NOMURA

Equity Strategy

Global Markets Research
19 October 2026

EQUITY: EQUITY STRATEGY

Asia marketing feedback

Quick Note

We met with institutional investors in Singapore, Malaysia and Hong Kong over the past week to discuss India equity strategy and healthcare. Asian investors remain cautious on India, with valuations the main concern, but there is still interest in individual stock ideas.

India: Cautious-to-negative on the market, but still open to stock ideas

Most investors are cautious to negative on India, as they cite rich valuations, rising bond yields and FII selling. Several investors described frontline valuations as stretched and expect multiples to de-rate across sectors, including recent underperformers such as Financials, IT Services and Consumer. Investors are scrutinizing India stocks on valuations which in most cases are still very expensive compared to international peers. On the macro front, investors worry about slower growth in the coming quarters because of a high base, elevated inflation and interest rates, and the fading impact of monetary and fiscal stimulus. Policy and regulatory interventions (such as insurance distribution and capping trade margins in drugs) have had negative impact on sentiment. Investors also cited concerns about geopolitical uncertainty, including obstacles to a US-India trade deal and the potential US tariffs on India. Finally, there is as yet no clear signal on capital gains tax relief for investors.

While the underlying tone was negative, investors continue to explorebottom-up opportunities. Some said they generated strong alpha from a handful of Indian mid-cap picks despite weak index-level returns, and they continue to look for similar ideas. The bulls see India as a diversifier in a market split between AI and non-AI trades, and as a likely outperformer if the AI trade falters. They also expect some positive policy action on equity taxation to attract foreign capital.

We prefer a bottom-up approach: favor value, be selective in growth and avoid chasing narratives. The key themes driving our sector preferences and stock selection are established exporters, data center and power infrastructure, defence, AI-led opportunities in IT Services, a slowdown in consumption, and limited fiscal support for industry. We are constructive on auto ancillaries, engineering/manufacturing, capital goods and pharmaceuticals. We are positive on Financials and IT Services on valuations, cautious on consumption and neutral on commodities. Our March 2027 Nifty target of 24,000 is based on 17x FY28F earnings. We expect stocks to trade at valuations lower than that in the past three years as we factor in higher bond yields and expect some risk to FY28F earnings from higher commodity prices and some slowdown in demand.

Healthcare: Hospitals and CDMOs dominate the debate

Investors largely agreed with our negative view on Hospitals, but the stocks remain over-owned. Concerns over regulatory intervention are rising, and investors are asking how much further the stocks could fall. They expect some pressure on near-term earnings, but also expect companies to partly offset lower trade margins on pharmaceuticals by charging more for services. Investors are overwhelmingly constructive on the CDMO (Contract development and manufacturing) segment. Interest in frontline generic pharma companies is limited. Investors acknowledge stock-specific catalysts, but frontline pharma lacks a broad sector story strong enough to justify an overweight. Past disappointments on execution and capital allocation also weigh on sentiment. Investors have so far been positive on the domestic pharma market. However, the government's recent cap on trade margins for oncology drugs has raised concerns that price controls could extend to more pharmaceutical products.

We believe the recent correction in Hospital stocks (down 15-20% since 23 September

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2026) reflects some expectation of near-term earnings cuts and regulatory intervention driving valuations lower. Given the regulatory overhang, rising yields and heavy investor positioning, we expect sector valuations to stay below 25x one-year-forward EV/EBITDA. We agree that high-quality CDMOs have strong growth potential, but we believe current valuations largely price in that upside, which limits the room for material gains in the near term. We are relatively more constructive on frontline pharma. These companies continue to deliver strong growth in India and ex-US markets, and they have a good recent track record on acquisitions. We acknowledge that wider price controls are a risk to domestic pharma valuations. Our top picks are Dr Reddy's (DRRD IN), Sun Pharma (SUNP IN), Lupin (LPC IN), Alkem (ALKEM IN) and Gland Pharma (GLAND IN). All of these stocks are rated Buy.

Appendix A-1

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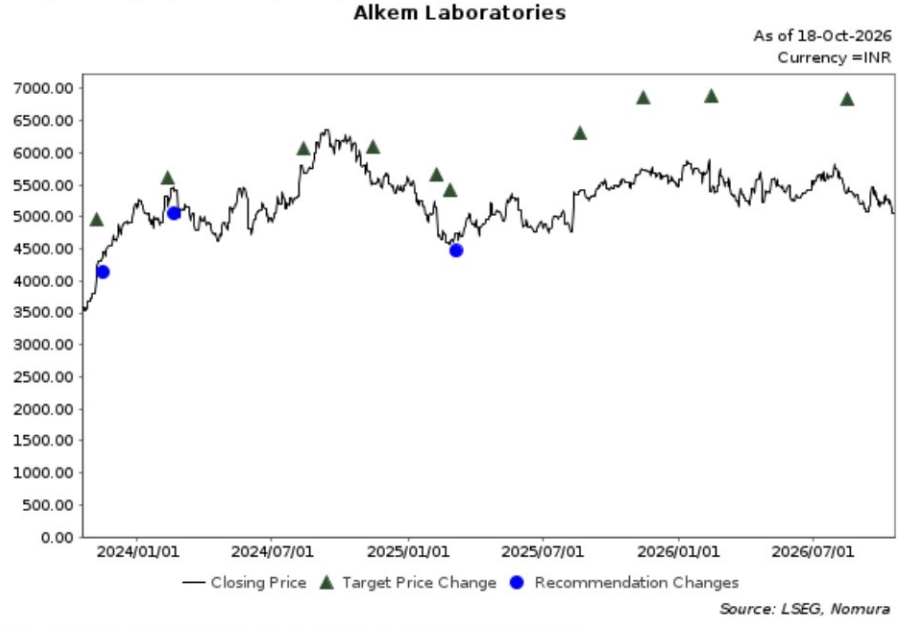
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Alkem Laboratories	ALKEM IN	INR 5,050	16-Oct-2026	Buy	N/A	A6
Dr Reddy's Laboratories	DRRD IN	INR 1,233	16-Oct-2026	Buy	N/A	
Gland Pharma	GLAND IN	INR 3,043	16-Oct-2026	Buy	N/A	
Lupin	LPC IN	INR 1,962	16-Oct-2026	Buy	N/A	A4,A6
Sun Pharmaceutical Industries	SUNP IN	INR 1,759	16-Oct-2026	Buy	N/A	

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Alkem Laboratories (ALKEM IN) **INR 5,050 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



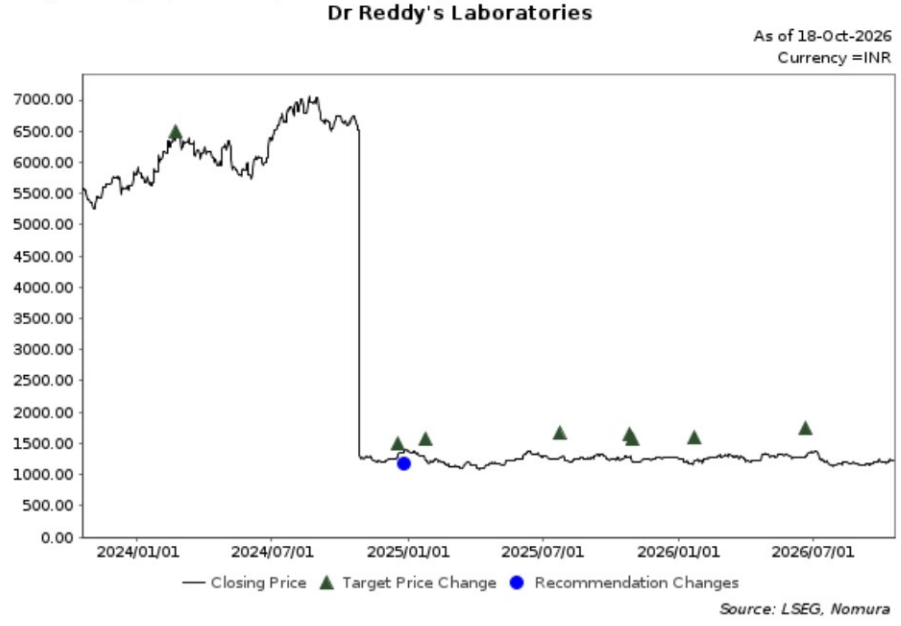
Date	Rating	Target price	Closing price
17-Aug-26		6,850.00	5,374.00
15-Feb-26		6,890.00	5,403.00
14-Nov-25		6,860.00	5,723.00
21-Aug-25		6,300.00	5,422.00
26-Feb-25	Buy		4,564.00
26-Feb-25		5,430.00	4,564.00
09-Feb-25		5,670.00	5,151.00
14-Nov-24		6,097.00	5,525.00
13-Aug-24		6,061.00	5,709.00
12-Feb-24	Neutral		5,149.00
12-Feb-24		5,605.00	5,149.00
08-Nov-23	Buy		4,233.00
08-Nov-23		4,963.00	4,233.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We derive our September 2027 TP of INR6,850 based on 28x Sep'27 EPS of INR244.8 The benchmark index for the stock is Nifty 50. We assess a fair-value range of 26–33x one-year forward earnings, underpinned by ~70% earnings contribution from the domestic branded segment and potential upside from the traction in CDMO and MedTech — areas where the Street's expectations remain modest, in our view.
Risks that may impede the achievement of the target price Key Downside risks: a) Higher costs than our current expectations. b) Adverse regulatory move to promote generics and limit trade margins in India. c) Slower-than-estimated growth in India and higher than estimated adverse impact of price cuts in NLEM products. d) Higher-than-estimated price erosion in the US. e) Adverse regulatory actions by regulatory agencies f) Adverse currency movement ;g) imposition of tariffs by U and h) value loss in new ventures like MedTech and CDMO..

Dr Reddy's Laboratories (DRRD IN) **INR 1,233 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



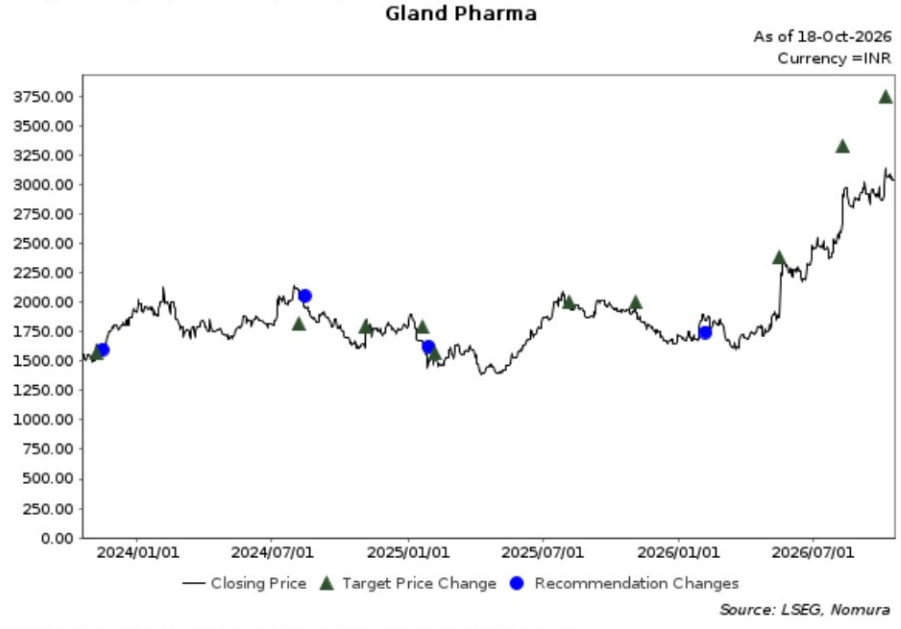
Date	Rating	Target price	Closing price
21-Jun-26		1,740.00	1,272.00
22-Jan-26		1,600.00	1,218.00
30-Oct-25		1,580.00	1,202.00
27-Oct-25		1,650.00	1,284.00
24-Jul-25		1,660.00	1,266.00
24-Jan-25		1,575.00	1,224.00
18-Dec-24	Buy		1,275.00
18-Dec-24		1,500.00	1,275.00
23-Feb-24		6,499.00	6,442.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We arrive at June 2027 TP of INR 1,740 is based on 24x June 2028 EPS of INR 72.6. The benchmark index for this stock is Nifty 50.
Risks that may impede the achievement of the target price Downside risks: Weaker than estimated growth in the branded generic markets; Price erosion in the US and other generic market higher than our expectations; Adverse currency movement ; Spike in cost of raw materials ; Adverse regulatory actions, including USFDA actions and price controls

Gland Pharma (GLAND IN) **INR 3,043 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



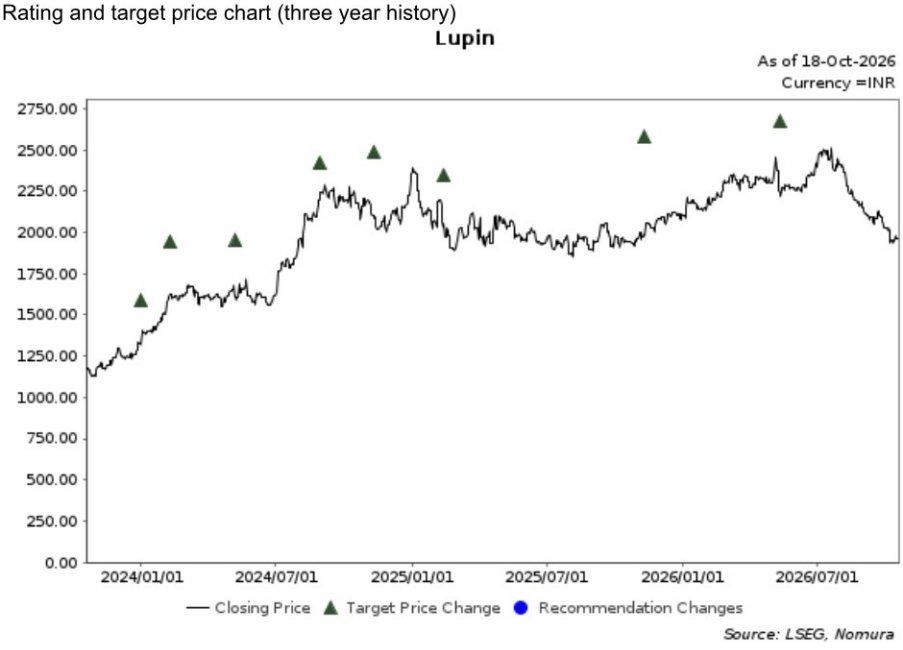
Date	Rating	Target price	Closing price
07-Oct-26		3,750.00	3,151.00
11-Aug-26		3,330.00	2,924.00
17-May-26		2,390.00	1,868.00
29-Jan-26	Buy		1,800.00
04-Nov-25		2,000.00	1,912.00
06-Aug-25		2,010.00	1,958.00
06-Feb-25		1,570.00	1,517.00
20-Jan-25	Neutral		1,677.00
20-Jan-25		1,790.00	1,677.00
05-Nov-24		1,800.00	1,833.00
06-Aug-24	Reduce		2,107.00
06-Aug-24		1,819.00	2,107.00
07-Nov-23	Neutral		1,653.00
07-Nov-23		1,570.00	1,653.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We arrive at our Match 2028 target price per share of INR3,750 based on 27.5x FY29F EPS of INR 136.5.The benchmark index for the stock is Nifty 50.
Risks that may impede the achievement of the target price Downside risk: Adverse regulatory development is the most critical risk factor. Others include adverse currency movement, pricing pressure in existing base business and failure to scale up CDMO and execute on new future investments.

Lupin (LPC IN) **INR 1,962 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



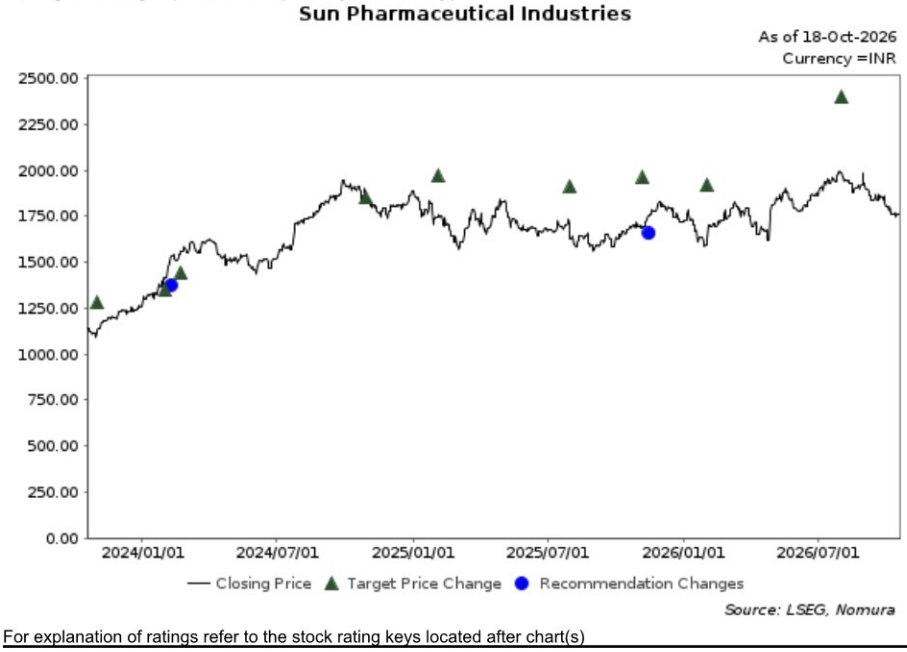
Date	Rating	Target price	Closing price
12-May-26		2,675.00	2,245.00
10-Nov-25		2,580.00	1,990.00
13-Feb-25		2,350.00	2,055.00
10-Nov-24		2,490.00	2,105.00
29-Aug-24		2,427.00	2,194.00
08-May-24		1,952.00	1,616.00
09-Feb-24		1,949.00	1,622.00
01-Jan-24		1,593.00	1,313.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We arrive at TP of INR2,675 based on 30x Mar'28 EPS ex Tolvaptan of INR89.1. The benchmark index for this stock is Nifty 50.
Risks that may impede the achievement of the target price Key risks: 1) delay in approval of key products ; 2) higher than estimated price erosion; 3) adverse currency movement; 4) adverse regulatory developments; 5) higher than estimated cost pressures; 6) slower than estimated growth in India

Sun Pharmaceutical Industries (SUNP IN) **INR 1,759 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
02-Aug-26		2,400.00	1,991.00
01-Feb-26		1,920.00	1,595.00
07-Nov-25	Buy		1,691.00
07-Nov-25		1,960.00	1,691.00
01-Aug-25		1,910.00	1,630.00
03-Feb-25		1,970.00	1,741.00
29-Oct-24		1,850.00	1,872.00
23-Feb-24		1,444.00	1,561.00
01-Feb-24	Neutral		1,408.00
01-Feb-24		1,347.00	1,408.00
02-Nov-23		1,279.00	1,133.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Target price of INR2,400 is based on the sum of 32.5x Sep 2028 EPS of Sun of INR65.5 and INR 268 value ascribed to the acquisition of Organon. The benchmark index for this stock is Nifty 50.
Risks that may impede the achievement of the target price Key downside risks: : a) Slower-than-estimated scale-up in specialty sales; b) Adverse regulatory development impacting new product launches or the sales of existing products; c) Adverse currency movement; d) Price control and slower than estimated sales growth in India; e) Large acquisition or investment in specialty that dents near-term earnings and raises the overall risk of the business; f) any price reduction in the US due to MFN order and adverse impact of tariffs.

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