

Sharp price-value disconnect emerging

Pharmaceuticals ▶ Result Update ▶ June 02, 2026

CMP (Rs): 1,490 | TP (Rs): 1,800

Ipca's 4QFY26 EBITDA was ahead of our expectations (broadly in line with the consensus'). The beat was driven by higher overall sales, a marginally higher gross margin, as well as lower staff costs. The magnitude of gross margin and EBITDA margin expansion (ex-Unichem) was much higher (~330bps YoY) vs the reported figures. The top-line beat was primarily driven by higher generic sales (broad-based growth across markets, per the management). The commentary was positive on all fronts – double-digit growth outlook across segments (~12-13% consolidated sales growth in FY27; 10% growth in Unichem's US portfolio), ~22% consolidated EBITDA margin (12-13% margin in Unichem), and a healthy US launch pipeline (Ipca + Unichem). Note that we had anyway not extrapolated Ipca's recent gross margin performance, and our conservative consolidated EBITDA margin expansion assumptions (~170bps over FY26-28E) are largely a function of operating leverage gains in the standalone business and margin improvement in Unichem. We have, in the past, argued that with India formulations being a volume play, leverage gains from sustained volume-led, double-digit domestic growth will keep Ipca's overall margin expansion targets within reach (~150bps per year on 10-12% topline growth). Despite concerns around the potential volatility in Ipca's ex-India earnings, we note that the consensus' FY27 EPS estimate has been remarkably stable over the last 2 years. We see a sharp price-value disconnect emerging post recent correction (even basis our conservative estimates). We broadly maintain our FY27/28 EPS estimates. We roll forward to Jun-28E earnings and introduce FY29 estimates. We retain BUY and raise our TP (now Jun-27) by ~6% to Rs1,800 from Rs1,700.

Strong generics + branded performance; domestic formulation sales in line

Domestic formulations growth (12% YoY) was in-line, driven by acute as well as chronic outperformance. Growth in the branded business (14% YoY) was led by the CIS and African markets. Generics growth (39% YoY) was meaningfully ahead of expectations, aided by growth across various markets (EU, US, and Australia). Institutional sales declined 33% YoY (albeit ahead of our expectations) owing to ongoing funding pressures.

KTAs from the earnings call

1) Overall US sales (Ipca + Unichem) stood at ~Rs16bn in FY26 and witnessed a growth of ~14%. Unichem's US business was flat in FY26 due to loss of market share in high-volume products. However, Unichem has started regaining market share and is expected to launch 5-6 products in the US in FY27. 2) Ipca is currently marketing eight products in the US, where it plans to launch an additional 6-8 products in FY27; it also has plans to launch 3-4 products per market in Europe and other generic markets. 3) The company aims to implement a 6-7% price hike in non-NLEM domestic products, to offset the higher raw material costs arising from an increase in packaging and solvent prices.

Ipca Laboratories: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	89,396	96,463	105,783	115,842	127,008
EBITDA	17,261	19,786	22,503	25,749	29,437
Adj. PAT	9,427	11,675	13,259	15,524	18,120
Adj. EPS (Rs)	37.2	46.0	52.3	61.2	71.4
EBITDA margin (%)	19.3	20.5	21.3	22.2	23.2
EBITDA growth (%)	30.7	14.6	13.7	14.4	14.3
Adj. EPS growth (%)	43.9	23.8	13.6	17.1	16.7
RoE (%)	14.2	15.6	15.4	15.7	16.0
RoIC (%)	13.1	15.4	16.3	17.9	19.4
P/E (x)	40.1	32.4	28.5	24.4	20.9
EV/EBITDA (x)	22.2	19.4	17.0	14.9	13.0
P/B (x)	5.4	4.7	4.1	3.6	3.1
FCFF yield (%)	2.4	0.7	2.1	2.5	3.0

Source: Company, Emkay Research

Target Price – 12M	Jun-27
Change in TP (%)	5.9
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	20.8

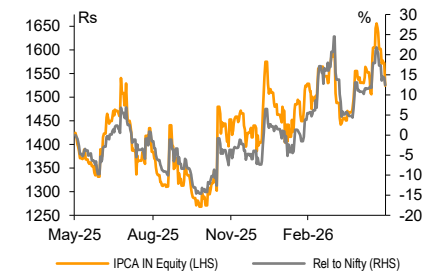
Stock Data	IPCA IN
52-week High (Rs)	1,679
52-week Low (Rs)	1,252
Shares outstanding (mn)	253.7
Market-cap (Rs bn)	378
Market-cap (USD mn)	3,980
Net-debt, FY27E (Rs mn)	(11,824.3)
ADTV-3M (mn shares)	0.3
ADTV-3M (Rs mn)	485.5
ADTV-3M (USD mn)	5.1
Free float (%)	55.3
Nifty-50	23,382.6
INR/USD	95.0

Shareholding, Mar-26

Promoters (%)	44.7
FPIs/MFs (%)	10.6/37.5

Price Performance

(%)	1M	3M	12M
Absolute	(2.6)	(2.5)	4.6
Rel. to Nifty	(0.1)	5.0	10.7

1-Year share price trend (Rs)**Shashank Krishnakumar**shashank.krishnakumar@emkayglobal.com
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Additional KTAs from the earnings call

- 1) The management expects raw material prices to rise 10-12% if the current situation persists. In the API segment, the company is passing on the entire increase in input costs. Product mix changes will partly offset the impact of higher input costs.
- 2) Unichem's EBITDA margin in FY26 was impacted by the closure of its Ireland manufacturing facility and related severance payouts. Production has now been shifted to India which is expected to support margin improvement going forward.
- 3) Unichem's inventory has remained elevated owing to the increase in transit times via ships, with air shipments in Unichem having come down to ~4-5% vs ~40% an year ago. However, Ipca's overall inventory and receivable levels have remained under control over the last 2 years.
- 4) Unichem has tech-transferred 4-5 products to a third-party manufacturer for the US institutional business. The company incurred expenditure of Rs100-120mn on account of the tech transfer in 4Q.
- 5) Lyka Labs has begun marketing its injectables and animal health products, and has recruited a large field-force over the last 2 years, to support such efforts. The company's margins are expected to gradually improve over time.
- 6) The Trophic Wellness subsidiary contributed Rs1.25bn to revenue and ~Rs400mn to profit in FY26.
- 7) Onyx Scientific has been impacted by lower enquiry levels, although some improvement is now visible.
- 8) The Krebs Nellore unit has turned EBITDA positive, while its other plant is currently facing issues with the pollution department.
- 9) Ipca's UK subsidiary was impacted by an adverse pricing scenario in FY26; the market is now witnessing shortages and an improvement in pricing.
- 10) Pisgah Labs's formulations facility is expected to be commissioned in 4QFY27; its API business is seeing a good order position.
- 11) Branded formulation and certain API businesses operate on a cost and freight basis. In case of several other generic businesses, freight is borne by the buyer. Freight costs moved up ~25% in 4Q, and that trend has persisted.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 1: Ipca Laboratories – 4QFY26 earnings snapshot

Ipca - P&L	4QFY25A	4QFY26A	YoY chg	4QFY26E	Delta vs Emkay	4QFY26E (consensus)	Delta vs consensus	3QFY26A	QoQ chg
<i>(Rs mn)</i>									
Net sales	22,467	23,885	6%	23,296	3%	23,693	1%	23,925	0%
Raw material costs	7,083	6,916	-2%	6,780	2%			6,579	5%
Gross Profit	15,384	16,969	10%	16,516	3%			17,346	-2%
- Margin	68.5%	71.0%	257 bps	70.9%	15 bps			72.5%	-146 bps
Staff costs	5,008	5,330	6%	5,492	-3%			5,461	-2%
Other expenses	6,087	6,800	12%	6,447	5%			6,552	4%
EBITDA	4,289	4,839	13%	4,578	6%	4,733	2%	5,334	-9%
EBITDA Margin	19.1%	20.3%	117 bps	19.7%	61 bps	20.0%	28 bps	22.3%	-203 bps
Other income	258	337	31%	257	31%			202	67%
Finance costs	215	202	-6%	170	19%			176	15%
Depreciation	1,001	1,071	7%	1,114	-4%			1,076	0%
Exceptional items	(2,051)	142		-				177	
Profit Before Tax (PBT)	3,330	4,045	21%	3,551	14%			4,460	-9%
Tax	622	951	53%	1,205	-21%			819	16%
Tax rate	18.7%	23.5%		33.9%				18.4%	
Minority + Associates	20	(103)		29				(378)	
Reported PAT	2,729	2,991	10%	2,375	26%			3,263	-8%
Adj PAT	2,729	2,849	4%	2,375	20%	2,608	9%	3,086	-8%
Adj EPS (Rs)	10.8	11.2	4%	9.4	20%			12.2	-8%
Cost Ratios (%)									
	4QFY25A	4QFY26A	% YoY	4QFY26E	Delta vs Emkay			3QFY26A	QoQ chg
Raw Material cost	31.5	29.0	-257 bps	29.1	-15 bps			27.5	-146 bps
Staff cost	22.3	22.3	2 bps	23.6	-126 bps			22.8	51 bps
Mfg and Other expenses	27.1	28.5	138 bps	27.7	80 bps			27.4	-109 bps
Sales Break-up									
	4QFY25A	4QFY26A	% YoY	4QFY26E	Delta vs Emkay			3QFY26A	QoQ chg
Domestic	8,547	9,577	12%	9,433	2%			10,655	-10%
Formulations	7,641	8,533	12%	8,574	0%			9,840	-13%
API	906	1,043	15%	858	22%			815	28%
Exports	7,743	8,455	9%	7,668	10%			7,705	10%
Formulations	5,235	6,053	16%	5,138	18%			5,350	13%
- Generic	2,461	3,410	39%	2,815	21%			2,718	25%
- Branded	1,664	1,902	14%	1,724	10%			2,049	-7%
- Institutional	1,110	741	-33%	599	24%			583	27%
Subsidiaries	6,083	5,741	-6%	6,085	-6%			5,473	5%
API	2,508	2,402	-4%	2,529	-5%			2,355	2%

Source: Company, Bloomberg, Emkay Research

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Exhibit 2: Changes to estimates

Rs mn	FY27E			FY28E		
	Old	New	Change	Old	New	Change
Promotional business - branded	7,040	7,234	3%	7,674	7,885	3%
Generic - Institutional tenders	2,838	2,996	6%	3,065	3,236	6%
Europe and others	12,039	12,696	5%	13,303	14,030	5%
Export formulations - Total	21,918	22,926	5%	24,043	25,150	5%
Export API	11,231	11,097	-1%	11,905	11,762	-1%
Total Exports	33,149	34,023	3%	35,948	36,913	3%
Domestic formulations	42,417	42,371	0%	47,083	47,032	0%
Domestic API	3,502	3,698	6%	3,712	3,920	6%
Total Domestic	45,919	46,070	0%	50,795	50,952	0%
Other operating revenue	452	453	0%	497	498	0%
Unichem	24,010	24,038	0%	26,188	26,134	0%
Revenue from Other Subsidiaries	1,703	1,200	-30%	1,915	1,345	-30%
Total income	105,232	105,783	1%	115,343	115,842	0%
Gross Profit	74,820	75,000	0%	82,355	82,480	0%
Gross margin	71.1%	70.9%		71.4%	71.2%	
EBITDA	22,543	22,503	0%	25,811	25,749	0%
EBITDA margin	21.4%	21.3%		22.4%	22.2%	
PAT	13,309	13,259	0%	15,507	15,524	0%
PAT Margin	12.6%	12.5%		13.4%	13.4%	
EPS (Rs)	52.5	52.3	0%	61.1	61.2	0%

Source: Emkay Research

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Ipca Laboratories: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	89,396	96,463	105,783	115,842	127,008
Revenue growth (%)	16.0	7.9	9.7	9.5	9.6
EBITDA	17,261	19,786	22,503	25,749	29,437
EBITDA growth (%)	30.7	14.6	13.7	14.4	14.3
Depreciation & Amortization	3,978	4,181	4,585	4,914	5,274
EBIT	13,283	15,604	17,917	20,835	24,163
EBIT growth (%)	37.8	17.5	14.8	16.3	16.0
Other operating income	-	-	-	-	-
Other income	928	1,144	1,212	1,532	1,943
Financial expense	849	759	607	545	484
PBT	13,362	15,989	18,522	21,821	25,622
Extraordinary items	(2,051)	(264)	0	0	0
Taxes	3,436	3,812	4,816	5,673	6,662
Minority interest	(476)	(427)	(412)	(593)	(814)
Income from JV/Associates	(23)	(76)	(35)	(31)	(26)
Reported PAT	7,377	11,411	13,259	15,524	18,120
PAT growth (%)	34.8	54.7	16.2	17.1	16.7
Adjusted PAT	9,427	11,675	13,259	15,524	18,120
Diluted EPS (Rs)	37.2	46.0	52.3	61.2	71.4
Diluted EPS growth (%)	43.9	23.8	13.6	17.1	16.7
DPS (Rs)	4.0	2.1	7.3	8.6	10.0
Dividend payout (%)	10.8	4.5	14.0	14.0	14.0
EBITDA margin (%)	19.3	20.5	21.3	22.2	23.2
EBIT margin (%)	14.9	16.2	16.9	18.0	19.0
Effective tax rate (%)	25.7	23.8	26.0	26.0	26.0
NOPLAT (pre-IndAS)	9,867	11,885	13,259	15,418	17,881
Shares outstanding (mn)	254	254	254	254	254

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	12,411	14,769	17,275	20,259	23,653
Others (non-cash items)	3,842	(4,200)	0	0	0
Taxes paid	(3,613)	(4,140)	(4,816)	(5,673)	(6,662)
Change in NWC	(4,255)	49	(3,833)	(4,024)	(4,449)
Operating cash flow	13,213	11,420	13,818	16,020	18,300
Capital expenditure	(3,876)	(8,877)	(5,769)	(6,295)	(6,879)
Acquisition of business	(340)	74	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(8,695)	(2,468)	(4,289)	(4,492)	(4,662)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(858)	(5,978)	(850)	(850)	(850)
Payment of lease liabilities	80	19	86	71	54
Interest paid	(849)	(759)	(607)	(545)	(484)
Dividend paid (incl tax)	(1,015)	(524)	(1,856)	(2,173)	(2,537)
Others	(187)	(293)	(268)	(271)	(274)
Financing cash flow	(2,830)	(7,535)	(3,496)	(3,769)	(4,091)
Net chg in Cash	1,688	1,417	6,034	7,759	9,548
OCF	13,213	11,420	13,818	16,020	18,300
Adj. OCF (w/o NWC chg.)	17,468	11,371	17,652	20,044	22,749
FCFF	9,337	2,543	8,049	9,725	11,422
FCFE	8,487	1,783	7,442	9,180	10,938
OCF/EBITDA (%)	76.5	57.7	61.4	62.2	62.2
FCFE/PAT (%)	115.1	15.6	56.1	59.1	60.4
FCFF/NOPLAT (%)	94.6	21.4	60.7	63.1	63.9

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	254	254	254	254	254
Reserves & Surplus	69,231	80,384	91,787	105,138	120,721
Net worth	69,485	80,638	92,041	105,392	120,975
Minority interests	14,398	14,603	15,014	15,607	16,421
Non-current liab. & prov.	2,781	2,243	2,243	2,243	2,243
Total debt	13,017	7,039	6,189	5,339	4,489
Total liabilities & equity	101,260	106,555	117,602	130,784	146,429
Net tangible fixed assets	38,505	41,803	43,105	44,612	46,348
Net intangible assets	2,032	1,976	1,857	1,732	1,600
Net ROU assets	2,184	2,603	2,599	2,618	2,661
Capital WIP	6,162	7,616	7,616	7,616	7,616
Goodwill	906	828	828	828	828
Investments [JV/Associates]	1,910	1,836	1,836	1,836	1,836
Cash & equivalents	11,076	11,980	18,614	25,773	35,320
Current assets (ex-cash)	51,609	51,789	50,558	61,532	67,027
Current Liab. & Prov.	16,176	16,942	17,878	18,828	19,874
NWC (ex-cash)	35,433	34,847	38,680	42,704	47,153
Total assets	101,260	106,555	117,602	130,784	146,429
Net debt	1,941	(4,941)	(11,824)	(20,433)	(30,831)
Capital employed	101,260	106,555	117,602	130,784	146,429
Invested capital	75,970	78,625	83,643	89,048	95,101
BVPS (Rs)	273.9	317.8	362.8	415.4	476.8
Net Debt/Equity (x)	-	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt/EBITDA (x)	0.1	(0.2)	(0.5)	(0.8)	(1.0)
Interest coverage (x)	16.7	22.1	31.5	41.0	54.0
RoCE (%)	15.1	16.8	17.8	18.7	19.5

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	40.1	32.4	28.5	24.4	20.9
P/CE(x)	28.2	23.8	21.2	18.5	16.2
P/B (x)	5.4	4.7	4.1	3.6	3.1
EV/Sales (x)	4.3	4.0	3.6	3.3	3.0
EV/EBITDA (x)	22.2	19.4	17.0	14.9	13.0
EV/EBIT(x)	28.9	24.6	21.4	18.4	15.9
EV/IC (x)	5.0	4.9	4.6	4.3	4.0
FCFF yield (%)	2.4	0.7	2.1	2.5	3.0
FCFE yield (%)	2.2	0.5	2.0	2.4	2.9
Dividend yield (%)	0.3	0.1	0.5	0.6	0.7
DuPont-RoE split					
Net profit margin (%)	10.5	12.1	12.5	13.4	14.3
Total asset turnover (x)	0.9	1.0	1.0	1.0	0.9
Assets/Equity (x)	1.4	1.4	1.3	1.2	1.2
RoE (%)	14.2	15.6	15.4	15.7	16.0
DuPont-RoIC					
NOPLAT margin (%)	11.0	12.3	12.5	13.3	14.1
IC turnover (x)	1.2	1.2	1.3	1.3	1.4
RoIC (%)	13.1	15.4	16.3	17.9	19.4
Operating metrics					
Core NWC days	144.7	131.9	133.5	134.6	135.5
Total NWC days	144.7	131.9	133.5	134.6	135.5
Fixed asset turnover	2.1	2.3	2.4	2.5	2.7
Opex-to-revenue (%)	49.6	50.2	49.6	49.0	48.3

Source: Company, Emkay Research

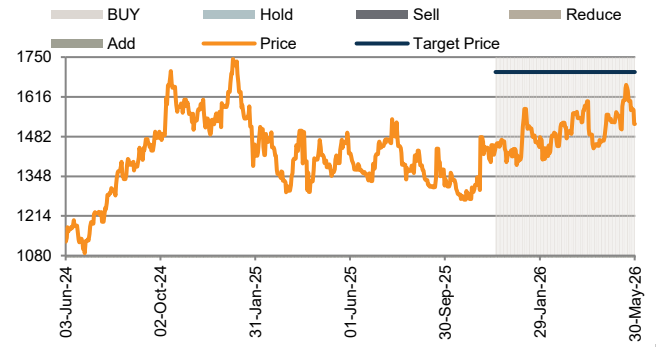
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
17-Feb-26	1,492	1,700	Buy	Shashank Krishnakumar
03-Dec-25	1,444	1,700	Buy	Shashank Krishnakumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
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