



Sector Spotlight:

Proposed MFN Prescription
Drug Prices in the U.S.

Implications for Indian players

Lifesciences Newsletter - June 2025

o3capital

Your Partners, Your Advisors

Hello Readers,

Welcome to the latest edition of the o3 Capital Lifesciences Newsletter.

This edition focuses on the proposed MFN prescription-drug prices in the U.S. and their implications for Indian players.

MFN aims to level the playing field, ensuring U.S. patients pay no more than global peers. The U.S. accounts for ~4 % of the global population but drives ~70 % of pharma profits, with prices 2-4× higher vs. comparable benchmarks; the policy aims to reset this imbalance.

The policy has two key strategic pillars:

- (a) Price Alignment — Drive pharmaceutical manufacturers to match U.S. patient prices with those in peer nations.
- (b) Direct Access — Government agencies will facilitate D2C purchasing programs so manufacturers can sell drugs at MFN rates to American patients.

In essence, Americans should have access to the most-favored-nation price (in line with comparable benchmarks) for prescription drugs and biologics.

Emerging implications for the Indian pharma landscape are mixed: a neutral outlook for API and CDMO players, with headwinds for branded innovators and tailwinds for unbranded and generic formulators. Many Indian formulators supply predominantly (a) generics (prices already at or below global benchmarks) and (b) some branded/biosimilar portfolios (prices relatively higher than global benchmarks). MFN will likely force branded prices paid by U.S. payers down, doubling down on low-cost generics.

Additionally, early industry consensus signals a mixed impact—muted effects on generics and potential challenges for branded players—in tandem with an overall wait-and-watch approach given legal barriers to policy implementation.

We also highlight recent private-equity and strategic transactions since January 2025, along with listed market comparables to provide you with deeper insights into the industry.

We hope you enjoy reading the newsletter.

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Recent Lifesciences Transactions



Listed Market Comparables



Cover Story: Proposed MFN Prescription Drug Prices in the U.S.

Implications for Indian players

Leveling the playing field, ensuring U.S. patients pay no more than global peers



Mission

Americans should not be forced to subsidize low-cost prescription drugs and biologics in other developed countries, and face overcharges for the same products in the United States



Goals

Americans to have access to the most-favored-nation price for prescription drugs and biologics



Strategic Pillars

Price Alignment: Drive pharmaceutical manufacturers to match U.S. patient prices with those in peer nations

Direct Access: Government agencies to facilitate D2C purchasing programs so manufacturers can sell drugs at MFN rates to American patients

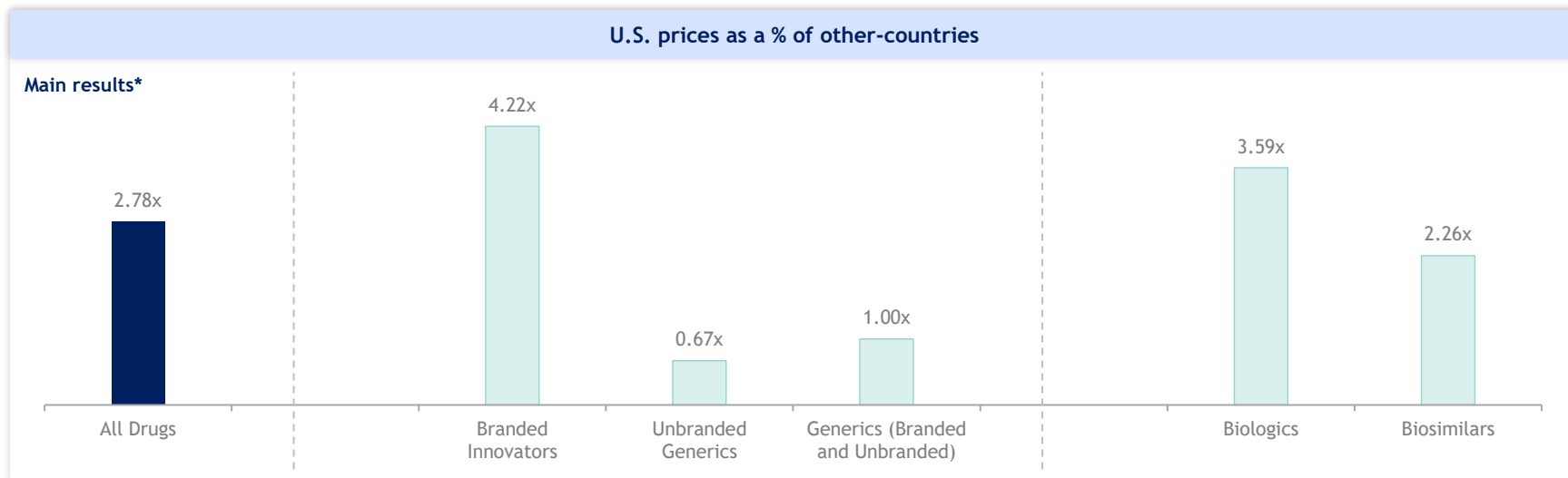


Roadmap

- **Timeline:** Within 30 days of the order, the Secretary shall, coordinate/evaluate with the Assistant to the President for Domestic Policy, the Administrator for the Centers for Medicare & Medicaid Services, and other relevant executive-branch officials for MFN pricing deliverables
- **Deliverables:** Communicate most-favored-nation price targets to pharmaceutical manufacturers in line with global benchmarks
- **Other provisions:** If significant progress towards most-favored-nation pricing for American patients is not delivered, to the extent consistent with law - the Secretary shall propose a rulemaking plan to impose most-favored-nation pricing, heads of agencies shall take all action, in coordination with the Assistant to the President for Domestic Policy, to address global freeloading and price discrimination

Source: US Department of Health and Human Services, United States Executive Order, Schaeffer - USC, Rand Corporation, Grand View Research

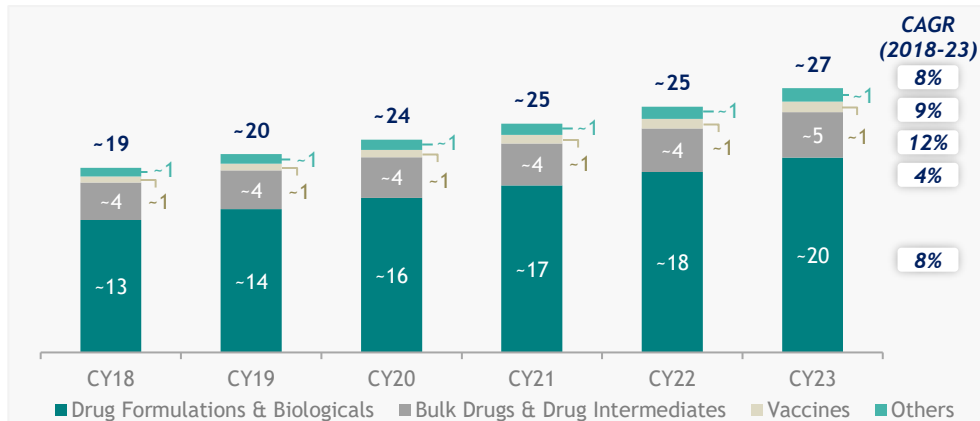
U.S. accounts for ~4% of global population & drives ~70% of pharma profits, with 2-4x higher prices vs. comparable benchmarks—policy aims to reset imbalance



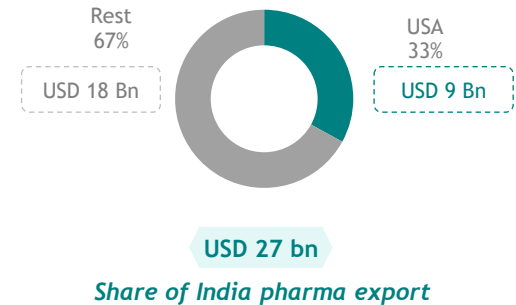
Source: US Department of Health and Human Services, United States Executive Order, Schaeffer - USC, Rand Corporation, 1) Grand View Research, CSRxP 2024
Note: Other-Country Prices refers to all 33 OECD, All drugs includes all other categories and retail/country factor adjustments * Prices (2022)

India maintains sizable U.S. exposure driven by cost leadership, manufacturing scale & compliance, and an integrated supply chain

India pharma exports (USD Bn)



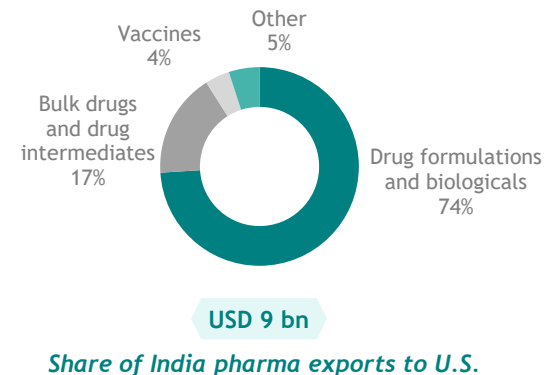
Share of exports*



Key Drivers

Cost effectiveness	Manufacturing scale & compliance	Supply chain integration and reliability
<ul style="list-style-type: none"> ✓ Manufacturing costs on avg. are 30-35% lower vs. US and Europe, driven by: <ul style="list-style-type: none"> a) Structurally low labor rates b) Focused initiatives on improving operational efficiency/productivity c) Rapid adoption of digitization 	<ul style="list-style-type: none"> ✓ Manufacturing footprint comprises 752 US FDA-approved facilities ✓ 2,050 WHO GMP-certified plants ✓ 286 EDQM-approved sites 	<ul style="list-style-type: none"> ✓ India's vertically integrated upstream base (third largest API producer)—insulates exporters from exogenous supply chain bottlenecks/shocks

Share of exports by segment¹



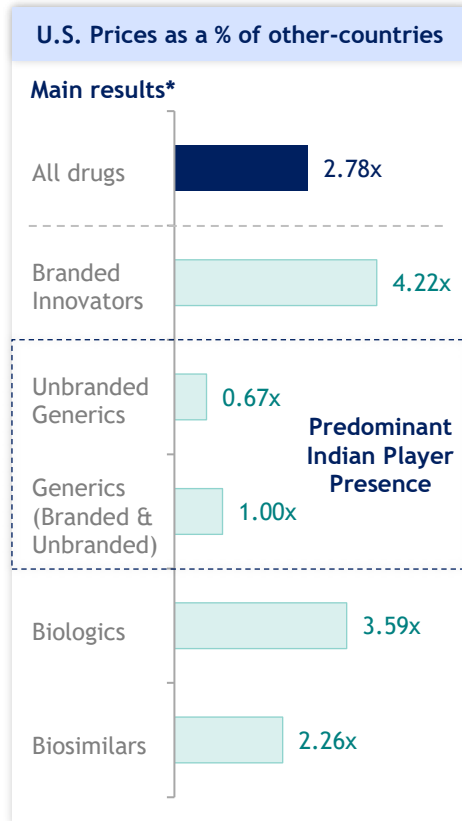
Source: McKinsey, Bain, IBEF, Department of Commerce, Ministry of Commerce and Industry, India Briefing DS & Associates

Note: ¹Drug wise share FY25 (April to December), Drug formulations and biologics - primarily formulations with biosimilars comprising <5%, excludes services - cro/cdo

Assumed same salience of overall exports is representative of U.S. market

Potential mixed-impact; neutral outlook on APIs and CDMO players while headwinds for branded formulators, tailwinds for unbranded generics

Positive outlook
 No significant change
 Negative Outlook



Impact across key segments for Indian players				
	Formulators Branded	Formulators Generic	APIs	CDMO
Pricing Pressure				
Market Access				
Profit Margins				
Outsourcing Demand Shift				
India Players U.S. Presence				
Emerging Thesis	<ul style="list-style-type: none"> Many Indian formulators supply both (a) generics (which are already at or below global benchmarks) and (b) some branded/biosimilar portfolios MFN forces branded prices down, U.S. payers to double-down on low-cost generics –possible incremental volume flows to Indian formulators While generics are presumably unaffected from a margin profile positioning, any mixed-portfolio formulators may see an average net margin drag given pressure on branded segment Potential future pipeline risk as originator R&D cuts may reduce flow of molecules becoming generics Potential R&D reprioritization, reallocation of investment toward areas with better global pricing or smaller U.S. reliance 			

Source: US Department of Health and Human Services, United States Executive Order, Schaeffer - USC, Rand Corporation, Grand View Research
 Note: Other-Country Prices refers to all 33 OECD, All drugs includes all other categories and retail/country factor adjustments * Prices (2022)

High Low

Emerging industry viewpoints signal mixed impact with muted effect on generics and overall wait-watch approach given legal barriers

”

Because Indian pharmaceutical companies are dominant players in the generics segment, their products are **already competitively priced and hence less vulnerable** to MFN-linked price correction

Additionally, legal experts caution that the **policy may run into judicial barriers**

Lead Equity Research Brokerage

”

US generics **industry is unlikely to be impacted as it operates on razor-thin margins**

Order seeks to strike a balance between innovation, access, and overall healthcare costs. It emphasizes that the cost of innovation should be shared equitably among all stakeholders

Indian Pharmaceutical Alliance

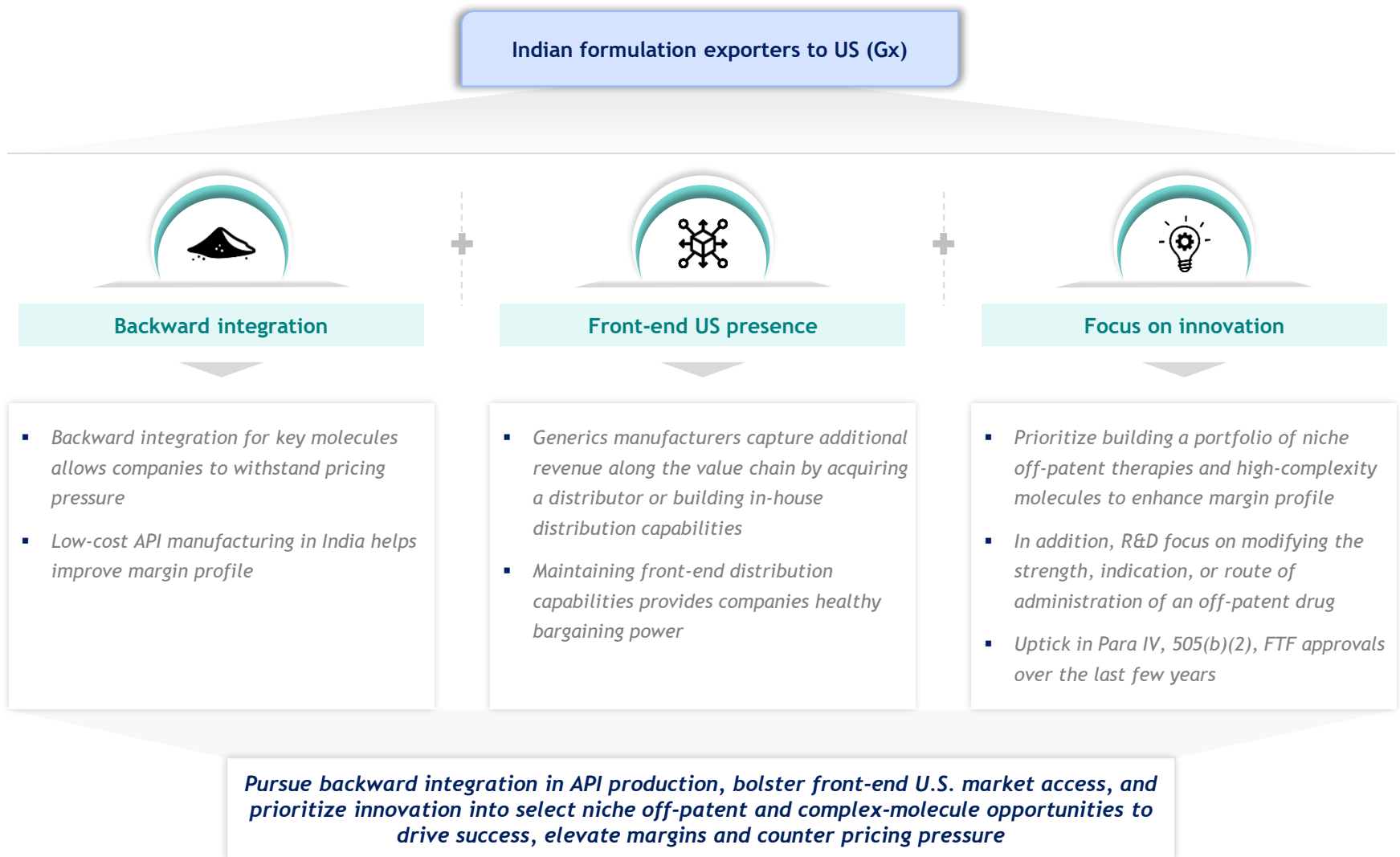
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Most-favored-nation price - essentially the lowest price that other comparable countries pay for certain drugs is expected **to hit innovator companies rather than those that make cheap generic drugs**. Innovators will look at ways to reduce costs, so the amount they spend on research may drop

Lead Pharma Industry Analyst

Source: Secondary research

Key success factors of Indian formulation players competitively positioned in the U.S. Landscape



Preliminary playbook to manage U.S. MFN Drug-Pricing Disruption

Orientation

Act Now: Mobilize the organization to protect if any immediate US pricing erosion

New Normal:
Prepare company and strategy to adjust to a fundamentally altered global pricing landscape and U.S. market dynamics

Action Plan - Act Now

Action Plan - New Normal

Balance Sheet

Preserve cash and manage liquidity by optimizing NWC

Reallocate freed-up cash **toward diversification of revenue pools** and secure financing linked to geographic/product expansion

Cost structure

Prepare for multiple scenarios requiring **different levels of cost reduction to protect margins**

Embed a **continuous cost-efficiency program**—across manufacturing and overheads—to build a lean, scalable structure

Customers

Reconfirm/negotiate long-term contracts (where needed) to lock in volumes where possible

Pilot alternative pricing models and **develop outcome-oriented partnerships**

Operations

Stabilize operations to meet revised U.S. demand projections, even amidst pricing volatility and potential margin erosion

Build a lean, modular operating network that **adapts capacity to global demand under lower-price pressures**

Strategy




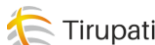










Focus on rapid **impact assessment and contingency planning** for potential U.S. market volatility

Prepare for **opportunistic/transformative M&A** with a focus on vertical integration and geographic diversification



Recent Lifesciences Transactions

Recent lifesciences transactions from Jan 2025 onwards

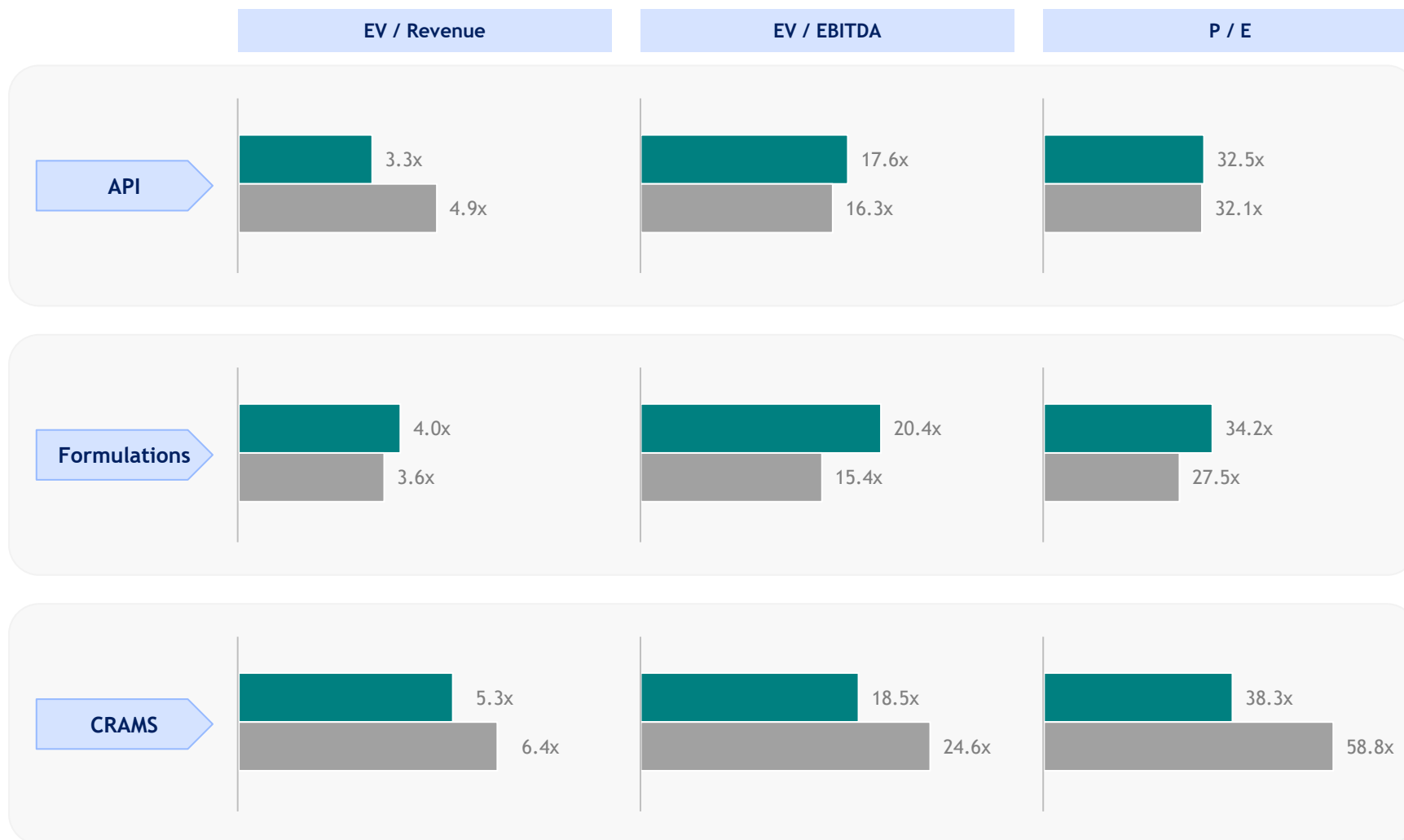
	Investor	Target	Target Description	Deal Value (USD Mn)
PE Transactions	 TPG	 SCHOTT	» Provides drug containment solutions, including glass vials, ampoules, syringes, and cartridges, along with services for developing and optimizing drug delivery systems	~300
	 Kotak Alternate Asset Managers	 Tirupati	» Engaged in contract manufacturing, primarily of nutraceutical and herbal formulations, offers in-house R&D, regulatory-compliant production etc.	~123
	 Quadria Capital	 aragen	» Engaged in contract research, development and manufacturing, with a focus on early-stage discovery and development of new molecular entities (NMEs)	~100
	 Motilal Oswal Alternates	 megafine	» Manufacturer of APIs and advanced intermediates with a focus on niche APIs, particularly those used in chronic disease treatments	~53
	 Stakeboat Capital NAVIGATING LEVEL NEXT	 Botanic	» Manufacturer of botanical extracts (e.g., phytochemical concentrates, oleoresin extract) to serve nutraceutical, food-and-beverage, and cosmeceutical industries	~30
Strategic Transactions	 ALKEM Inspiring Healthier Lives	 ADROIT	» Develops and manufactures dermato-cosmeceutical products—oral moisturizers, topical formulations (anti-acne, anti-fungal, skin-lightening), sunscreens, and hair-care	~16
	 LUPIN	 Humulin	» Portfolio acquisition of human-insulin formulations of Eli Lilly India (R, NPH, 50/50, 30/70) for Type 1 and Type 2 diabetes	NA

Source: S&P Capital IQ



Listed Market Landscape

Listed Market Multiples: Segment snapshot



Source: CapIQ

Note: 1. Median Multiples 2. All median multiples are based as on 2nd June 2025

■ LTM ■ NTM

Market Multiples of Listed Companies: API

Company	Market Cap	Enterprise Value	LTM Financials			LTM Multiples			NTM Multiples		
			Sales	EBITDA %	PAT %	EV/Sales	EV/EBITDA	P/E	EV/Sales	EV/EBITDA	P/E
Divi's Laboratories	17,55,278	17,18,168	93,600	32%	23%	18.4x	NM	80.1x	15.7x	46.6x	65.2x
Laurus Labs	3,28,922	3,52,213	55,540	19%	6%	6.3x	33.4x	91.8x	5.4x	24.4x	56.5x
Concord Biotech	1,82,921	1,79,774	12,001	42%	31%	15.0x	35.5x	49.2x	12.4x	28.8x	39.6x
Neuland Laboratories	1,47,570	1,45,476	14,768	22%	18%	9.9x	45.0x	56.7x	7.7x	27.7x	42.4x
Alivus Life Sciences	1,27,645	1,22,722	23,869	29%	20%	5.1x	18.0x	26.3x	4.7x	16.0x	23.5x
Granules India	1,28,773	1,37,357	44,816	21%	11%	3.1x	14.5x	25.7x	2.7x	12.3x	22.3x
Aarti Pharmalabs	82,560	86,129	21,151	22%	13%	4.1x	18.5x	30.3x	NA	NA	NA
Shilpa Medicare	78,130	83,637	12,864	25%	6%	6.5x	26.4x	99.8x	4.9x	16.3x	31.6x
Supriya Lifesciences	58,270	57,532	6,965	37%	27%	8.3x	22.1x	31.0x	6.8x	22.5x	32.1x
Hikal	45,948	53,415	18,598	18%	5%	2.9x	16.0x	50.6x	2.6x	13.2x	33.0x
Aarti Drugs	40,906	46,835	23,870	12%	7%	2.0x	16.3x	24.3x	1.7x	12.5x	19.3x
Unichem Laboratories	42,180	45,601	21,110	13%	7%	2.2x	17.2x	30.7x	NA	NA	NA
SMS Pharmaceuticals	23,470	26,161	7,890	18%	9%	3.3x	18.0x	33.9x	NA	NA	NA
Solara Active Pharma Sciences	23,150	31,096	12,838	16%	0%	2.4x	15.1x	NM	1.9x	9.4x	14.5x
Anuh Pharma	10,539	9,911	6,615	9%	7%	1.5x	16.3x	22.3x	NA	NA	NA
Fermenta Biotech	9,181	9,572	4,813	25%	16%	2.0x	7.9x	11.9x	NA	NA	NA
Nectar Lifesciences	6,086	12,190	16,814	11%	1%	0.7x	6.9x	35.8x	NA	NA	NA
			Mean	21.8%	12.2%	5.5x	20.4x	43.8x	6.0x	20.9x	34.5x
			Median	21.1%	8.8%	3.3x	17.6x	32.5x	4.9x	16.3x	32.1x

Source: CapIQ

Note: 1. All multiples are based as on 2nd June 2025, applicable figures in mn

Market Multiples of Listed Companies: Formulations

Company	Market Cap	Enterprise Value	LTM Financials			LTM Multiples			NTM Multiples		
			Sales	EBITDA %	PAT %	EV/Sales	EV/EBITDA	P/E	EV/Sales	EV/EBITDA	P/E
Sun Pharmaceutical Industries	40,25,124	38,01,548	5,25,784	28.7%	20.8%	7.2x	25.2x	36.8x	6.6x	23.8x	32.5x
Cipla	11,83,759	11,08,168	2,71,454	26.3%	19.4%	4.1x	15.5x	22.5x	3.7x	15.4x	23.7x
Torrent Pharmaceuticals	10,74,209	10,99,319	1,15,160	32.3%	16.6%	9.5x	29.5x	56.2x	8.5x	25.6x	43.0x
Mankind Pharma	10,18,348	10,83,367	1,22,074	24.7%	16.3%	8.9x	35.9x	51.1x	7.3x	28.0x	48.3x
Dr. Reddy's Laboratories	10,42,898	10,35,534	3,25,535	28.1%	17.4%	3.2x	11.3x	18.4x	2.9x	11.3x	18.2x
Lupin	8,94,392	9,07,764	2,27,079	24.2%	14.5%	4.0x	16.5x	27.3x	3.6x	14.4x	22.3x
Zydus Lifesciences	9,35,798	9,13,904	2,32,415	29.7%	19.5%	3.9x	13.3x	20.7x	3.7x	13.4x	20.6x
Aurobindo Pharma	6,66,644	6,66,854	3,17,237	20.8%	11.0%	2.1x	10.1x	19.1x	1.9x	9.3x	16.5x
Alkem Laboratories	6,09,602	5,82,091	1,29,645	19.4%	16.7%	4.5x	23.2x	28.2x	4.1x	20.7x	26.0x
Glenmark Pharmaceuticals	4,11,195	4,18,865	1,34,355	18.3%	7.8%	3.1x	17.0x	39.3x	2.8x	14.8x	23.8x
Biocon	4,01,947	6,00,577	1,52,617	20.7%	6.6%	3.9x	19.0x	39.7x	3.4x	15.4x	52.4x
Ipca Laboratories	3,61,478	3,78,427	89,396	19.3%	8.3%	4.2x	21.9x	49.0x	3.8x	18.9x	32.3x
Ajanta Pharma	3,13,568	3,07,893	46,481	27.3%	19.8%	6.6x	24.3x	34.1x	5.9x	21.2x	29.6x
J. B. Chemicals & Pharma.	2,61,885	2,57,698	39,180	26.3%	16.8%	6.6x	25.0x	39.7x	5.9x	21.6x	32.6x
Wockhardt	2,38,090	2,54,670	30,120	13.2%	-1.6%	8.5x	NM	NM	NA	NA	NA
Emcure Pharmaceuticals	2,51,994	2,61,762	78,960	18.6%	8.6%	3.3x	17.8x	37.0x	2.9x	14.8x	27.0x
Eris Lifesciences	2,15,417	2,42,092	28,793	35.3%	12.2%	8.4x	23.8x	61.2x	7.2x	19.8x	39.5x
Alembic Pharmaceuticals	2,00,111	2,11,771	66,721	15.1%	8.7%	3.2x	21.0x	34.3x	2.9x	17.3x	28.0x
NATCO Pharma	1,58,226	1,31,900	44,295	49.6%	42.6%	3.0x	6.0x	8.4x	3.5x	8.5x	11.9x
FDC	71,327	66,165	21,081	15.4%	12.7%	3.1x	20.4x	26.7x	NA	NA	NA
Strides Pharma Science	74,753	91,833	45,653	17.6%	78.7%	2.0x	11.4x	2.1x	1.8x	9.6x	15.6x
Indoco Remedies	23,125	32,853	16,649	6.0%	-4.4%	2.0x	33.1x	NM	1.7x	14.4x	57.1x
			Mean	23.5%	16.8%	4.8x	20.1x	32.6x	4.2x	16.9x	30.1x
			Median	22.5%	15.4%	4.0x	20.4x	34.2x	3.6x	15.4x	27.5x

Source: CapIQ

Note: 1. All multiples are based as on 2nd June 2025, applicable figures in mn

Market Multiples of Listed Companies: CRAMS

Company	Market Cap	Enterprise Value	LTM Financials			LTM Multiples			NTM Multiples		
			Sales	EBITDA %	PAT %	EV/Sales	EV/EBITDA	P/E	EV/Sales	EV/EBITDA	P/E
Divi's Laboratories	17,55,278	17,18,168	93,600	31.7%	23.4%	18.4x	NM	80.1x	15.7x	46.6x	65.2x
Cohance Lifesciences	4,00,816	4,02,243	11,976	31.3%	22.4%	NM	NM	NM	12.4x	38.7x	63.2x
Gland Pharma	2,61,732	2,34,371	56,165	22.6%	12.4%	4.2x	18.5x	37.5x	3.7x	15.3x	27.8x
Syngene International	2,59,707	2,51,511	36,424	28.7%	13.6%	6.9x	24.1x	52.3x	6.4x	24.6x	62.6x
OneSource Specialty Pharma	2,19,946	2,26,273	14,449	32.3%	NM	15.7x	48.5x	NM	11.9x	36.0x	58.8x
Akums Drugs and Pharma.	87,484	82,768	41,182	11.2%	8.2%	2.0x	18.0x	25.9x	1.8x	13.9x	25.1x
Innova Captab	50,269	52,969	12,437	15.0%	10.3%	4.3x	28.5x	39.2x	3.0x	20.3x	28.9x
Dishman Carbogen Amcis	41,754	60,319	27,115	17.3%	0.1%	2.2x	12.9x	NM	NA	NA	NA
Vimta Labs	21,795	21,557	3,454	35.8%	19.3%	6.2x	17.4x	32.6x	NA	NA	NA
			Mean	25.1%	13.7%	7.5x	24.0x	44.6x	7.8x	27.9x	47.4x
			Median	28.7%	13.0%	5.3x	18.5x	38.3x	6.4x	24.6x	58.8x

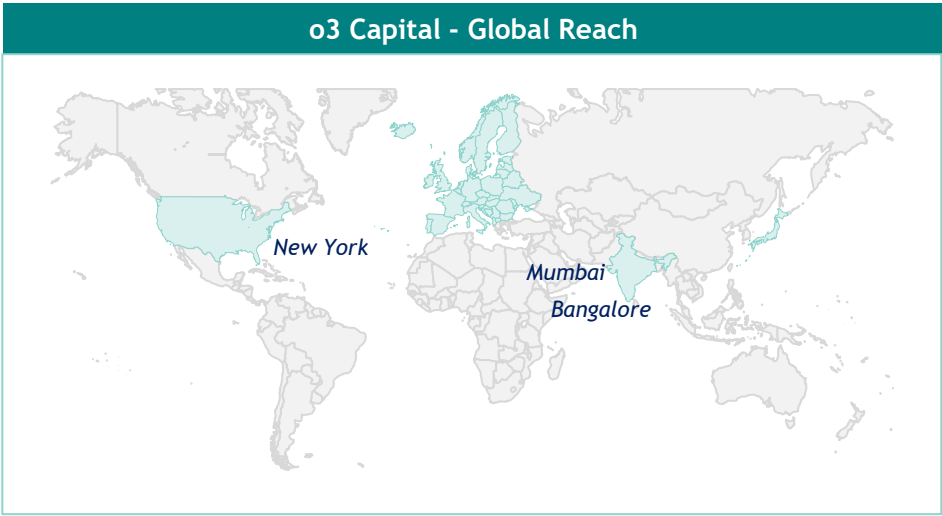
Source: CapIQ

Note: 1. All multiples are based as on 2nd June 2025, applicable figures in mn



o3 Capital Overview

o3 Capital Overview



Recent Lifesciences Transactions

Beta Drugs raised funds from Healthquad and Inti Capital

La Renon raised funds from ChrysCapital

PI Industries acquired Therachem Research Medilab LLC

Sanzyme sells branded domestic portfolio to KKR controlled JB Chemicals

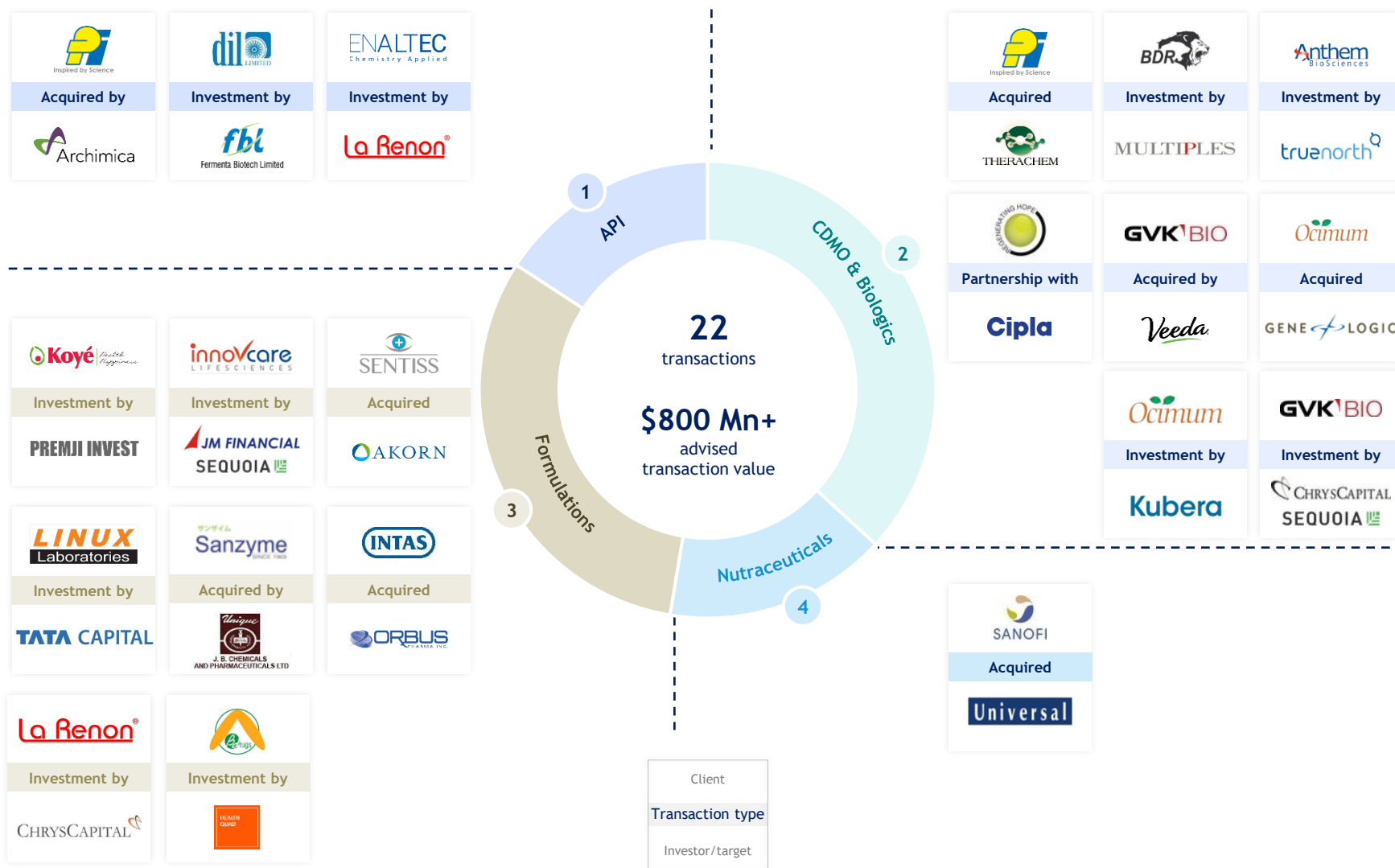
True North invested in Anthem BioSciences

BDR Pharma raises funds from Multiples

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Life Sciences: 22 closed deals



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