

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR1,490 **TP: INR1,730 (+16%)** **Buy**

Domestic/exports formulation drive earnings

Superior execution to sustain mid-teen return ratios

Bloomberg	IPCA IN
Equity Shares (m)	254
M.Cap.(INRb)/(USDb)	378.1 / 4
52-Week Range (INR)	1679 / 1252
1, 6, 12 Rel. Per (%)	0/16/10
12M Avg Val (INR M)	390

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	96.5	108.5	122.7
EBITDA	19.8	23.6	27.1
Adjusted PAT	11.6	13.4	15.7
EBIT Margin (%)	16.2	17.6	18.3
Cons. Adj EPS (INR)	45.6	52.7	62.0
EPS Gr. (%)	26.9	15.5	17.6
BV/Sh. (INR)	317.8	362.7	415.4

Ratios

Net D-E	0.0	0.0	-0.1
RoE (%)	15.4	15.5	15.9
RoCE (%)	14.9	15.1	15.6
Payout (%)	11.1	15.3	13.0

Valuation

P/E (x)	32.8	28.4	24.1
EV/EBITDA (x)	19.3	16.1	14.0
Div. Yield (%)	0.3	0.5	0.5
FCF Yield (%)	2.0	1.9	2.8
EV/Sales (x)	3.9	3.5	3.1

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	44.7	44.7	44.7
DII	37.5	37.3	36.1
FII	10.6	10.6	10.8
Others	7.2	7.3	8.5

FII Includes depository receipts

- Ipca Laboratories (IPCA) delivered in-line revenue in 4QFY28. It delivered 5% beat on EBITDA, driven by higher gross margin. PAT came in line with estimate. Revenue growth YoY was driven by domestic formulation (DF) and exports (generics and branded). This was partly offset by subdued API and institutional anti-malaria sales.

- IPCA has been consistently outperforming IPM in DF segment for four consecutive years. Its focus on core brands and limited new launches should help to sustain growth momentum going forward.

- With a gradual revival in US sales and healthy traction in other export markets for generics segment, IPCA delivered better YoY growth in generics exports for FY26.

- The branded export segment saw an uptrend in YoY growth for the third consecutive year in FY26.

- API sales have seen some moderation in the past two quarters. Having said this, it is implementing efforts to increase offtake of existing molecules and add new molecules in this segment.

- We largely maintain our estimates for FY27/FY28. We value IPCA at 28x 12-month forward earnings to arrive at a TP of INR1,730.

- We expect 17% earnings CAGR over FY26-28, driven by 12% CAGR in DF revenue, 20% CAGR in exports and better operating leverage. Overall, IPCA remains in good stead for superior execution in DF and export markets, sustaining the mid-teen return ratios over FY26-28. Maintain BUY.

Product mix benefit partly offset by higher opex YoY

- 4QFY26 sales grew 6.3% YoY to INR23.9b (our est: INR23.6b).

- Revenue from subsidiaries declined 6% YoY to INR5.7b (25% of sales).

- Gross margin (GM) expanded 250bp YoY to 71%.

- EBITDA margin also expanded 120bp YoY to 20.3% (our est: 19.3%), driven by growth in gross margin, partly offset by higher other expenses (up 140bp YoY as % of sales).

- EBITDA grew 12.8% YoY to INR4.8b (our est: INR4.6b).

- IPCA had exceptional expenses of INR458.2m due to the impact of new labor code and gain of INR600.4m on deconsolidation pursuant to the sale of Bayshore Pharmaceuticals LLC.

- Adj. for the expense, PAT grew 19.2% YoY to INR2.9b (our est. INR2.8b).

- For FY26, revenue/EBITDA/PAT grew 8%/15%/27% to INR96b/INR20b/INR11.6b.

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India/export formulation outshine; API drags down overall YoY growth

- Formulation sales grew 13% YoY to INR14.6b (61% of sales).
- Export formulation sales grew 16% YoY to INR6.1b (25% of total sales). Domestic formulation sales grew 12% YoY to INR8.5b (36% of total sales).
- Exports (generics formulation) grew 39% YoY to INR3.4b (56% of export sales).
- Exports (branded formulation) grew 14% YoY to INR1.9b (32% of export sales). Exports (institutional sales) declined 33% YoY to INR741m (12% of export sales).
- API sales remained stable YoY at INR3.4b (14% of sales).
- Export API sales declined 4% YoY to INR2.4b (70% of API sales). Domestic API sales grew 15% YoY to INR1b (30% of API sales).
- Revenue from subsidiaries declined 6% YoY to INR5.7b (25% of sales).

Highlights from the management commentary

- Management expects consolidated YoY revenue growth of ~12-13% in FY27, including Unichem.
- DF business is expected to grow ~12-13% YoY in FY27, compared to the management's expectation of ~10-11% growth for IPM.
- New product launches are expected to contribute ~1-2%, while the remaining growth would be driven by price hike and volume offtake.
- The overall generics business, including the US market, is also expected to grow ~12-13% in FY27.
- Consolidated EBITDA margin is guided at ~22-23% in FY27.
- Management expects Unichem's US business to grow by ~10% in FY27. Further, Unichem's EBITDA margin is expected to improve to ~12-13% during the year.
- In the DF segment, IPCA focuses on the core brands and hence, the new launches are limited (18-20 products in FY27).
- The company is currently marketing around eight products in the US and expects to commercialize another 6-8 products during FY27.
- Unichem also has a product pipeline in the US, with management expecting 5-6 product launches in FY27.
- In Europe and other international markets, the company typically launches 3-4 products annually in each market.

Consolidated - Quarterly Earning Model

Y/E March	FY25				FY26				FY25	FY26	FY26E	% Chg
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
INRm												
Net Revenues (Core)	20,926	23,549	22,454	22,467	23,089	25,565	23,925	23,885	89,396	96,463	23,582	1.3
YoY Change (%)	31.8	15.8	9.4	10.5	10.3	8.6	6.6	6.3	16.0	7.9	5.0	
EBITDA	3,927	4,425	4,631	4,289	4,164	5,449	5,334	4,839	17,271	19,786	4,622	4.7
YoY Change (%)	33.5	22.7	39.9	33.2	6.0	23.2	15.2	12.8	32.1	14.6	7.8	
Margins (%)	18.8	18.8	20.6	19.1	18.0	21.3	22.3	20.3	19.3	20.5	19.6	
Depreciation	989	1,004	985	1,001	1,001	1,033	1,076	1,071	3,978	4,181	1,008	
EBIT	2,938	3,421	3,646	3,287	3,164	4,416	4,258	3,767	13,293	15,604	3,614	
YoY Change (%)	30.7	26.6	57.5	46.9	7.7	29.1	16.8	14.6	39.9	17.4	9.9	
Margins (%)	14.0	14.5	16.2	14.6	13.7	17.3	17.8	15.8	14.9	16.2	15.3	
Interest	241	226	168	215	185	196	176	202	849	759	171	
Other Income	206	263	201	258	327	279	202	337	928	1,144	310	
PBT before EO Expense	2,904	3,458	3,679	3,331	3,305	4,498	4,283	3,902	13,372	15,989	3,753	
One-off (gain)/ Expense	0	0	0	2,051	0	583	-177	-142	2,051	264	0	
PBT after EO Expense	2,904	3,458	3,679	1,280	3,305	3,916	4,460	4,045	11,321	15,725	3,753	
Tax	914	994	906	622	961	1,081	819	951	3,436	3,812	938	
Rate (%)	31.5	28.7	24.6	48.6	29.1	27.6	18.4	23.5	25.7	23.8	25.0	
Reported PAT	1,990	2,464	2,773	658	2,344	2,835	3,641	3,094	7,885	11,914	2,815	9.9
Minority Interest	-67	-160	-292	20	-12	-9	-378	-103	-499	-503	20	
Adj PAT after Minority Int	1,922	2,305	2,481	2,418	2,332	3,247	3,119	2,882	9,127	11,580	2,835	1.7
YoY Change (%)	24.9	36.4	122.5	23.4	21.3	40.9	25.7	19.2	44.8	26.9	17.2	
Margins (%)	9.2	9.8	11.1	10.8	10.1	12.7	13.0	12.1	10.2	12.0	12.0	

KPIs												
Y/E March	FY25				FY26				FY25	FY26	FY26E	% Chg
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Domestic formulations	8,734	9,405	8,772	7,641	9,610	10,189	9,840	8,533	34,551	38,172	8,519	0%
YoY Change (%)	11.6	11.3	12.5	10.8	10.0	8.3	12.2	11.7	11.5	10.5	11.5	
Exports formulations	3,954	5,415	4,582	5,235	4,496	4,927	5,350	6,053	19,186	20,826	5,632	-7%
YoY Change (%)	-0.6	15.0	5.8	10.5	13.7	-9.0	16.8	15.6	8.1	8.5	7.6	
API sales	2,880	3,186	3,179	3,414	3,263	4,078	3,171	3,446	12,658	13,957	3,612	5%
YoY Change (%)	-2.4	-4.9	11.6	2.1	13.3	28.0	-0.3	0.9	1.3	10.3	5.8	
Cost Break-up												
RM Cost (% of Sales)	30.8	32.2	29.8	31.5	30.0	30.6	27.5	29.0	31.1	29.3	30.0	
Staff Cost (% of Sales)	23.3	21.7	21.6	22.3	23.5	21.0	22.8	22.3	22.2	22.4	22.7	
Other Cost (% of Sales)	27.2	27.4	28.0	27.1	28.5	27.1	27.4	28.5	27.4	27.8	27.7	
Gross Margins (%)	69.2	67.8	70.2	68.5	70.0	69.4	72.5	71.0	68.9	70.7	70.0	
EBITDA Margins (%)	18.8	18.8	20.6	19.1	18.0	21.3	22.3	20.3	19.3	20.5	19.6	
EBIT Margins (%)	14.0	14.5	16.2	14.6	13.7	17.3	17.8	15.8	14.9	16.2	15.3	

E: MOFSL Estimates



Highlights from the management commentary

- On a consolidated basis (Ipca USA and Unichem USA combined), US business revenue stood at INR4.3b in 4QFY26 versus INR3.9b in 4QFY25, reflecting ~10% YoY growth. For FY26, US revenue was INR15.7b compared with INR13.8b in FY25, representing ~14% YoY growth.
- Management indicated that if current petroleum price trends persist, overall raw material costs could increase by ~10-12%. The company highlighted significant price increases in key inputs such as paracetamol and metformin, with the overall market witnessing raw material cost inflation of ~10-12%.
- Management indicated the scope of passing the RM price hike to customers, thereby keeping margins intact for IPCA. For generics business, the freight cost is borne by customers and thus has limited impact on IPCA's profitability.

Strengthening core businesses while expanding global reach

DF: Market share gains backed by focused brand expansion

- DF revenue grew 10% YoY to INR38.2b in FY26, supported by continued outperformance vs. IPM.
- Growth was led by the pain, cardiac and dermatology portfolios, which remain key focus therapies for the company.
- The company plans to introduce only 18-20 products annually, ensuring adequate promotional focus and better resource allocation across established brands.
- The domestic branded business is expected to benefit from a combination of volume growth and annual price hikes.
- We expect DF segment to deliver ~12% CAGR over FY26-28, driven by market-share gains, focused brand investments, pricing-led growth and selective product launches across chronic therapies.

Exports: Diversified global franchise with US and branded market expansion

- Export formulations revenue grew 10% YoY to INR20.8b in FY26 despite weakness in institutional sales.
- Branded exports increased 14% YoY to INR6.6b, led by strong performance in the CIS region and French-speaking African markets, which management highlighted as key growth drivers.
- Generic exports grew 17% YoY to INR11.5b, supported by robust demand from Europe, Australia and New Zealand, along with contributions from recent US launches.
- Institutional exports declined 24% YoY, primarily due to funding constraints at global procurement agencies rather than any loss of market position.
- The combined US business (Ipca + Unichem) reported revenue of approximately INR15.7b, growing 14% YoY during FY26.
- Unichem remains an important growth vehicle in the US market, with multiple filings and product launches supporting future growth.
- The company continues to build its regulated-market portfolio through a mix of internal filings, product launches and lifecycle management initiatives.
- Export formulations are expected to grow at ~20% CAGR over FY26-28, supported by US launches through Ipca and Unichem, recovery in institutional business, expansion in branded emerging markets and sustained momentum in Europe and ANZ markets.

API: Recovery phase supported by regulated market opportunities

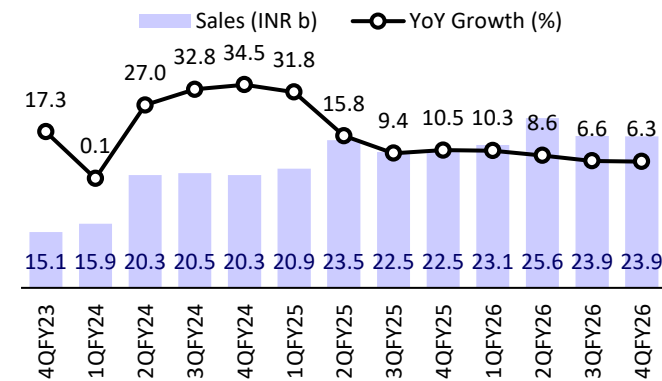
- API revenue grew 10% YoY to INR14.0b in FY26, reflecting improving demand conditions after a subdued period for the industry.
- Export API sales increased 18% YoY to INR10.5b, significantly outpacing domestic API performance.
- Domestic API revenue declined 7% YoY to INR3.5b, impacted by a slower domestic procurement environment.
- The company continues to leverage its leadership position in anti-malarial APIs while expanding opportunities in regulated markets.
- Higher contribution from export APIs is expected to improve overall growth quality within the segment.
- Management expects demand normalization across global customers as inventory correction cycles ease.
- API revenue is expected to grow at ~11% CAGR over FY26-28, supported by recovery in global demand, improved order inflows from regulated markets, higher export contribution and better utilization across manufacturing facilities.

Valuation and view

- We largely maintain our estimates for FY27/FY28. We value IPCA at 28x 12-month forward earnings basis to arrive at a TP of INR1,730.
- We expect 17% earnings CAGR over FY26-28, driven by 12% CAGR in DF revenue, 20% CAGR in exports and better operating leverage. Overall, IPCA remains in good stead for superior execution in DF as well as exports markets, sustaining the mid-teens return ratios over FY26-28. Maintain BUY.

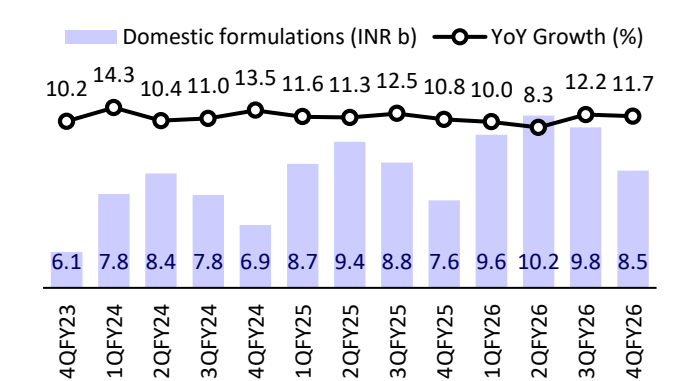
Story in charts

Exhibit 1: Total sales grew 6.3% YoY in 4QFY26



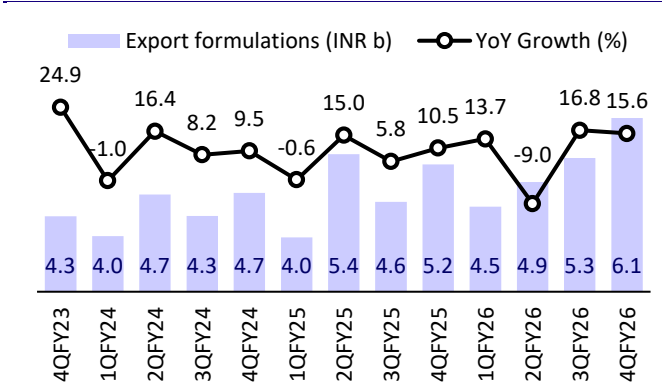
Source: Company, MOFSL

Exhibit 2: DF sales grew 11.7% YoY



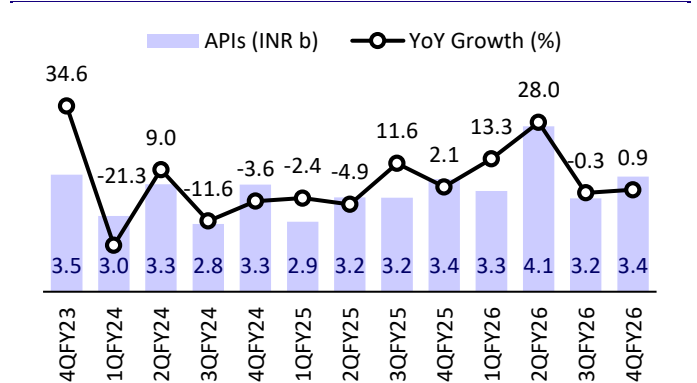
Source: Company, MOFSL

Exhibit 3: Export formulation sales increased 15.6% YoY



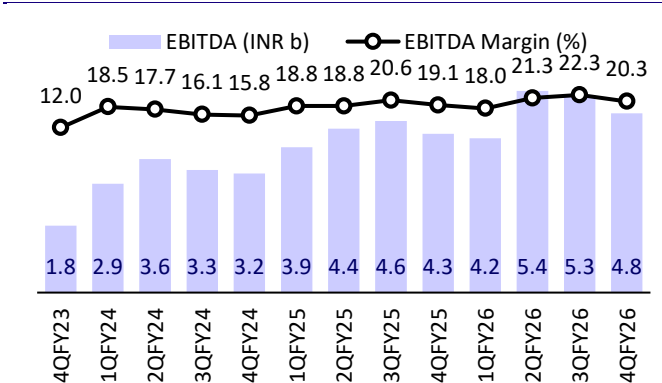
Source: Company, MOFSL

Exhibit 4: API sales remained stable YoY



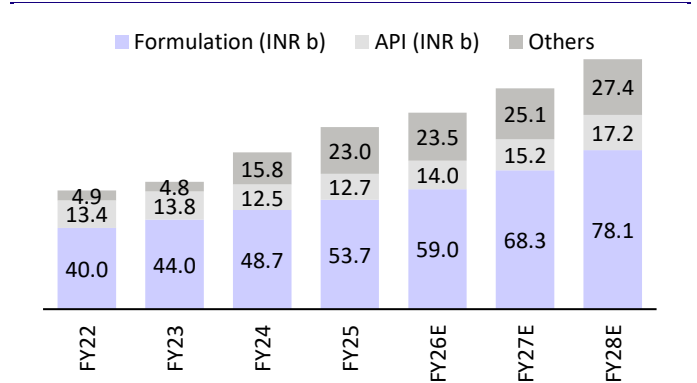
Source: Company, MOFSL

Exhibit 5: EBITDA margin expanded 120bp YoY in 4QFY26



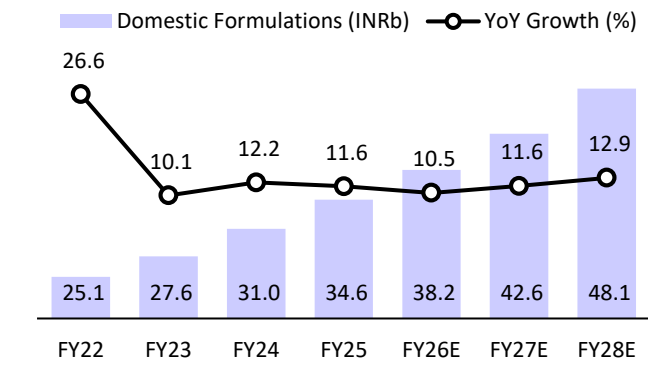
Source: Company, MOFSL

Exhibit 6: Expect 13% sales CAGR over FY26-28



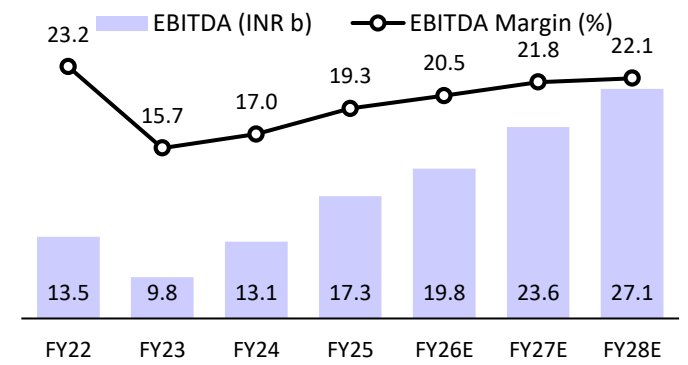
Note: Others include Subsidiaries; Source: Company, MOFSL

Exhibit 7: Expect 12% DF sales CAGR over FY26-28



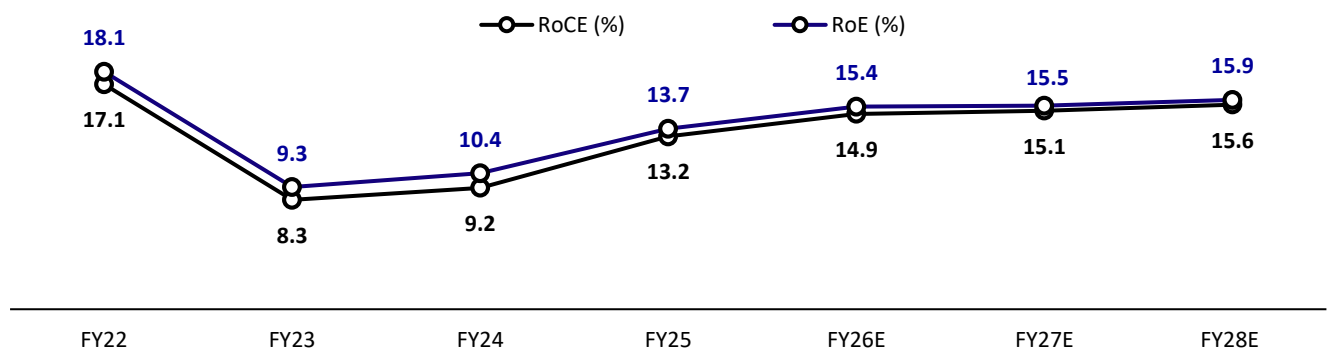
Source: Company, MOFSL

Exhibit 8: Expect margin to expand over FY26-28



Source: Company, MOFSL

Exhibit 9: Expect return ratios to gradually improve to 15%+ over FY26-28



Source: Company, MOFSL

Financials and valuations

Income Statement							(INRm)	
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	
Net Revenues	58,298	62,569	77,074	89,396	96,463	1,08,507	1,22,716	
Change (%)	7.6	7.3	23.2	16.0	7.9	12.5	13.1	
EBITDA	13,509	9,812	13,076	17,271	19,786	23,617	27,129	
Change (%)	-12.5	-27.4	33.3	32.1	14.6	19.4	14.9	
Margin (%)	23.2	15.7	17.0	19.3	20.5	21.8	22.1	
Depreciation	2,324	2,616	3,572	3,978	4,181	4,486	4,681	
EBIT	11,184	7,197	9,503	13,293	15,604	19,131	22,449	
Int. and Finance Charges	77	455	1,383	849	759	609	564	
Other Income - Rec.	666	1,151	1,075	928	1,144	1,275	1,390	
PBT before EO Expense	11,773	7,892	9,195	13,372	15,989	19,797	23,275	
EO Expense/(Income)	416	314	769	2,051	264	0	0	
PBT after EO Expense	11,357	7,579	8,426	11,321	15,725	19,797	23,275	
Tax	2,248	2,532	3,135	3,436	3,812	6,018	7,192	
Tax Rate (%)	19.1	32.1	34.1	25.7	23.8	30.4	30.9	
Reported PAT	9,110	5,047	5,291	7,885	11,913	13,778	16,082	
Less: Minority Interest	269	-206	984	499	503	400	350	
Net Profit	8,841	5,253	4,307	7,387	11,410	13,378	15,732	
Adj PAT	9,218	5,275	6,304	9,127	11,580	13,378	15,732	
Adj PAT growth (%)	-18.1	-42.8	19.5	44.8	26.9	15.5	17.6	

Balance Sheet							(INRm)	
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	
Equity Share Capital	254	254	254	254	254	254	254	
Total Reserves	54,666	58,167	63,068	69,231	80,384	91,756	1,05,130	
Net Worth	54,920	58,420	63,322	69,485	80,638	92,010	1,05,383	
Deferred liabilities	1506	1856	3062	2781	2243	2243	2243	
Total Loans	8,027	14,746	14,274	13,526	7,908	7,313	6,778	
Capital Employed	65,222	75,755	94,607	1,00,189	1,05,392	1,16,169	1,29,007	
Gross Block	37,647	43,601	65,195	66,306	74,088	77,088	80,588	
Less: Accum. Deprn.	13,472	16,088	19,660	23,638	27,819	32,305	36,986	
Net Fixed Assets	24,175	27,514	45,535	42,668	46,269	44,783	43,603	
Capital WIP	3,064	1,404	3,429	6,218	7,731	7,731	7,731	
Investments	9,892	6,260	8,620	9,797	8,436	8,436	8,436	
Curr. Assets	39,237	51,051	53,386	58,753	61,061	74,840	91,428	
Inventory	18,580	17,434	24,713	25,604	27,310	32,998	37,992	
Account Receivables	9,108	9,890	16,865	18,738	20,143	23,782	27,569	
Cash and Bank Balance	6,407	18,532	2,968	3,442	5,646	9,103	15,737	
Loans & Advances	5,143	5,194	8,840	10,969	7,963	8,957	10,130	
Curr. Liability & Prov.	11,147	10,473	16,364	17,247	18,104	19,620	22,190	
Account Payables	9,704	8,923	13,050	13,592	15,542	17,540	19,836	
Provisions	1,443	1,550	3,314	3,655	2,562	2,081	2,353	
Net Current Assets	28,091	40,577	37,022	41,506	42,957	55,219	69,238	
Appl. of Funds	65,222	75,755	94,607	1,00,189	1,05,392	1,16,169	1,29,007	

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Adj. EPS (INR)	36.3	20.8	24.9	36.0	45.6	52.7	62.0
Cash EPS	44.0	31.0	31.1	44.8	61.5	70.4	80.5
BV/Share	216.5	230.3	249.6	273.9	317.8	362.7	415.4
DPS	8.1	4.0	4.0	4.0	5.0	8.1	8.1
Payout (%)	22.2	19.4	16.2	11.2	11.1	15.3	13.0
Valuation (x)							
P/E	41.1	71.9	60.2	41.6	32.8	28.4	24.1
P/BV	6.9	6.5	6.0	5.5	4.7	4.1	3.6
EV/Sales	6.5	6.1	4.9	4.3	3.9	3.5	3.1
EV/EBITDA	28.2	38.8	29.1	22.1	19.3	16.1	14.0
Dividend Yield (%)	0.5	0.3	0.3	0.3	0.3	0.5	0.5
Return Ratios (%)							
RoE	18.1	9.3	10.4	13.7	15.4	15.5	15.9
RoCE	17.1	8.3	9.2	13.2	14.9	15.1	15.6
RoIC	21.1	10.2	9.7	12.3	14.5	15.3	16.5
Working Capital Ratios							
Fixed Asset Turnover (x)	2.6	2.4	2.1	2.0	2.2	2.4	2.8
Debtor (Days)	56	58	80	77	76	80	82
Inventory (Days)	116	102	117	105	103	111	113
Working Capital Turnover (Days)	136	129	161	155	141	155	159
Leverage Ratio (x)							
Interest Cover Ratio	145.4	15.8	6.9	15.7	20.5	31.4	39.8
Debt/Equity	0.0	-0.1	0.2	0.1	0.0	0.0	-0.1

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Oper. Profit/(Loss) before Tax	13,509	9,812	13,076	17,271	19,786	23,617	27,129
Interest/Dividends Recd.	666	1,151	1,075	928	1,144	1,275	1,390
Direct Taxes Paid	-2,058	-2,181	-1,928	-3,718	-4,349	-6,018	-7,192
(Inc)/Dec in WC	-2,652	-361	-12,009	-4,010	753	-8,806	-7,384
CF from Operations	9,464	8,421	213	10,471	17,334	10,067	13,944
Others							
EO Expense / (Income)	416	314	769	2,051	264	0	0
CF from Oper. incl EO Exp.	9,048	8,107	-556	8,421	17,070	10,067	13,944
(inc)/dec in FA	-6,491	-4,294	-23,618	-3,900	-9,295	-3,000	-3,500
Free Cash Flow	2,557	3,813	-24,174	4,521	7,775	7,067	10,444
(Pur)/Sale of Investments	-5,181	3,632	-2,360	-1,177	1,362	0	0
Others	0	0	0	0	0	0	0
CF from Investments	-11,672	-662	-25,979	-5,077	-7,934	-3,000	-3,500
Issue of shares	0	0	0	0	0	0	0
(Inc)/Dec in Debt	6,663	6,683	12,743	-298	-5,413	-595	-535
Interest Paid	-77	-455	-1,383	-849	-759	-609	-564
Dividend Paid	-2,030	-1,015	-1,015	-1,015	-1,269	-2,030	-2,030
Others	306	-532	719	-831	2,470	1,118	1,168
CF from Fin. Activity	4,863	4,681	11,065	-2,993	-4,972	-2,115	-1,961
Inc/Dec of Cash	2,238	12,126	-15,470	351	4,165	4,952	8,483
Add: Beginning Balance	4,795	7,033	19,159	2,969	3,442	5,646	9,103
Forex/ Business acquisition	0	0	0	0	0	0	0
Closing Balance	7,033	19,159	3,690	3,319	7,607	10,598	17,586
Bank balances / Mutual fund (gain)/ loss	-627	-627	-721	123	1,961	1,495	1,848
Closing Balance	6,407	18,533	2,969	3,442	5,646	9,103	15,737

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