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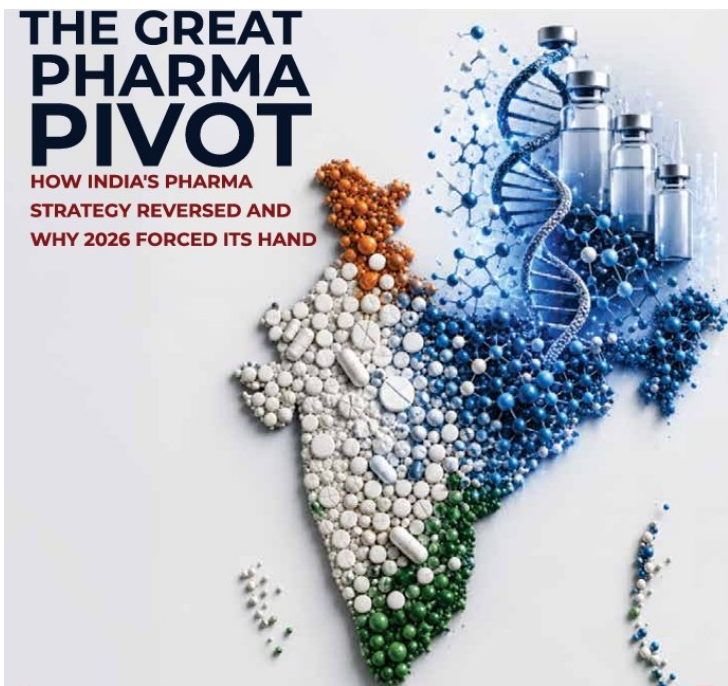
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The Great Pharma Pivot- How India's pharma strategy reversed and why 2026 forced its hand

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For years, India's pharmaceutical success was measured by the scale of its generic exports, the number of regulatory approvals it secured, and the overseas companies it acquired. Size mattered, volume mattered, and cost leadership defined its global identity. But 2026 has exposed the limits of that playbook. As geopolitical tensions reshape supply chains, US trade policies redraw market access, and innovation increasingly commands premium value, Indian drugmakers are rewriting their global strategy. Instead of buying scale, they are investing in innovation, specialty portfolios, premium brands, and global commercial capabilities—while simultaneously licensing home-grown discoveries to some of the world's largest pharmaceutical companies. The shift is far more than a change in acquisition strategy; it marks a fundamental repositioning of India's pharmaceutical industry from the world's leading supplier of affordable medicines to an emerging global innovation powerhouse. This cover story explores the forces driving this transformation, examines why 2026 could be remembered as the year Indian pharma fundamentally changed course, and analyses how the industry is moving beyond competing on cost and volume to creating sustainable value, innovation-led growth, and global leadership.



When Sun Pharmaceutical Industries agreed in April 2026 to acquire New Jersey-based Organon & Co. for \$11.75 billion — \$14.00 a share, all cash — the coverage fixed on the number. Largest overseas acquisition by an Indian pharmaceutical company. Revenues lifted to roughly \$12.4 billion. A place among the world's top 25 drugmakers. Executive chairman Dilip Shanghvi framed Organon's portfolio, capabilities and global reach as complementary to Sun's own.

The number is not the story. The financing structure is.

At the end of December 2025, Organon carried \$8.6 billion of debt against a cash balance of \$574 million — a net debt to EBITDA ratio of roughly four times. Sun, by contrast, is net cash positive. An Indian generics house is absorbing a leveraged American specialty business from a position of balance-sheet strength, funding the purchase from cash and committed bank financing rather than stacking offshore debt onto its own book.

Ten years ago, the arithmetic ran precisely the other way.

In July 2015, Lupin announced the takeover of New Jersey-based Gavis Pharmaceuticals for \$880 million. Two months later, Cipla's UK arm agreed to buy InvaGen Pharmaceuticals and Exelan Pharmaceuticals for a combined \$550 million. Both were funded largely by offshore debt; both closed in the early months of 2016. In October 2016, Intas Pharmaceuticals acquired Teva's Actavis UK and Actavis Ireland generics businesses through its Accord Healthcare subsidiary for an enterprise value near £600 million — a transaction its chief executive Nimish Chudgar characterised, at the time, as “funded entirely by debt.”

That sentence is the epitaph of an era.

What the old playbook actually bought

The 2006–2019 outbound cycle had an internal logic that made sense at the time and stopped making sense quite suddenly.

Dr. Reddy's opened the account in 2006 with betapharm, then Germany's fourth-largest generics company, for €480 million. Sun took control of Israel's Taro in 2007. Aurobindo bought Portugal's Generis Farmacêutica. Dr. Reddy's picked up eight divested products from the Teva–Allergan combination for \$350 million in 2016.

What were they buying? Three things, stacked.

Distribution. ANDA counts, shelf space, wholesaler relationships, government and institutional channels. Cipla's InvaGen deal delivered roughly 40 approved ANDAs, 32 marketed products and a pipeline of around 30 more, plus a manufacturing base at Hauppauge, New York and the company's first US R&D unit. It doubled Cipla's US sales at a stroke, from approximately \$200 million to \$400 million.

Regulatory insulation. This is the piece that gets forgotten. As FDA enforcement actions against Indian manufacturing sites accelerated through the mid-2010s, Indian drugmakers began shopping for plants inside the EU and the US specifically to reassure customers nervous about India-only supply. Advisers at the 2016 CPhI show in Barcelona identified precisely this — intense Indian and Chinese interest in acquiring an EU or US footprint — as a principal driver of the M&A market in manufacturing assets. Intas's Actavis purchase came with the Barnstaple solid-dose plant in North Devon, capacity above 5.9 billion tablets a year, and 600 employees.

Scale, in a market that was about to stop rewarding it.

That third assumption broke. US generic price erosion, channel consolidation among the large buying consortia, and a widening compliance burden turned acquired ANDA portfolios into depreciating assets. The debt stayed. The margins did not. Aurobindo's \$900 million agreement for Sandoz's US oral solids business collapsed in 2019 without closing. Several marquee purchases from 2015–16 were quietly impaired.

The lesson Indian boards drew from it was not stop buying. It was stop buying volume.

The pivot, deal by deal

Between March 2025 and April 2026, four transactions redrew the map. They have almost nothing in common with what came before.

Acquirer	Target	Geography	Consideration	Status
Sun Pharma	Checkpoint Therapeutics	US (Waltham, MA)	\$355m upfront; ~\$416m with CVR	Closed May 2025
Dr. Reddy's	Haleon ex-US nicotine replacement business	Europe, Canada, Australia	£500m / ~\$633m	Nicotinell brand
Dr. Reddy's	Stugeron portfolio (Janssen / J&J)	18 markets, EMEA + APAC	Undisclosed	Brand acquisition
Sun Pharma	Organon & Co.	US, with six EU/EM plants	\$11.75bn, all cash	Close expected 2027

Checkpoint was not generics buy. Sun paid \$4.10 a share upfront — around \$355 million — plus a contingent value right of up to \$0.70 a share tied to European approval, taking the potential total near \$416 million. What it acquired was Unloxcyt (cosibelimab-ipdl), the first and only FDA-approved anti-PD-L1 therapy for advanced cutaneous squamous cell carcinoma, slotted directly into Sun's onco-dermatology franchise. It follows the template of Sun's 2023 purchase of Concert Pharmaceuticals for \$576 million, which yielded the alopecia drug Leqselvi.

Nicotinell was not a pipeline buy. Dr. Reddy's paid £500 million (\$633 million) for a business generating £217 million (\$274 million) in annual sales, anchored by lozenges that rank among the top 15 over-the-counter products in Europe. Chief executive Erez Israeli's rationale was explicit: consumer healthcare is a growing and sustainable business with favourable long-term trends, and the acquired assets had delivered steady sales and strong profitability over years.

Organon is both at once. More than 70 products across women's health and biosimilars. Six manufacturing plants across the European Union and emerging markets. Key markets in the US, Europe, China, Canada and Brazil. Sun's innovative medicines segment accounted for 20 per cent of sales in the year to March 2025; post-close, it contributes roughly 27 per cent.

Read the four together and the common denominator is neither geography nor scale. It is defensible pricing. Onco-dermatology. Women's health. Habit-forming OTC categories with repeat-purchase behaviour. Biosimilars. Every one of these sits outside the zone where a US buying consortium can compress a supplier's margin by fifteen points in a single procurement cycle.

Abhay Anand, Partner, Deals Lifecycle at Grant Thornton Bharat, describes the driver as scale acceleration — a step-change in global presence that would otherwise take years to achieve organically — combined with geographic diversification away from a historic concentration in US generics and the Indian domestic market.

That is accurate as far as it goes. But it undersells the discontinuity. These companies are not diversifying geography. They are diversifying out of the price-taking business.

The inversion nobody put on the deal table

The most consequential transaction of this cycle was not an acquisition at all, and it ran in the opposite direction.

On 10 July 2025, IGI Therapeutics SA — a subsidiary of New York-headquartered Ichnos Glenmark Innovation, itself wholly owned by Mumbai's Glenmark Pharmaceuticals — granted AbbVie exclusive rights to ISB 2001, a first-in-class CD38×BCMA×CD3 trispecific antibody, across North America, Europe, Japan and Greater China. AbbVie paid \$700 million upfront, with up to \$1.225 billion in development, regulatory and commercial milestones, plus tiered double-digit royalties on net sales. The upfront landed in September 2025.

Glenmark retained India and the emerging markets.

Sit with the shape of that. A Phase 1 asset, developed on an Indian company's proprietary protein platform, commanded a \$700 million upfront from a US large-cap — larger, in cash-at-signing terms, than Sun's entire Checkpoint acquisition. AbbVie's chief scientific officer Roopal Thakkar positioned multispecifics as a new frontier in immuno-oncology. The molecule engages CD38 alongside BCMA and CD3, where Johnson & Johnson's Tecvayli, Pfizer's Elrexfio and Regeneron's Lynozyfic hit BCMA and CD3 alone.

Biocon's absorption of Viatrix's biosimilars business in 2022 pointed the same way. It converted Biocon from a partner-led supplier into an integrated global biologics company with its own commercial engine, removing partner dependence from launch, pricing and scale decisions.

Any analysis that counts only acquisitions therefore counts only half the flow. What changed is not that Indian companies started buying Western companies. It is that Indian companies stopped being intermediaries in their own value chain.

The policy engine underneath all of it

Everything above would be an interesting corporate-strategy story. Proclamation 11020 makes it a survival story.

On April 2, 2026, the US President issued *Adjusting Imports of Pharmaceuticals and Pharmaceutical Ingredients into the United States* under Section 232 of the Trade Expansion Act of 1962 — the same national-security authority previously turned on steel, aluminium, semiconductors and automobiles. It imposes a 100 per cent ad valorem tariff on patented pharmaceuticals and their associated active pharmaceutical ingredients. The duty takes effect on 31 July 2026 for the seventeen large companies named in Annex III, and 29 September 2026 for all others.

The structure matters more than the headline rate.

- **Preferential country tiers.** The European Union, Japan, South Korea, and Switzerland/Liechtenstein draw 15 per cent. The United Kingdom draws 10 per cent, falling to zero on completion of its bilateral drug-pricing agreement.
- **India is not named in any preferential tier.** Neither is China, nor Singapore. Unlisted origins fall to the default 100 per cent rate.
- **Generics, biosimilars and their associated ingredients are expressly excluded — “at this time.”** Within one year, the Secretary of Commerce must advise the President whether circumstances indicate a need to extend Section 232 to generic pharmaceuticals.
- **Company status can override geography.** An onshoring plan approved by Commerce yields a 20 per cent rate, which escalates automatically to 100 per cent on 2 April 2030. A most-favoured-nation pricing agreement with the Department of Health and Human Services can take a company to zero, through 20 January 2029. Applications for company-specific onshoring agreements were requested by 12 June 2026.
- The White House puts the induced figure at approximately \$400 billion in new domestic US pharmaceutical manufacturing commitments.

India exported approximately \$10.5 billion of pharmaceuticals to the United States in FY2024–25. The generic exclusion protects the overwhelming bulk of that — for now. Three implications follow immediately, and Indian boards have plainly been reading the proclamation.

One: the exclusion is an option, not a right. The one-year Commerce review creates a live cliff in 2027. No responsible planner treats a discretionary carve-out carrying a mandatory reassessment clause as permanent policy. The administration retains — and can be expected to use — the threat of generic tariffs as leverage in negotiations with generic manufacturers and with the countries that export at volume.

Two: for patented product and API supply into the US, India is now the worst-treated large origin on the board. Not by name, but by omission. An Indian firm supplying APIs into a US-patented drug's supply chain faces the 100 per cent default unless a company-specific agreement exists. That is a structural break in the economics of every such contract.

Three — and this reframes the entire acquisition table above — tariff exposure is now a function of company-level status and asset location rather than passport. Owning FDA-approved product, US commercial infrastructure and European manufacturing plants is no longer a nice-to-have. It is the mechanism by which an Indian company gets inside the wall.

Sun is not buying Organon's six EU and emerging-market plants for redundancy. Dr. Reddy's did not buy a European OTC brand for its logo. Glenmark did not license North America, Europe, Japan and Greater China to AbbVie because it lacked ambition. It did so because AbbVie can carry an asset through those markets without a tariff-and-pricing gauntlet, and Glenmark takes \$700 million and double-digit royalties for the privilege of not having to.

Read in that light, 2025–26 is not a burst of confidence. It is a repositioning under a closing door.

What is not an outbound acquisition

Discipline here is worth more than volume, because most published surveys of Indian pharma's global dealmaking conflate four different things. They should be kept separate.

Marketing and distribution agreements. Aurobindo's CuraTeQ Biologics signed a marketing and distribution deal with Germany's STADA Arzneimittel for its EU biosimilars. No equity changed hands.

Co-development alliances. Dr. Reddy's works with Iceland's Alvotech on denosumab and pembrolizumab biosimilars, and with Shanghai Henlius on daratumumab. These are cost-and-responsibility-sharing arrangements, not buyouts.

Domestic consolidation. Mankind Pharma's \$1.6 billion purchase of Bharat Serums & Vaccines. Aurobindo taking the residual 49 per cent of Hyderabad's GLS Pharma. The all-share Suven–Cohance CDMO merger backed by Advent International. Large, strategically significant, and entirely inside India.

Genuine outbound acquisitions. Four, as tabulated above. Two acquirers.

That last count is the honest one, and it should temper the triumphalism. Sun Pharma is doing most of India's outbound acquiring. Dr. Reddy's is executing brand carve-outs, not company purchases. A structural shift evidenced by two companies is a hypothesis, not yet a trend.

The sceptical case deserves a hearing. Perhaps what changed is not India's strategy but one balance sheet and one chairman's risk appetite. Sun has the net cash. Sun has the specialty franchise into which acquired assets plug. Sun has executed Taro, Ranbaxy, Concert, Checkpoint and now Organon across two decades. Strip Sun out and the outbound story thins considerably.

The rejoinder is Glenmark. The out-licensing inversion required no balance sheet at all — only a molecule the West wanted and could not build. That is replicable. It is also where the next decade's differentiation will be settled.

The risk ledger

The Organon transaction should not be written up as complete. It is expected to close in 2027, subject to regulatory clearance and Organon stockholder approval — an eighteen-month fuse in a hostile trade environment, under an administration that has demonstrated its willingness to treat pharmaceutical supply chains as national-security infrastructure.

Bhavesh Shah, Managing Director and Head of Investment Banking at Equirus Capital, reads deals of this type as strategically positive but financially nuanced: value-accretive over the medium to long term where they genuinely strengthen portfolio and market reach and add scale, but capable of producing higher leverage, integration costs and execution risk in the near term.

Anil Matai, Director General of the Organisation of Pharmaceutical Producers of India, puts it more directly. The real test, he argues, begins after the deal is signed. Successful integration demands careful alignment of culture, systems, compliance frameworks, talent, supply chains and long-term strategy — and without that discipline, even the most attractive acquisition can lose value.

Both men are describing the failure mode of 2015–16 with the volume turned down. It bears remembering that the previous cohort of Indian acquirers also had strategic logic, board approval and adviser validation. What they lacked was a plan for the moment when an acquired asset's pricing power evaporates faster than its debt amortises.

Organon arrives with four turns of net leverage and a women's-health franchise facing biosimilar competition in precisely the categories Sun most wants. The thesis requires Sun to hold pricing in exactly the segments the rest of the industry is discovering are contestable.

What to watch, 2026–2027

- **The Commerce generics review.** Due within one year of 2 April 2026. It is the single largest binary risk to Indian pharma's US revenue base. Nothing else on this list matters as much.
- **Company-specific onshoring and MFN agreements.** Which Indian firms filed by the 12 June 2026 window, and on what terms? A zero rate through January 2029, in exchange for US manufacturing commitments and MFN pricing, is a very different bargain for a specialty player than for a volume generics house. Companies holding US-approved innovative product now have something to trade that pure generics exporters do not.
- **Whether anyone follows Sun.** The adviser consensus holds that transactions on Organon's scale will remain uncommon, even as cross-border activity broadly rises across the US, Europe and select emerging economies over the next five years. Cipla, Dr. Reddy's and Zydus all carry the balance sheets to move, and the specialty and women's-health segments carry the pricing power to justify the cost. Watch Torrent and Mankind for the mid-cap version.
- **Whether anyone follows Glenmark.** More out-licensing at eight-figure-plus upfronts from Indian discovery platforms would settle the argument about what actually changed. One deal is a molecule. Five is an ecosystem.
- **The CDMO axis.** Laurus Labs, Divi's Laboratories and Piramal Pharma are positioned to capture outsourcing that multinationals are actively relocating away from China. The Section 232 architecture, by pricing origin into every supply contract, converts that relocation from a geopolitical preference into a cost calculation. This is the quietest and possibly the largest opportunity in the file.

The sentence that summarises the decade

In 2016, an Indian pharmaceutical chief executive announced a £600 million acquisition of British and Irish generics assets and described it, without evident discomfort, as funded entirely by debt.

In 2026, an Indian pharmaceutical chairman announced an \$11.75 billion all-cash acquisition of an American women's-health and biosimilars business carrying four times net leverage — and paid for it from a net-cash position.

In between, a Mumbai company's New York subsidiary sold the rights to a first-in-class trispecific antibody across North America, Europe, Japan and Greater China for \$700 million upfront, and kept India.

The strategy did not accelerate. It reversed.

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