EQUITY ECHOES

SECTOR TECHNICALS · 23 JUN 2026

Pharma is playing defence.

As global tech sells off and the broader market wobbles, money is rotating into pharma — the classic safe haven. The sector is today's top gainer, a weak rupee is padding export earnings, and the charts are breaking out. Below: how that defensive rally stacks up against the actual FY26 numbers — where the real strength is, and where it isn't.

INDEX **Nifty Pharma** LEVEL **25,197** (+1.8%) TODAY **top sectoral gainer** STOCKS UP **19 / 20**

How the defensive rally stacks up on fundamentals

FY26 financials · business strength vs valuation

COMPANY	GROWTH	PROFIT	BAL. SHEET	FUNDAMENTAL STRENGTH	VALUATION
Dr Reddy's generics · biosimilars	●●●○○	●●●●○	●●●●●	4.0	~19× cheapest
Cipla branded · respiratory	●●○○○	●●●○○	●●●●●	3.3	~28× fair

The read: both names sit on **fortress balance sheets** — Cipla holds ~₹10,500 cr net cash, Dr Reddy's is net-cash and zero-debt. But here's the catch most posts skip: **FY26 profits actually fell** at both (Cipla PAT −26%, Dr Reddy's −24%), hit by a US base effect (gRevlimid / lenalidomide rolling off) and one-off charges. India and Europe base businesses still grew double-digit. The plus side is valuation — Dr Reddy's near ~19× is a deep discount to the pharma sector (~34×), Cipla around ~28× is fair. **Simplified educational scores from reported FY26 numbers — not a rating or a recommendation.**

WHAT'S DRIVING IT

A flight to safety, with a currency kicker

This rally isn't about a booming business cycle — it's about **where money hides when it gets nervous**. As global tech sells off and the broader market turns choppy, capital is rotating out of high-risk sectors like IT and into steady, cash-generating defensives. Pharma is the textbook destination, and a falling rupee is adding a second tailwind. Three forces are at work.

Risk-off → safe haven

Healthcare demand is steady whatever the economy does, so pharma's predictable cash flows attract buyers when risk assets wobble. Today the sector is the top gainer with 19 of 20 names up, even as the broad market trades flat.

A weak rupee pays the bills

Cipla, Dr Reddy's and peers earn a big slice of revenue in US dollars. The dollar is breaking higher and the rupee is sliding, so every dollar of export revenue converts to more rupees — a direct earnings tailwind (see the chart below).

Export & pipeline tailwinds

The story is moving beyond plain generics — specialty drugs, biosimilars, complex generics and the GLP-1 (weight-loss) wave. The Indian pharma market has grown double-digit for four straight months, improving earnings visibility.

THE ANCHOR

01 The index is leading the whole market

The first thing the chart settles is that this is **broad and strong**: while the Nifty 50 trades flat, the pharma index is the day's top sectoral gainer, pushing to fresh highs. A buy signal has printed and price sits well above both its long-term average lines.

Nifty Pharma Index
NSE · Daily

~25,100 top sectoral gainer Momentum ~70

WHAT THE CHART SHOWS

A clean, sustained **uptrend** — the index has climbed steadily from the ~22,000 area through 23,500 and 24,500 to fresh highs near **25,000+**, riding comfortably above both its 100-day (~22,500) and 200-day (~22,750) average lines. The momentum gauge near 70 is firm but **not as stretched** as a runaway move — there's still some room before it's deep in "overbought".

THE TAILWIND

02 A stronger dollar is doing quiet work

This is the macro lever under the rally. The US Dollar Index is breaking higher — which means the rupee is weakening — and India's pharma majors bill a large share of their sales in dollars. A softer rupee quietly lifts their export earnings, no new product launch required.

US Dollar Index (DXY)
TVC · Daily

~101.0 breaking out

WHAT THE CHART SHOWS

The dollar based near **98** for months and has now broken higher to about **101**, clearing its 100-day average with a fresh buy signal. Part of this is today's risk-off bid — when markets get scared, money runs to the dollar. For Cipla and Dr Reddy's, who earn heavily in USD, a rising dollar against the rupee is a direct **currency tailwind** on export revenue.

THE ENGINES

03 The two names in focus

Both have reclaimed their long-term average lines on fresh buy signals — but at different stages of the move, and with momentum gauges sitting firm rather than overheated.

Cipla
NSE · Daily

1,452.10 +2.57%

A FRESH BREAKOUT

The sharper mover of the two — a strong up-candle (+2.6%) pushing back above **both** its 100-day (~1,378) and 200-day (~1,422) average lines, with a buy signal into the breakout. Momentum near **67**. A clean trend change, helped by a recent positive brokerage note on its India franchise.

Dr Reddy's Labs
NSE · Daily

1,302.40 +0.91%

THE STEADIER RECOVERY

Less explosive, more constructive — recovering out of a multi-month range and back above its 100-day (~1,276) and 200-day (~1,264) average lines. Momentum near **57** leaves it with the **most room** of the two before any "overbought" reading. The cheapest valuation in the group sits underneath.

PUTTING IT TOGETHER

What the charts are saying

01 **It's a defensive rotation.**
Pharma is leading the market while the broad index is flat and global tech sells off — 19 of 20 names up. That's money seeking shelter, not chasing a boom.

02 **The rupee is a real tailwind.**
The dollar breaking higher lifts the export earnings of Cipla and Dr Reddy's in rupee terms — a genuine, mechanical support beyond sentiment.

03 **But FY26 profits actually fell.**
Both names saw earnings dip (Cipla PAT −26%, Dr Reddy's −24%) on US base effects and one-offs. So this is a safety-and-currency bid, not a fundamental growth surge — the base businesses are steady, the headline profit isn't.

04 **Valuations are reasonable.**
Unlike a pricey momentum chase, these trade at sensible multiples (Dr Reddy's ~19×, a deep discount to the sector; Cipla ~28×) on fortress net-cash balance sheets. That's the cushion.

⚠ Quick lesson — "defensive" is not the same as "risk-free"

A safe-haven sector can rally on flows and currency even when its profits are flat or falling — exactly what's happening here. The appeal of a defensive is stability and a reasonable entry price, not fireworks. Know *why* you'd hold one: as ballast when other things fall, not as a fast grower in disguise.

WHERE YOU FIT IN

04 What it means — traders vs investors

Same chart, two very different jobs. The right lens depends on your time horizon. Here are the general principles each side tends to weigh when a market is trending up but running hot — not calls on any single stock.

SHORT-TERM Traders

It's a rotation trade.
Pharma is strong because money is fleeing risk. If risk appetite returns, that flow can reverse just as fast — so the trend is only as durable as the fear driving it.

Watch the rupee.
The dollar/rupee move is a live part of this thesis. If the dollar stalls, one of the two tailwinds fades.

Room, but respect levels.
Momentum near 57–70 is firmer than a runaway move, but the reclaimed average lines are the levels to watch — losing them weakens the breakout.

The exit matters more than the entry.
A pre-decided stop and sensible position size carry more weight than nailing the entry.

LONG-TERM Investors

Know what a defensive is for.
You hold pharma as ballast — to cushion the portfolio when riskier things fall — not as a high-growth engine.

Look through the one-offs.
FY26 profit dips were largely US base effects; what matters is whether the base business and pipeline (biosimilars, GLP-1) keep compounding.

Valuation is the cushion.
Reasonable multiples on net-cash balance sheets give a margin of safety that a pricey momentum sector doesn't.

Size it sensibly.
A safe haven is a stabiliser within a diversified portfolio, not a reason to over-concentrate after a strong run.

These are general educational principles, not advice to act on any specific stock. Your own goals, time horizon and risk appetite decide what is right for you — and a SEBI-registered adviser can help you apply them.

companies' reported FY26 (year ended 31 March 2026) results; the strength scores are a simplified educational composite, not a formal rating.