY26F India in the first wave, other markets in FY27F Liraglutide: In FY26F	-	Injectables - in partnership Oral Solids - internal development	-	-
Sun Pharmaceutical Ind.	Has Para IV filing to Semaglutide in the US market.	-	-	-	-	-
Torrent Pharmaceuticals	Plans to be in India and Brazil when the market opens.	India and Brazil	-	Injectables - in partnership Oral Solids - internal development	Ongoing	-
Zydus Lifesciences	Participating in the opportunity, starting with India.	India - Present in the first wave China - No immediate plan Emerging markets - Plans to enter	Developed own API with second source	Have two formulations	To be conducted	Third party
<b>CDMO companies</b>						
Divi's Laboratories	Working with MNCs, manufacturing resins, building blocks and protected amino acids.	Global	Not fully	Built pilot plant	-	-
Gland Pharma	Has two customers and three products. May see some revenue in FY26F.	-	-	Investment done	-	-

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: US reciprocal tariff: Our coverage companies expressed concerns on the same while acknowledging the fact that efforts are being made to derisk by setting up facilities in the US**

Company	Speaker	Event	Comments
Aurobindo Pharma	Mr. Swami Iyer (CEO, Aurobindo Pharma, USA)	3QFY25 Con-call	"There's nothing that we believe is going to be a challenge for us, <b>we would continue to import from India</b> and competitors would be in the same state as we are in, that's one. You're right as not just as a mitigation strategy, but <b>as a strategy itself, we have built up good infrastructure in the US. We have a Dayton plant that's coming up and we also have the Puerto Rico plant, which we can commercialize very soon with short notice.</b> So, we believe that we are well geared up to meet any challenges that come up as far as the US market is concerned."
Cipla	Mr. Umang Vohra (MD & Global CEO)	3QFY25 Con-call	" <b>The last three years we have now been setting up facilities in the US.</b> So, there will come a time when we begin to understand the economics of shipping straight from India and having potential duties or whatever and the freight with it, linking up with what the cost of manufacturing and supplying from the US is. So, <b>in some ways, our model is derisked to a large extent for our portfolio, whether it's the MDI or the DPI portfolio and the USD portfolio.</b> So, I think we're just waiting for more colour from documented activity. But I think we are well derisked to be able to offset some of this as and when it comes on. And in addition to that, if you look at the supply which the <b>US gets, it's about a third of supply from India. Otherwise, we have partner products, CMOs and we have, of course InvaGen, our local facility out there also, which meets the balance.</b> "
Lupin	Ms. Vinita Gupta (CEO)	3QFY25 Con-call	"So, we are monitoring it very carefully and <b>the industry has made a strong pitch, both from AAM standpoint as well as IPA; the tariff will have a significant impact on the generic industry if it was implemented.</b> I mean 70% of generic drugs for the US are imported at present, 50% of generics come from India. So, there's clearly a significant role that India plays on the generic front, and <b>we've made that case with all the major stakeholders.</b> So, we'll find out with the current visit of the PM to the administration what transpires. But we are hoping that pharmaceuticals and generic drugs, in particular, will be exempted. <b>And if it's otherwise, we'll be looking at other ways and means of mitigating the impact with a combination of manufacturing in the US as well as wherever possible, from a cost perspective and otherwise.</b> We are watching it very carefully, but hopeful that the case made by the industry has been heard and the implication is understood that any tariff impact can really cause more product disruption and drug shortages, which no one wants in the country."  "So we are looking at multiple different avenues there to look at the impact and how you mitigate it. But as an industry, we have all aligned on the fact that the industry has gone through a lot of pressure. <b>Critical medicines, high volume low-price medicines cannot bear additional costs. So, with 70% of the products imported into the country on the generic front, 50% contribution overall generics from India, I mean, one would expect prices would go up in case of critical medicines, in case, the tariffs are implemented.</b> "

SOURCE: INCRED RESEARCH, COMPANY REPORTS

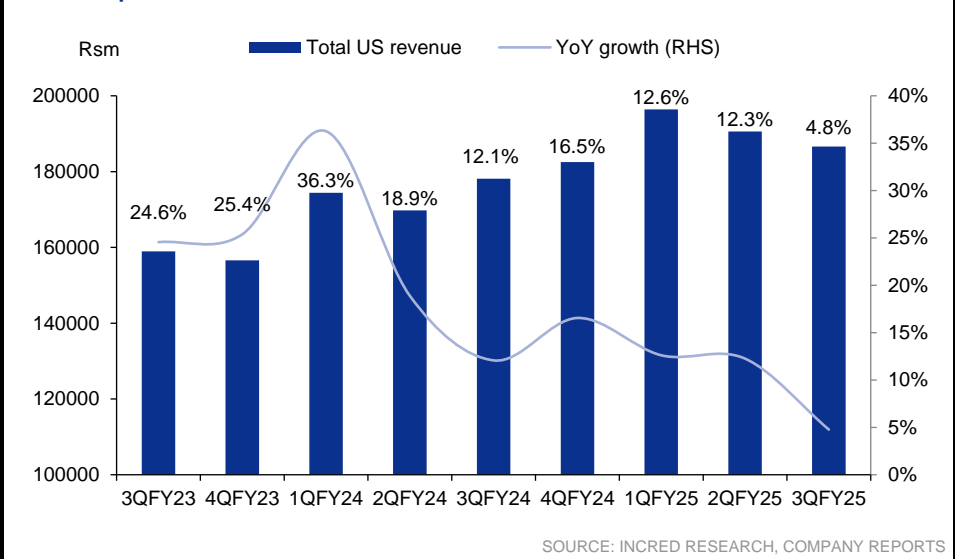


**Figure 4: While the sequential gross margin improvement during 3QFY25 was mixed for our coverage companies, the EBITDA margin improvement continues**

	Gross Margin		Changes		EBITDA Margin		Changes	
	YoY (%)	QoQ (%)	YoY (bp)	QoQ (bp)	YoY (%)	QoQ (%)	YoY (bp)	QoQ (bp)
Ajanta Pharma	77.5%		412	-44	28.0%		-43	177
Alkem Laboratories	64.3%		356	-41	22.5%		122	46
Cipla	68.0%		160	37	28.1%		166	138
Dr. Reddy's Laboratories	58.7%		19	-91	27.5%		-30	189
Divi's Laboratories	60.2%		-46	169	32.0%		568	142
Gland Pharma	66.6%		535	750	26.0%		294	488
Laurus Labs	56.9%		253	169	20.2%		497	558
Lupin	70.2%		417	-6	25.2%		745	107
Torrent Pharma	76.0%		155	-49	32.5%		73	4
Ipca Laboratories	70.2%		419	245	20.6%		448	188
Aurobindo Pharma	58.4%		130	-38	20.4%		-138	31
Zydus Lifesciences	69.9%		254	-195	26.3%		187	-157
Sun Pharmaceutical Ind.	80.0%		207	23	30.7%		358	198

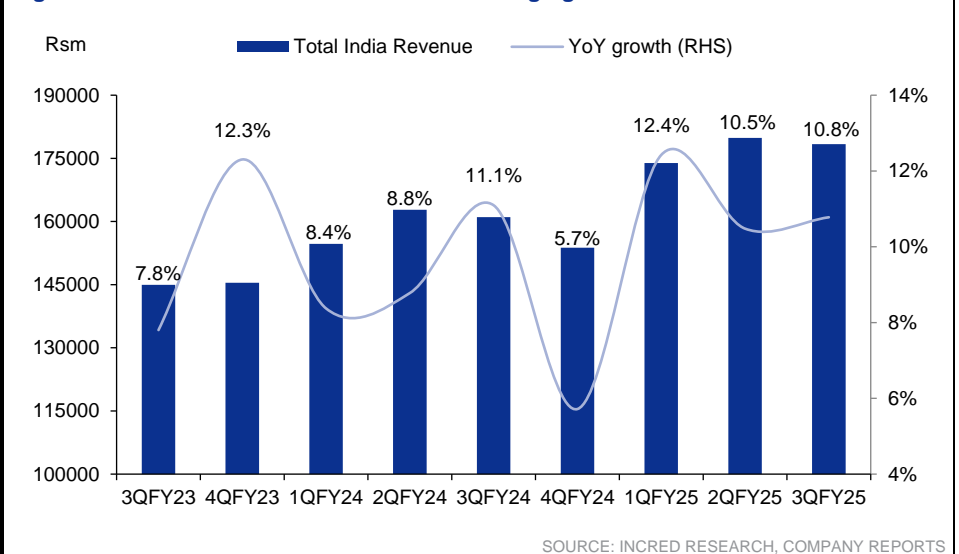
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: US business YoY growth tapered to mid-single digit for the first time in the last nine quarters**



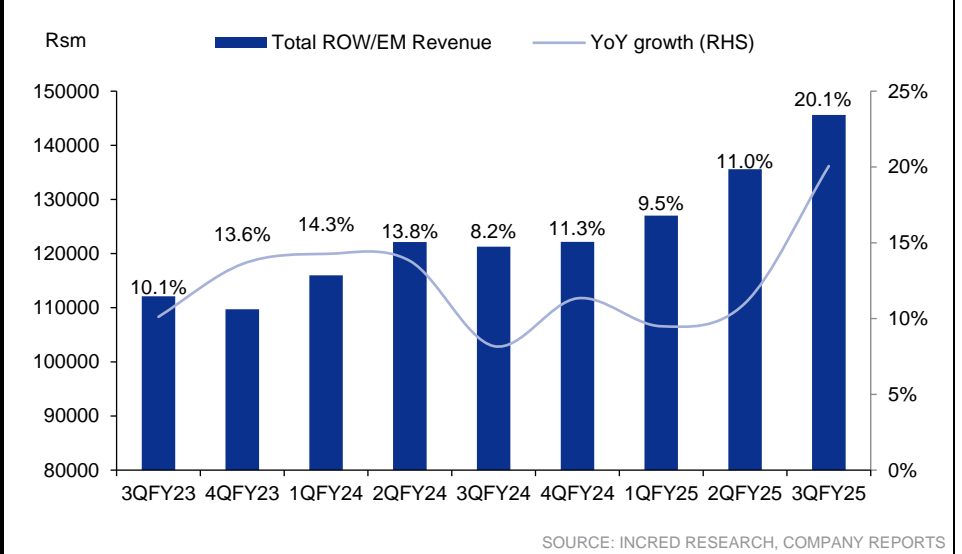
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: India business continued its double-digit growth momentum**

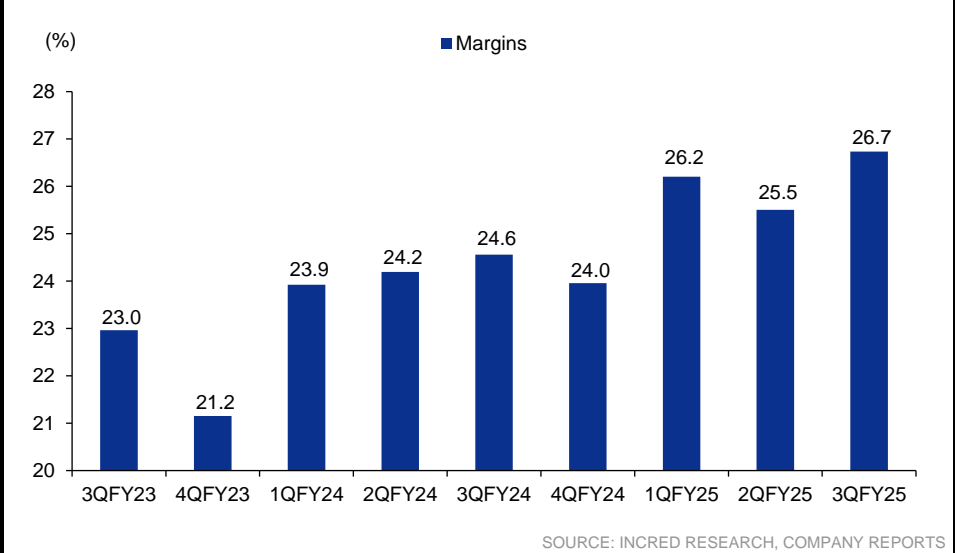


SOURCE: INCRED RESEARCH, COMPANY REPORTS

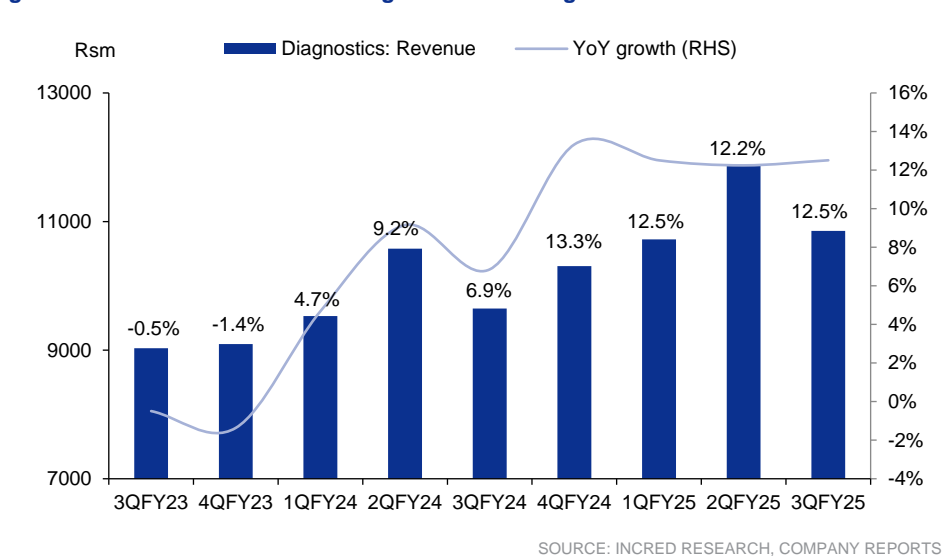
**Figure 7: Consistent sharp upturn in the ex-US international market in the past four quarters**



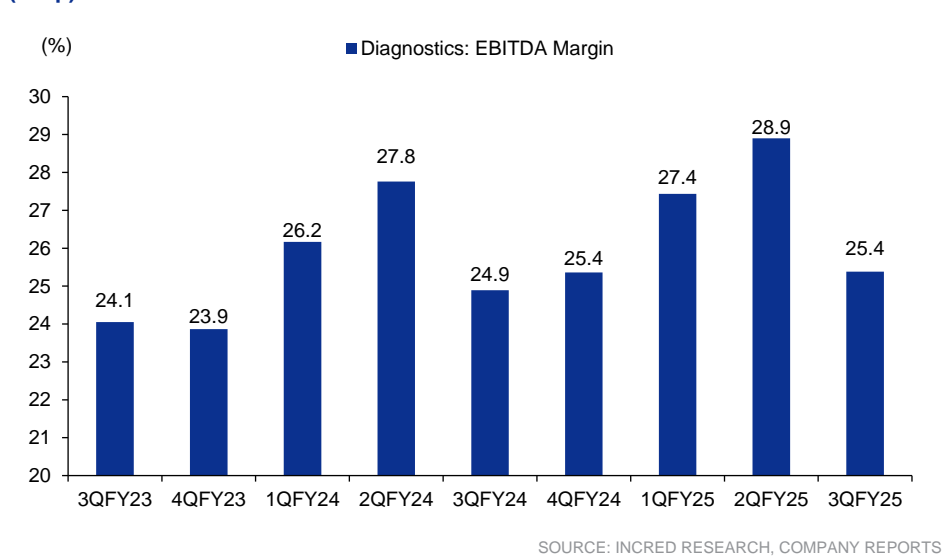
**Figure 8: Pharma business – margin improvement continues; margin up 220bp YoY/ 120bp QoQ**



**Figure 9: Diagnostics companies posted fourth consecutive quarter of double-digit growth in 3QFY25 – most of it being volume-driven growth**

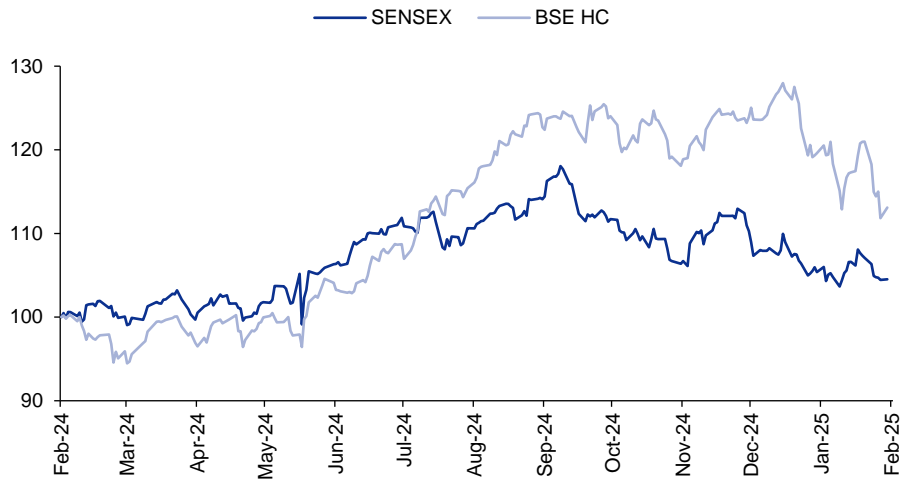


**Figure 10: Despite 3Q being a seasonally lean quarter, the YoY margin improvement (50bp) continued**





**Figure 11: BSE Healthcare Index outperforms the Sensex in the last one year, and also in the last six months**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 12: Rating changes post 3QFY25 results**

	Current Rating	Previous rating	Earnings	Commentary
<b>Pharmaceuticals</b>				
Ajanta Pharma	ADD	ADD	Green	
Alkem Laboratories	ADD	ADD	Green	
Cipla	ADD	ADD	Green	
Dr. Reddy's Laboratories	HOLD	HOLD	Red	
Divi's Laboratories	ADD	ADD	Green	
Gland Pharma	REDUCE	HOLD	Green	
Laurus Labs	HOLD	HOLD	Green	
Lupin	ADD	ADD	Green	
Torrent Pharmaceuticals	HOLD	HOLD	Red	
Ipca Laboratories	ADD	ADD	Green	
Aurobindo Pharma	HOLD	HOLD	Yellow	
Zydus Lifesciences	ADD	ADD	Yellow	
Sun Laboratories Ind.	HOLD	HOLD	Green	
<b>Diagnostics</b>				
Dr Lal Pathlabs	ADD	ADD	Green	
Metropolis Healthcare	ADD	ADD	Red	
Thyrocare Technologies	ADD	ADD	Green	
			Green	Positive
			Yellow	Neutral
			Red	Weak

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 13: Earnings revision was a mixed bag with few earnings upgrades**

	FY25F	FY26F
<b>Pharmaceuticals</b>		
Ajanta Pharma	-5.5%	-3.8%
Alkem Laboratories	-1.1%	0.0%
Cipla	7.0%	0.1%
Dr. Reddy's Laboratories	-7.0%	-8.0%
Divi's Laboratories	7.4%	4.3%
Gland Pharma	-14.0%	-24.0%
Laurus Labs	38.6%	26.2%
Lupin	-0.5%	-1.8%
Torrent Pharmaceuticals	-4.2%	2.1%
Ipca Laboratories	10.0%	4.0%
Aurobindo Pharma	-3.0%	-2.0%
Zydus Lifesciences	1.0%	-8.0%
Sun Pharmaceutical Industries	6.0%	-3.0%
<b>Diagnostics</b>		
Dr Lal Pathlabs	-1.6%	-4.1%
Metropolis Healthcare	-6.2%	-3.6%
Thyrocare Technologies	11.2%	12.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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