INDIA PHARMA SECTOR

JUNE 2026

Macro Stats

SKG INVESTMENTS & ADVISORY

USD 30.5 Bn
Exports FY25 +9.4% YoY

#3 / #11
Global rank
volume / value

20% of Global
largest global supplier of generic meds

₹40,294 Cr
PLI mobilized till 2025 end
2.3x target

TOP 15 COMPANIES by mcap	Combined MCap	FY26 Combined Sales	FY25 Combined Sales	YoY Revenue Growth
	₹17,42,467 Cr	₹3,12,390 Cr	₹2,78,882 Cr	12.01%

Indian Pharma Market Growth & Market Context

- **Chronic therapies above market average:** cardiac, anti-diabetic, CNS, oncology
- **100 Mn+ diabetics and 100 Mn+ obesity cases each,** structural demand floor
- **726 APIs/KSMs produced in India under PLI scheme;** 191 manufactured domestically for the first time

- **Volume-to-value gap** is the decade-long trade. India is #3 by volume, #11 by value, that 8-rank disparity is the addressable opportunity.
- **PLI delivering 2.3x returns** is a genuine policy win, direction is unambiguous, execution gaps remain.

India pharma's macro story is intact strong growth, PLI delivering. The risk is staying a volume market when the value upside is clearly visible.

The US Business: Stop Calling It a Growth Engine

~35% / USD 9 Bn

US share of India pharma exports FY25. +14% YoY.

~600 ANDA Filings

20-year low in Nov-2025. Down from 740 in FY24. Pipeline being pruned toward fewer, higher-value filings.

303 Warning Letters

FDA total drug warning letters FY2025, **+59% YoY from 190.** Data integrity failures Cited by FDA in 15% of all FY 2025 warning letters and roughly 60% of letters to Indian firms.

Tariff Risk

Generic and biosimilars are explicitly excluded from tariffs at this time, however uncertainty about the future still hangs over the head, and if goes sideways could be detrimental for the

Live Case - Dr. Reddy's Q4 FY26: Revenue declined YoY. Rs.453 Cr shelf-stock adjustment. Lenalidomide price erosion + broad US price pressure. **Compare Lupin Q4 FY26**: +32.9% revenue, EBITDA margin 35.5% (+1,070 bps), PAT +87.7%. Same sector, same quarter, two outcomes.

- 20-yr low filings + 59% jump in warning letters + tariff overhang = burden of proof is now on the bull case.
- US is a risk management problem dressed as a growth story.

The triple warning (low filings, rising enforcement, tariff overhang) rewrites the US thesis. Bifurcation between compliant and non-compliant operators will be an essential part in generating alpha.

INDIA PHARMA SECTOR: GROWTH THEMES

Three Bets That Will Define Winners in years to come

SKG INVESTMENTS & ADVISORY

GLP-1 / Semaglutide	CDMO / China+1	Biosimilars
• **USD 80 Bn** global market at ~17% CAGR • **7-10 entrants** expected in FY27 post patent expiry H1 2026 • **India-specific market**: USD 240 Mn by 2030 • **100 Mn diabetics + 100 Mn obesity = demand floor**	• **USD 23 Bn** India CDMO market in 2026, **USD 55.5 Bn by 2033 at 13% CAGR** • **India holds around 2-3%** of USD 140+ Bn global CDMO, significant share to gain • **650+ FDA-compliant plants** - largest concentration outside US	• **USD 1 Bn+** India market in 2025 to **USD 4 Bn+ in 2034, +16% CAGR** • As **over 55 blockbuster biologics lose patent exclusivity in the US and Europe by 2030**, Indian players are perfectly positioned to capture the

GLP-1, Biosimilars and Complex Molecules if played well could reshape the entire industry in next 10 years. All three are real but the market is pricing some of this optionality today. The question is execution timeline, not opportunity size. Reward manufacturing ready, Para IV filings + 180-day exclusivity wins, litigation clean companies. GLP-1 first-mover deadline FY27 end.

INDIA PHARMA SECTOR: RISK ASSESSMENT

The Risk Stack Nobody Is Pricing Fully

SKG INVESTMENTS & ADVISORY

CHINA API DEPENDENCY UNRESOLVED	• **>70% bulk drug imports** from China, structural exposure unchanged • **PLI delivered:** Rs.4,814 Cr cumulative investment till Dec 2025 • **Gaps remain:** 6th PLI round bars prior underperforming awardees	**>70%** China bulk drug dependency
REGULATORY WORSENING	• **303 FDA warning letters** FY2025, +59% YoY. Form 483s at 5-year highs • **FDA Drug inspections doubled:** 49 to 110 in a single year. 50% probability of warning letter after inadequate 483 response • **Data integrity failures Cited by FDA in 15% of all FY 2025 warning letters and roughly 60% of letters to Indian firms.** • **April 2026:** FDA issued first-ever warning letter for AI misuse in drug records,	**59%** YoY jump in FDA warning letters
VALUATION PREMIUM PRICED	• **Nifty Pharma:** +7.32% YTD CY2026 vs Nifty 50 -11.11% • **Index near 52-week high:** 24,574 vs high of 25,043. • **Nifty Pharma trading at 37.1 PE, 11% premium to 5-year Median PE.**	**11% premium** vs Nifty Pharma 5-Year Median PE

The market has re-rated pharma as a defensive sector, that re-rating is earned on domestic demand but fragile on US and regulatory fronts. At current valuations, you are paying for the upside without sufficient margin of safety for the downside. The defensive premium is now priced in; alpha requires stock selection, not sector ownership.

Where to Position: Analyst Framework

BUY PROFILE - Four Criteria	AVOID PROFILE
✓Clean USFDA record, no open warning letters, no import alerts	✗US revenue >45% without credible compliance remediation track record
✓Domestic chronic franchise (cardiac, anti-diabetic, CNS, oncology) above IPM average	✗Commodity generic-heavy US portfolio, no complex molecule pipeline to replace eroding legacy
✓CDMO capacity or complex biosimilar pipeline with credible FY27-28 timeline	✗Open FDA enforcement action with no resolution timeline
✓US revenue below 45% of consolidated revenues	✗Companies not moving up the value chain, complex generics, biosimilars, CDMO, will stay structurally discounted.

Sector Outlook

- **US exposure:** stock-by-stock forensics required, no blanket call
- **GLP-1/CDMO/Biosimilar:** reward manufacturing-ready, litigation-clean companies. GLP-1 first-mover deadline: Q3 FY27

India pharma 10-year structural growth narrative intact. Nifty Pharma has absorbed the defensive premium. Alpha from here requires stock selection inside the sector, not index ownership. Everything else requires a company-level view.

20 *years of financial excellence*

THE SKG GROUP

SKG India Small & Midcap Fund
SKG Assets & Holding Pvt Ltd
SKG Asset Management Pvt Ltd
Equity first LLP

Disclaimer

The above material is neither investment research, nor investment advice. SKG - Investments & Advisory ("SKG") does not seek payment for or business from this material/email in any shape or form. No content of this publication including the performance related information is verified by SEBI. If any recipient or reader of this material is based outside India, please note that SKG may not be regulated in such jurisdiction and this material is not a solicitation to use SKG's services. The recipient of this material is urged to consult their own legal and tax consultants/advisors before making any investments. The recipient, if not the addressee, should not use this material if erroneously received, and access and use of this material in any manner by anyone other than the addressee is unauthorized. If you are not the intended recipient, please notify the sender by return email and immediately destroy all copies of this message and any attachments and delete it from your computer system, permanently. No liability whatsoever is assumed by SKG as a result of the recipient or any other person relying upon the opinion unless otherwise agreed in writing. The recipient acknowledges that SKG may be unable to exercise control or ensure or guarantee the integrity of the text of the material/email message and the text is not warranted as to its completeness and accuracy. The material, names and branding of the investment style do not provide any impression or a claim that these products/strategies achieve the respective objectives. Further, past performance is not indicative of future results. SKG and/or its associates, the authors of this material (including their relatives) may have financial interest by way of investments in the companies covered in this material. SKG does not receive compensation from the companies for their coverage in this material. SKG does not provide any market making service to any company covered in this material. Authors of this material have never served the companies in a capacity of a director, officer or an employee. All recipients of this material must before dealing and or transacting in any of the products referred to in this material must make their own investigation, seek appropriate professional advice and carefully read the Private Placement Memorandum/Disclosure Document, Form ADV, Form CRS and any other documents or disclosures provided to them by SKG, as applicable.