Rubicon Research

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	RUBICON IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	119.4 / 1.3
52-Week Range (INR)	888 / 571
1, 6, 12 Rel. Per (%)	12/-/-
12M Avg Val (INR M)	521

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	17.3	22.8	28.7
EBITDA	3.9	4.8	6.2
Adjusted PAT	2.4	3.1	4.2
EBITDA Margin (%)	22.4	21.3	21.6
Cons. Adj EPS (INR)	14.4	19.0	25.3
EPS Growth (%)	76.3	31.8	33.4
BV/Share (INR)	74.2	90.9	113.3
Ratios			
Net D-E	0.0	0.0	-0.1
RoE (%)	26.9	23.0	24.8
RoCE (%)	25.9	24.8	26.6
Payout (%)	11.8	11.8	11.8
Valuations			
P/E (x)	50.2	38.1	28.6
EV/EBITDA (x)	30.5	24.5	19.1
Div. Yield (%)	0.2	0.3	0.4
FCF Yield (%)	-0.7	0.4	1.1
EV/Sales (x)	6.8	5.2	4.1

Shareholding Pattern (%)

As On	Dec-25	Sep-25
Promoter	60.0	60.0
DII	9.5	10.5
FII	8.0	9.4
Others	22.6	20.1

FII includes depository receipts

CMP: INR725 TP: INR850 (+17%) Buy

Another earnings beat with improving return ratios

High R&D conversion, scalable assets, and robust balance sheet

- Rubicon Research (RUBICON) delivered yet another quarter of better-than-expected performance (4%/7%/16% beat on revenue/EBITDA/PAT). The pre-tax ROCE was 34% for 9MFY26 vs 30% for FY25.
- RUBICON is on a strong growth trajectory (34%/47%/73% YoY in revenue/EBITDA/PAT) for YTDFY26, supported by product launches and steady execution in the existing portfolio.
- Compared to the conventional approach of indicating R&D as a % of sales for a financial year***, RUBICON has highlighted R&D productivity by considering incremental revenue against lagging total R&D spend (typical timeline for R&D spend to translate into revenue). Even if R&D productivity is maintained at 5.7x, the cumulative R&D spend of INR5b over FY26/FY27/1QFY28 provides strong visibility into future revenues.***
- In addition to product development activities, it has expanded its capacity through the Pithampur plant acquisition to meet its manufacturing requirements.
- Despite a second consecutive quarter of earnings beat, we raise our earnings estimate conservatively by 6%/4%/3% for FY26/FY27/FY28. We intend to gain greater confidence in the consistency of a strong earnings growth trajectory going forward. We value RUBICON at 35x 12M forward earnings to arrive at a TP of INR850.
- RUBICON stands out across various parameters, such as a differentiated business model, superior R&D productivity, robust earnings growth, and phenomenal return ratios. Reiterate BUY.

Operating leverage outweighs outsourcing impact for the quarter

- 3QFY26 revenue grew 51.7% YoY to INR4.8b (up 46% YoY in CC terms; our est: INR4.6b).
- Gross margin contracted 150bp YoY to 66.8% due to higher outsourcing.
- However, EBITDA margin expanded 40bp YoY to 22.7% (our est: 22%) due to better operating leverage (employee expenses declined 320bp YoY as a % of sales).
- Interestingly, R&D expenses increased 270bp YoY as a % of sales to 11% for the quarter (INR523m on an absolute basis).
- EBITDA grew 55% YoY to INR1.1b (our est: INR1b).
- PAT grew 91% YoY to INR728m (our estimate: INR627m).
- Revenue/EBITDA/PAT grew 34%/47%/73% YoY to INR12.4b/INR2.8b/INR1.7b in 9MFY26.

Highlights from the management commentary

- RUBICON reiterated its guidance of 22-23% operating margin and 10-11% of sales as R&D spend. In fact, R&D as a % of sales is expected to remain consistent at 10-11% for the next several years.

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- R&D productivity has improved from 3.3x for incremental revenue over FY22-FY24 to 4.1x for incremental revenue over FY22-25. It has been further enhanced to 5.7x for incremental revenue over FY23 to annualized YTDFY26 revenue.
- The cumulative R&D spend over FY26/FY27/1QFY28 is expected to be INR5b, aiding better visibility for revenue in FY29/FY30 and beyond.
- Higher-than-expected demand led to increased outsourcing, which dragged gross margins for the quarter.
- Cash generated from operations (pre-tax/post-working capital requirement) was INR810m against EBITDA of INR1.1b for the quarter.
- Inventory was INR7b at the end of 3QFY26. About 30% of the Inventory is toward recent/upcoming launches. Despite this, the current ROCE is 34% vs 30% in FY25.

Consolidated - Quarterly Earning Model

Y/E March	FY25			FY26				FY25	FY26	FY26	
	1Q	2Q	3Q	1Q	2Q	3Q	4QE			3QE	vs Est.
Gross Sales	**3,167**	**2,960**	**3,134**	**3,525**	**4,120**	**4,755**	**4,933**	**12,843**	**17,333**	**4,580**	**4%**
YoY Change (%)				11.3	39.2	51.7	37.7	50.4	35.0	NA	
Total Expenditure	2,565	2,343	2,435	2,734	3,177	3,674	3,865	10,200	13,451	3,572	
EBITDA	**602**	**617**	**699**	**791**	**943**	**1,081**	**1,067**	**2,643**	**3,883**	**1,008**	**7%**
YoY Change (%)				31.4	52.9	54.7	47.3		**46.9**	**NA**	
Margins (%)	19.0	20.8	22.3	22.4	22.9	22.7	21.6	20.6	22.4	22.0	
Depreciation	94	81	94	96	119	116	136	366	466	135	
EBIT	**509**	**535**	**605**	**695**	**824**	**966**	**931**	2,277	3,417	873	
YoY Change (%)				36.7	54.0	59.7	48	NA	NA	NA	
Margins (%)	16.1	18.1	19.3	19.7	20.0	20.3	18.9	18	20	19	
Interest	101	70	78	106	114	98	30	368	348	10	
Other Income	4	27	5	6	7	38	18	36	69	8	
PBT before EO expense	**412**	**492**	**532**	**596**	**717**	**906**	**920**	**1,945**	**3,138**	**871**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	
PBT	**412**	**492**	**532**	**596**	**717**	**906**	**920**	**1,945**	**3,138**	**871**	
Tax	156	147	151	163	179	178	250	602	769	244	
Rate (%)	37.9	29.9	28.4	27.3	24.9	19.6	27.2	30.9	24.5	28.0	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**256**	**345**	**381**	**433**	**539**	**728**	**670**	**1,344**	**2,369**	**627**	
Adj PAT	**256**	**345**	**381**	**433**	**539**	**728**	**670**	**1,344**	**2,369**	**627**	**16%**
YoY Change (%)	NA	NA	NA	69.4	56.2	91.2	84.8	47.6	76.3	NA	
Margins (%)	8.1	11.6	12.1	12.3	13.1	15.3	13.6	10.5	13.7	13.7	
EPS (INR)	**1.6**	**2.1**	**2.3**	**2.6**	**3.3**	**4.4**	**4.1**	**8.2**	**14.4**	**3.8**	**16%**

E: MOFSL Estimates

Key Performance Indicators

Cost Break-up	FY25			FY26				FY25	FY26
	1Q	2Q	3Q	1Q	2Q	3QE	4QE		
RM Cost (% of Sales)	27.1	26.7	31.5	29.2	30.7	33.1	33.0	29.2	31.7
Staff Cost (% of Sales)	15.6	17.3	17.2	16.5	15.4	14.0	14.3	16.4	14.9
Other Cost (% of Sales)	38.3	35.1	29.0	31.8	31.0	30.2	31.1	33.8	31.0
Gross Margins(%)	72.9	73.3	68.5	70.8	69.3	66.9	67.0	70.8	68.3
EBITDA Margins(%)	19.0	20.8	0.2	22.4	22.9	22.7	21.6	20.6	22.4
PBT Margins(%)	13.0	16.6	17.0	16.9	17.4	19.0	18.6	15.1	18.1
PAT Margins(%)	8.1	11.6	12.1	12.3	13.1	15.3	13.6	10.5	13.7

Conference call highlights

- RUBICON is on track to operationalize the acquired Pithampur facility in mid-CY26, with the commercial scale-up expected from CY27 onwards. This is expected to reduce outsourcing, supporting better gross margin going forward.
- The field force expansion for branded/specialty products will be incremental and portfolio-linked, with all costs already considered in the EBITDA margin guidance.
- Management highlighted that pricing remains stable, while future margin expansion will be driven by product complexity, delivery innovation, and differentiated filings rather than price hikes.
- As of Dec’25, RUBICON has 83 active approved products (one approval in 3Q) in the US, with a 92.8% commercialization rate (77 out of 83).

Strong growth visibility driven by R&D and execution

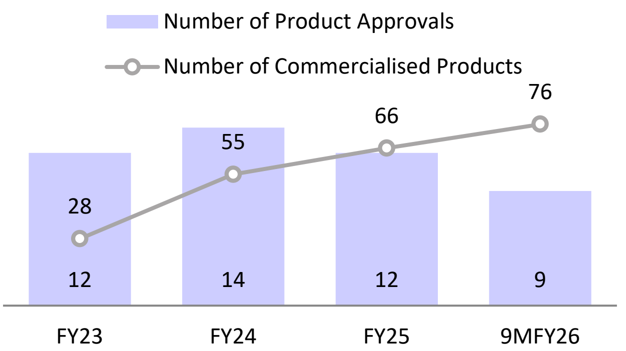
- RUBICON garnered 34% YoY growth in revenue to INR12.4b for 9MFY26, driven by a combination of new launches and sustained market share gains in the base portfolio.
- Pricing remains largely stable at the portfolio level, supported by a rising mix of specialty and differentiated products.
- Commercialization intensity remained high, with 93% of approved products till date on the shelf for sale.
- R&D continues to be a powerful growth engine, with R&D productivity improving steadily from 3.3x (FY24) - 4.1x (FY25) - 5.7x (annualized FY26), translating into increasing revenue leverage from past investments and strengthening confidence in future revenue conversion.
- Planned INR5b+ cumulative R&D spend over FY26/FY27/1QFY28, coupled with sustained 10–11% R&D intensity, provides strong visibility for near/mid term, supported by 83 active approved products and a steadily broadening portfolio.
- The portfolio continues to shift toward specialty and complex products, with specialty contribution to gross profit rising steadily to 31.3% in 3Q from 13% in FY23.
- The Pithampur facility not only adds capacity but also provides capabilities to manufacture products like Hi-po APIs, steroid, and hormones.
- A strong balance sheet, high ROCE, and healthy cash balance provide flexibility to support organic expansion and selective inorganic opportunities while maintaining capital efficiency.
- With 3Q and 9M performance confirming structural growth, stable pricing, and strong execution, RUBICON is well-positioned to compound revenue at ~31% CAGR over FY25-28 to ~INR28.7b, supported by high R&D productivity, strong commercialization, and incremental capacity build-up.

Reiterate BUY

- Despite a second consecutive quarter of earnings beat, we raise our earnings estimate conservatively by 6%/4%/3% for FY26/FY27/FY28. We intend to gain greater confidence in the consistency of a strong earnings growth trajectory going forward. We value RUBICON at 35x 12M forward earnings to arrive at a TP of INR850.
- RUBICON stands out across various parameters, such as a differentiated business model, superior R&D productivity, robust earnings growth, and phenomenal return ratios. Reiterate BUY.

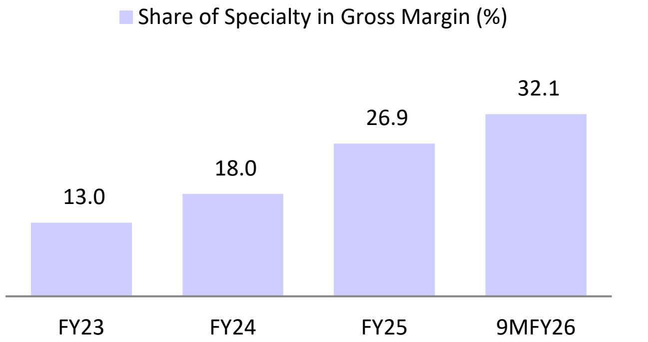
Story in charts

Exhibit 1: Commercialized products increased 175% over FY23-9MFY26



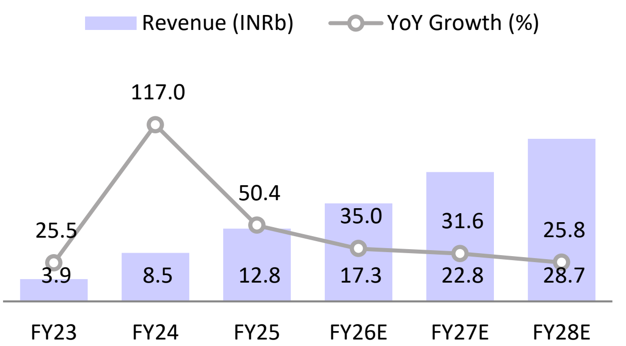
Source: MOFSL, Company

Exhibit 2: The share of specialty products in gross margin expanded ~1,900bp



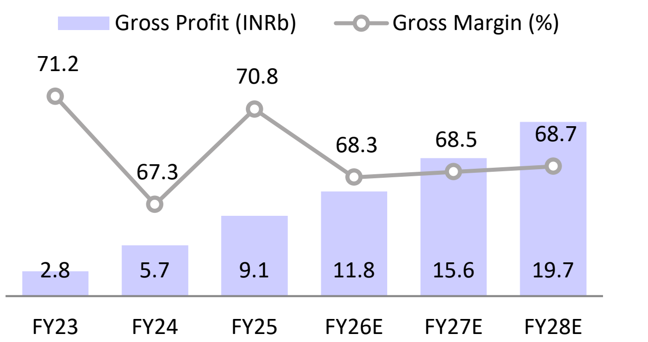
Source: MOFSL, Company

Exhibit 3: Revenue to post ~32.6% CAGR over FY26-28



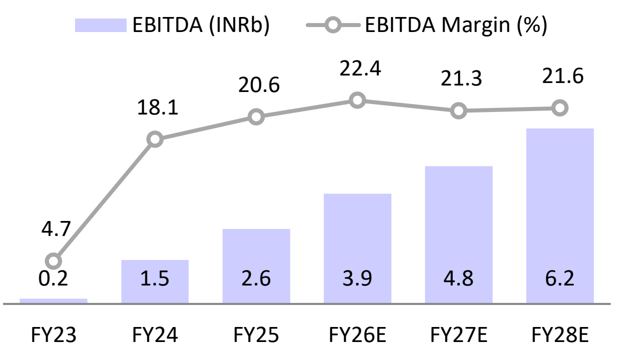
Source: MOFSL, Company

Exhibit 4: Gross margin to gradually recover by FY28



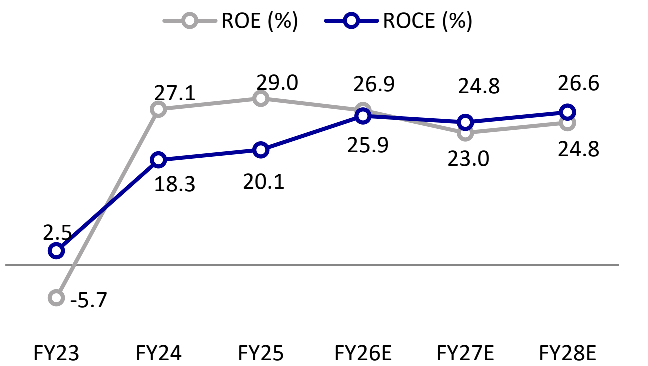
Source: MOFSL, Company

Exhibit 5: Expect EBITDA CAGR of 26% over FY26-28



Source: MOFSL, Company

Exhibit 6: ROCE to improve with better utilization of assets



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**3,136**	**3,935**	**8,539**	**12,843**	**17,333**	**22,818**	**28,700**
Change (%)	-0.4	25.5	117.0	50.4	35.0	31.6	25.8
Raw Materials	783	1,132	2,791	3,754	5,495	7,188	8,983
Employees Cost	789	971	1,253	2,111	2,583	3,628	4,506
Other Expenses	1,956	1,647	2,949	4,336	5,373	7,153	9,026
Total Expenditure	**3,528**	**3,750**	**6,993**	**10,200**	**13,451**	**17,969**	**22,515**
% of Sales	112.5	95.3	81.9	79.4	77.6	78.8	78.5
EBITDA	**-392**	**185**	**1,546**	**2,643**	**3,883**	**4,849**	**6,185**
Margin (%)	-12.5	4.7	18.1	20.6	22.4	21.3	21.6
Depreciation	340	361	390	366	466	599	635
EBIT	**-732**	**-176**	**1,156**	**2,277**	**3,417**	**4,250**	**5,550**
Int. and Finance Charges	97	190	313	368	348	238	193
Other Income	169	255	185	36	69	68	86
PBT bef. EO Exp.	**-661**	**-110**	**1,029**	**1,945**	**3,138**	**4,081**	**5,444**
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	**-661**	**-110**	**1,029**	**1,945**	**3,138**	**4,081**	**5,444**
Total Tax	10	58	118	602	769	959	1,279
Tax Rate (%)	-1.5	-52.8	11.5	30.9	24.5	23.5	23.5
Minority Interest	0	0	0	0	0	0	0
Reported PAT	**-671**	**-169**	**911**	**1,344**	**2,369**	**3,122**	**4,164**
Adjusted PAT	**-671**	**-169**	**911**	**1,344**	**2,369**	**3,122**	**4,164**
Change (%)	NA	NA	NA	47.6	76.3	31.8	33.4
Margin (%)	-21.4	-4.3	10.7	10.5	13.7	13.7	14.5

Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	51	51	152	154	164	164	164
Total Reserves	3,003	2,813	3,698	5,256	12,032	14,787	18,462
Net Worth	**3,054**	**2,864**	**3,850**	**5,410**	**12,196**	**14,951**	**18,627**
Minority Interest	0	0	0	0	0	0	0
Total Loans	1,800	3,197	4,245	4,176	2,776	1,976	1,876
Deferred Tax Liabilities	39	15	-9	-18	-18	-18	-18
Capital Employed	**4,893**	**6,075**	**8,086**	**9,568**	**14,955**	**16,910**	**20,485**
Gross Block	3,143	3,568	4,404	4,924	6,729	7,870	9,054
Less: Accum. Deprn.	1,235	1,596	1,845	2,131	2,597	3,196	3,830
Net Fixed Assets	**1,908**	**1,972**	**2,559**	**2,793**	**4,132**	**4,675**	**5,223**
Goodwill on Consolidation	22	22	513	476	476	476	476
Capital WIP	26	245	97	69	364	479	603
Total Investments	**71**	**77**	**80**	**74**	**74**	**74**	**74**
Curr. Assets, Loans&Adv.	**3,617**	**5,181**	**7,837**	**11,084**	**16,586**	**19,965**	**25,126**
Inventory	896	1,672	3,005	5,216	7,123	9,440	11,873
Account Receivables	1,396	2,250	3,015	3,238	4,370	5,720	7,155
Cash and Bank Balance	526	589	584	1,162	3,112	2,197	2,817
Loans and Advances	800	670	1,233	1,468	1,981	2,608	3,280
Curr. Liability & Prov.	**752**	**1,422**	**3,000**	**4,928**	**6,677**	**8,759**	**11,017**
Account Payables	570	969	1,767	2,391	3,253	4,251	5,347
Other Current Liabilities	147	282	660	1,122	1,514	1,994	2,507
Provisions	35	171	573	1,415	1,910	2,514	3,163
Net Current Assets	**2,865**	**3,759**	**4,837**	**6,156**	**9,908**	**11,206**	**14,109**
Appl. of Funds	**4,892**	**6,075**	**8,086**	**9,568**	**14,955**	**16,910**	**20,485**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	**-4.1**	**-1.0**	**5.5**	**8.2**	**14.4**	**19.0**	**25.3**
Cash EPS	-2.2	1.3	8.5	11.1	17.2	22.6	29.2
BV/Share	20.1	18.8	25.3	35.1	74.2	90.9	113.3
DPS	0.0	0.0	0.0	0.0	1.4	1.9	2.5
Payout (%)	0.0	0.0	0.0	0.0	11.8	11.8	11.8
Valuation (x)							
P/E	-177.2	-704.2	130.6	88.5	50.2	38.1	28.6
Cash P/E	-332.2	573.8	84.6	65.2	41.9	32.0	24.8
P/BV	36.0	38.4	28.6	20.6	9.8	8.0	6.4
EV/Sales	12.1	10.0	13.3	8.9	6.8	5.2	4.1
EV/EBITDA	-96.7	212.4	73.5	43.3	30.5	24.5	19.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.2	0.3	0.4
FCF per share	-23.1	-23.5	-2.3	5.9	-4.8	2.6	8.0
Return Ratios (%)							
RoE	-19.8	-5.7	27.1	29.0	26.9	23.0	24.8
RoCE	-14.2	2.5	18.3	20.1	25.9	24.8	26.6
RoIC	-18.8	-5.7	16.4	20.2	26.2	25.4	27.3
Working Capital Ratios							
Fixed Asset Turnover (x)	1.0	1.1	1.9	2.6	2.6	2.9	3.2
Asset Turnover (x)	0.6	0.6	1.1	1.3	1.2	1.3	1.4
Inventory (Days)	104	155	128	148	150	151	151
Debtor (Days)	162	209	129	92	92	92	91
Creditor (Days)	66	90	76	68	69	68	68
Leverage Ratio (x)							
Current Ratio	4.8	3.6	2.6	2.2	2.5	2.3	2.3
Interest Cover Ratio	-7.5	-0.9	3.7	6.2	9.8	17.9	28.8
Net Debt/Equity	0.4	0.9	0.9	0.5	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	-662	-110	1,029	1,945	3,138	4,081	5,444
Depreciation	340	361	390	366	466	599	635
Interest & Finance Charges	97	190	313	368	348	238	193
Direct Taxes Paid	-85	-18	-181	-387	-769	-959	-1,279
(Inc)/Dec in WC	-156	-1,081	-1,351	-900	-1,804	-2,212	-2,283
CF from Operations	**-465**	**-660**	**199**	**1,391**	**1,380**	**1,747**	**2,709**
Others	-162	-88	11	200	-69	-68	-86
CF from Operating incl EO	**-627**	**-747**	**210**	**1,592**	**1,310**	**1,678**	**2,623**
(Inc)/Dec in FA	-545	-444	-560	-678	-2,100	-1,256	-1,307
Free Cash Flow	**-1,172**	**-1,192**	**-350**	**914**	**-790**	**422**	**1,316**
(Pur)/Sale of Investments	143	0	0	0	0	0	0
Others	-147	106	-125	30	69	68	86
CF from Investments	**-549**	**-338**	**-685**	**-648**	**-2,031**	**-1,188**	**-1,221**
Issue of Shares	0	0	0	81	4,696	0	0
Inc/(Dec) in Debt	729	1,405	736	-148	-1,400	-800	-100
Interest Paid	-93	-174	-298	-328	-348	-238	-193
Dividend Paid	-5	-3	-3	-3	-278	-367	-489
CF from Fin. Activity	**631**	**1,228**	**436**	**-398**	**2,669**	**-1,404**	**-782**
Inc/Dec of Cash	**-546**	**142**	**-40**	**545**	**1,949**	**-914**	**620**
Opening Balance	842	526	589	584	1,163	3,112	2,197
Others	320	-64	36	31			
Forex Impact/Others	90	15	1	-2	0	0	0
Closing Balance	**526**	**589**	**584**	**1,163**	**3,112**	**2,197**	**2,817**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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