

August 13, 2025

Q1FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,525		1,525	
Sales (Rs. m)	98,597	1,10,114	98,531	1,10,039
% Chng.	0.1	0.1		
EBITDA (Rs. m)	19,568	22,830	19,906	23,296
% Chng.	(1.7)	(2.0)		
EPS (Rs.)	42.1	50.5	42.0	50.6
% Chng.	0.3	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	77,050	89,396	98,597	1,10,114
EBITDA (Rs. m)	12,882	16,931	19,568	22,830
Margin (%)	16.7	18.9	19.8	20.7
PAT (Rs. m)	6,551	9,427	10,677	12,817
EPS (Rs.)	25.8	37.2	42.1	50.5
Gr. (%)	39.0	43.9	13.3	20.0
DPS (Rs.)	2.0	4.0	5.0	6.0
Yield (%)	0.1	0.3	0.4	0.4
RoE (%)	10.8	14.2	14.4	15.0
RoCE (%)	12.4	16.2	17.8	19.4
EV/Sales (x)	4.6	3.9	3.5	3.1
EV/EBITDA (x)	27.5	20.7	17.7	14.9
PE (x)	53.3	37.0	32.7	27.3
P/BV (x)	5.5	5.0	4.4	3.8

Key Data

IPCA.BO | IPCA IN

52-W High / Low	Rs.1,758 / Rs.1,168
Sensex / Nifty	80,236 / 24,487
Market Cap	Rs.349bn / \$ 3,981m
Shares Outstanding	254m
3M Avg. Daily Value	Rs.387.96m

Shareholding Pattern (%)

Promoter's	44.72
Foreign	10.67
Domestic Institution	35.88
Public & Others	8.73
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	(3.0)	(0.4)
Relative	(2.3)	(7.9)	(1.1)

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EBITDA miss led by weak Unichem margins

Quick Pointers:

- Reiterate guidance of 9-10% revenue growth with OPM improvement of 75bps (earlier 100bps) in FY26
- Unichem's FY26 EBITDA target is now off-track, with no growth expected due to a weak Q1.

Ipca Labs (IPCA) reported EBITDA of Rs4.2bn (up 10% YoY) was marginally below our estimates led by miss in Unichem nos. Q1 profitability for Unichem was weak with 4.3% OPM; impacted by certain one offs and price erosion in certain products. Mgmt. reiterated its FY26 guidance of 9-10% revenue growth however 75bps margin expansion vs 100 bps earlier. Our FY26E and FY27E EPS remain unchanged. API and generic business growth were muted in FY25; recovery will be gradual. Domestic formulation business, which now contributes 40% of revenues and ~55% of EBITDA, continued to outperform and grow at healthy levels. At CMP, the stock is trading at 16.5x EV/EBITDA and 27x PE on FY27E adjusted for Unichem stake. We maintain our ACCUMULATE with TP of Rs1,525/share; valuing at 18x EV/EBITDA.

Export formulation aided growth: IPCA's revenues came in at Rs 23.1bn, up 10.3% YoY in line with our est. Domestic formulations growth was 10% YoY (we est 11%). Export formulation was up 14% YoY at Rs 4.5bn above our estimate. Branded business increased by 10% YoY while generics growth was higher by 19.2% YoY. Institutional businesses remained flat YoY. API revenues growth were at 13.3% YoY. Export API was up 28% YoY whereas domestic API declined by 18% YoY. Revenues from subsidiaries, including Unichem came at Rs5.6bn.

EBITDA miss led by lower Unichem margins: Consolidated gross margins improved 80bps YoY to 70%. There was forex loss to the tune of Rs 82mn booked under other expenses. Adj for forex; other expenses were 13% YoY. Staff cost was up 11% YoY. EBITDA adj for forex gain came in at Rs 4.2bn; vs our est of Rs4.37bn. OPM came in at 18.4%, flat YoY. Sharp decline in Unichem margins at 4.3% (down 1000bps QoQ). Adj for Unichem; EBITDA growth was at 16% YoY to Rs 4bn with OPM of 22.5%. Resultant PAT came in line at Rs2.33bn.

Key Conference Call Takeaways:

Domestic: Market share improved by 7bps to 2.08% in Q1FY26. Chronic segment grew 15.1% (vs 9.9% industry growth) whereas acute segment growth was 9.8% (vs 6.8% in industry). Most therapies outperformed expect cardiovascular therapy as growth slowed down to 8% due to reorganization and MR additions. Plans to add 3-4% MR's annually mainly in specialty areas.

Unichem: US business grew by 12%, but overall margins declined due to loss of market share in profitable products and issues in Asia and Brazil markets. Asia fell due to Myanmar import license issues. Europe growth was aided by product shortages in UK markets. Additional one offs; made provision of Rs 120mn due to

Euro appreciation. Took hit of Rs 100mn for shutdown of Ireland facility. Management expects market share recovery in lost products over the coming quarters. Unichem unlikely to post EBITDA growth in FY26. Earlier guidance of Rs3bn now unlikely due to Q1 weakness, but performance expected to improve in the remaining 3 quarters.

US: 4 products launched with visibility of adding \$15-16mn in revenues. Additional filings and launches (4-5 products) are expected in the coming quarters. IPCA's US business with Unichem is on profit-sharing model; no incremental manpower required at Unichem for handling IPCA's portfolio.

Export formulations: Europe and LATAM remained strong growth contributors. Margins remained better in certain markets such as Canada, Australia, New Zealand. Expansion into Germany underway with a new subsidiary; product registrations in process.

Subsidiaries: Onyx Scientific witnessed first quarterly loss (~GBP 0.3 mn) after a decade of profits, due to slowdown in new project initiation by big pharma/virtual pharma amid funding issues. Pischah continues to incur losses; injectable project expected to be commercially ready in 2HFY26, with improvement expected thereafter. Planned for 2-3 products launches in FY26.

Others: Dewas facility operational for three years, now filing for exports after recent inspection.

Guidance- IPCA expects 9%-10% top-line growth for FY26. Consolidated EBITDA margin improvement revised to 75bps (earlier 100bps). Domestic business margins are expected to expand due to productivity improvements.

Exhibit 1: 1QFY26 Result Overview (Rs mn): In line PAT, despite weak Unichem numbers

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	23,089	20,926	10.3	23,196	(0.5)	22,467	2.8	98,597	89,396	10.3
Raw Material	6,916	6,435	7.5	7,191	(3.8)	7,083	(2.4)	36,648	33,332	9.9
% of Net Sales	30.0	30.8		31.0		31.5		37.2	37.3	
Personnel Cost	5,432	4,879	11.3	5,367	1.2	5,008	8.5	21,741	19,840	9.6
% of Net Sales	23.5	23.3		23.1		22.3		22.1	22.2	
Others	6,495	5,738	13.2	6,312	2.9	6,278	3.5	20,639	19,292	7.0
% of Net Sales	28.1	27.4		27.2		27.9		20.9	21.6	
Total Expenditure	18,843	17,051	10.5	18,869	(0.1)	18,369	2.6	79,028	72,465	9.1
EBITDA	4,246	3,875	9.6	4,327	(1.9)	4,098	3.6	19,568	16,931	15.6
Margin (%)	18.4	18.5		18.7		18.2		19.8	18.9	
Depreciation	1,001	989	1.2	1,100	(9.0)	1,001	(0.1)	4,217	3,978	6.0
EBIT	3,245	2,886	12.4	3,227	0.6	3,096	4.8	15,351	12,953	18.5
Other Income	327	206	58.5	275	18.8	258	26.5	1,150	928	23.9
Forex	(82)	52		-		191		(82)	330	
Interest	185	241	(23.0)	200	(7.5)	215	(13.9)	700	849	(17.6)
PBT	3,305	2,904	13.8	3,302	0.1	3,331	(0.8)	15,719	13,362	17.6
Extra-Ord. Inc./Exps.	-	-		-		2,051				
Total Taxes	961	914	5.1	925	3.9	622	54.4	4,559	3,436	32.7
ETR (%)	29.1	31.5		28.0		18.7		29.0	25.7	
Reported PAT	2,344	1,990	17.8	2,378	(1.4)	4,759	(50.7)	11,161	9,926	12.4
Minority Interest	(12)	(67)		(80)		20		(484)	(499)	
Total Comprehensive Income	2,332	1,922	21.3	2,298	1.5	4,779	(51.2)	10,677	9,427	13.3

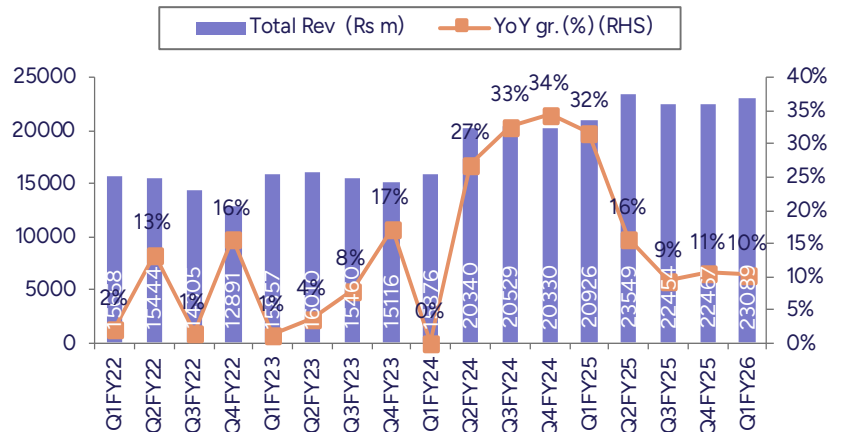
Source: Company, PL

Exhibit 2: Broad based growth across markets YoY

Major sources of revenues	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Domestic	10,372	9,659	7.4	8,547	21.4	42,294	38,306	10.4
Formulations	9,610	8,734	10.0	7,641	25.8	38,352	34,551	11.0
APIs	762	925	(17.6)	906	(15.9)	3,942	3,755	5.0
Exports	6,998	5,909	18.4	7,743	(9.6)	31,598	28,090	12.5
Formulations	4,496	3,954	13.7	5,235	(14.1)	21,981	19,186	14.6
APIs	2,502	1,955	28.0	2,508	(0.2)	9,616	8,904	8.0
Subsidiaries	5,620	5,268		6,083		22,798	21,110	8.0
Net Sales	22,989	20,835	10.3	22,372	2.8	96,690	87,505	10.5

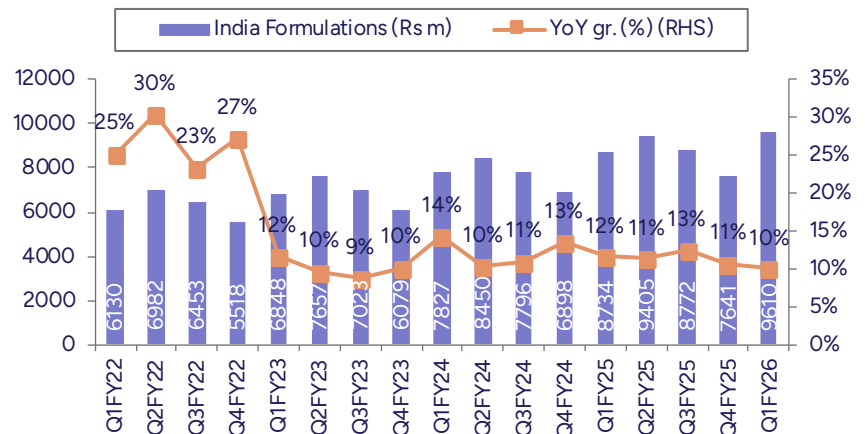
Source: Company, PL

Exhibit 3: Formulation business gains offset by Unichem weakness



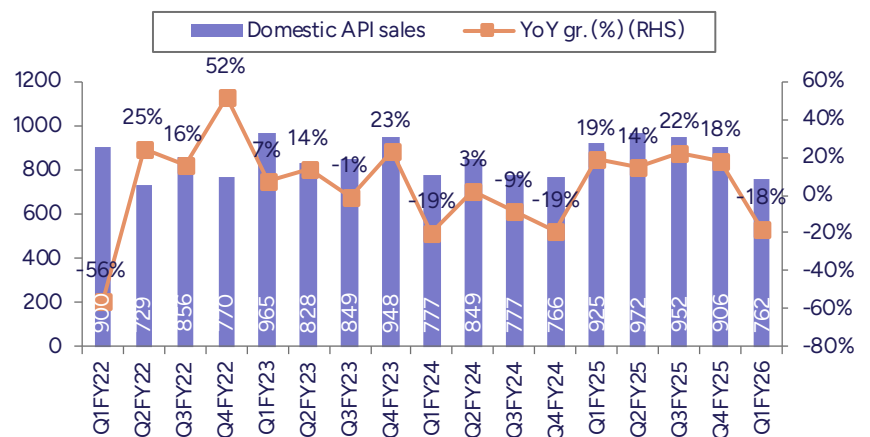
Source: Company, PL

Exhibit 4: Steady domestic growth



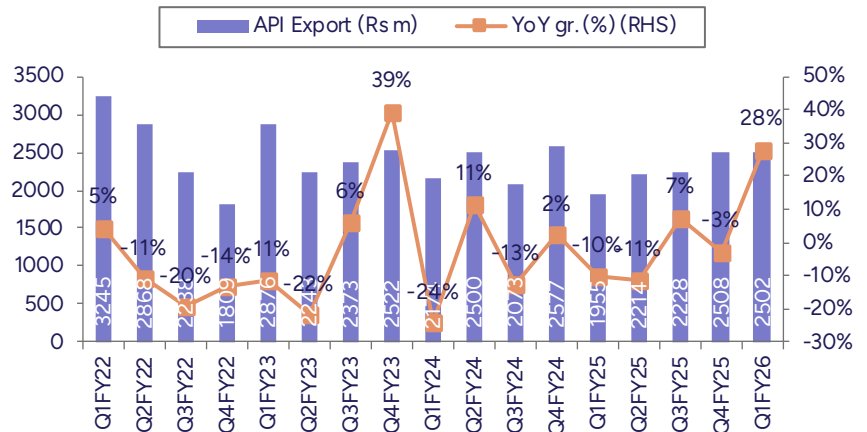
Source: Company, PL

Exhibit 5: Muted performance YoY



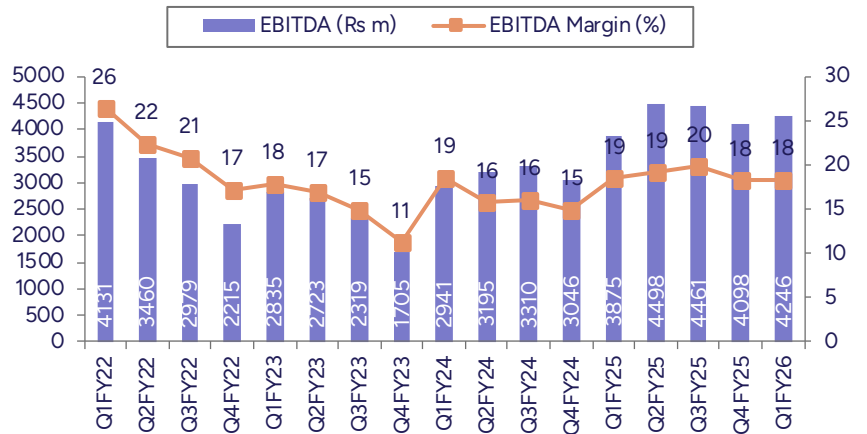
Source: Company, PL

Exhibit 6: Recovery in export API business



Source: Company, PL

Exhibit 7: Unichem business dragged margin performance



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	77,050	89,396	98,597	1,10,114
YoY gr. (%)	23.4	16.0	10.3	11.7
Cost of Goods Sold	30,996	33,332	36,648	40,273
Gross Profit	46,054	56,064	61,948	69,841
Margin (%)	59.8	62.7	62.8	63.4
Employee Cost	17,084	19,840	21,741	24,442
Other Expenses	16,088	19,292	20,639	22,569
EBITDA	12,882	16,931	19,568	22,830
YoY gr. (%)	34.4	31.4	15.6	16.7
Margin (%)	16.7	18.9	19.8	20.7
Depreciation and Amortization	3,572	3,978	4,217	4,512
EBIT	9,310	12,953	15,351	18,318
Margin (%)	12.1	14.5	15.6	16.6
Net Interest	1,383	849	700	500
Other Income	1,577	1,258	1,068	1,400
Profit Before Tax	9,504	13,362	15,719	19,218
Margin (%)	12.3	14.9	15.9	17.5
Total Tax	3,135	3,436	4,559	5,381
Effective tax rate (%)	33.0	25.7	29.0	28.0
Profit after tax	6,370	9,926	11,161	13,837
Minority interest	-	-	-	-
Share Profit from Associate	181	(499)	(484)	(1,020)
Adjusted PAT	6,551	9,427	10,677	12,817
YoY gr. (%)	39.0	43.9	13.3	20.0
Margin (%)	8.5	10.5	10.8	11.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,551	9,427	10,677	12,817
YoY gr. (%)	39.0	43.9	13.3	20.0
Margin (%)	8.5	10.5	10.8	11.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,551	9,427	10,677	12,817
Equity Shares O/s (m)	254	254	254	254
EPS (Rs)	25.8	37.2	42.1	50.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	64,262	65,372	73,372	81,372
Tangibles	64,262	65,372	73,372	81,372
Intangibles	-	-	-	-
Acc: Dep / Amortization	19,634	23,612	27,829	32,341
Tangibles	19,634	23,612	27,829	32,341
Intangibles	-	-	-	-
Net fixed assets	44,628	41,760	45,543	49,031
Tangibles	44,628	41,760	45,543	49,031
Intangibles	-	-	-	-
Capital Work In Progress	3,429	6,218	6,218	6,218
Goodwill	906	906	906	906
Non-Current Investments	3,036	253	253	253
Net Deferred tax assets	(3,062)	(2,781)	(2,781)	(2,781)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	5,584	7,634	7,634	7,634
Inventories	24,696	25,604	27,277	29,853
Trade receivables	16,865	18,738	20,458	21,933
Cash & Bank Balance	2,968	3,442	4,925	8,988
Other Current Assets	6,252	10,746	10,746	10,746
Total Assets	1,10,971	1,17,436	1,26,201	1,37,915
Equity				
Equity Share Capital	254	254	254	254
Other Equity	63,068	69,231	78,926	91,006
Total Networth	63,322	69,485	79,180	91,259
Non-Current Liabilities				
Long Term borrowings	5,804	5,432	5,432	5,432
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	8,071	7,585	5,085	2,585
Trade payables	7,761	8,462	9,547	10,662
Other current liabilities	9,003	9,295	9,295	9,295
Total Equity & Liabilities	1,10,971	1,17,437	1,26,201	1,37,915

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	10,692	13,802	16,051	18,818
Add. Depreciation	3,572	3,978	4,217	4,512
Add. Interest	(1,383)	(849)	(700)	(500)
Less Financial Other Income	1,577	1,258	1,068	1,400
Add. Other	444	1,659	484	1,020
Op. profit before WC changes	13,326	18,591	20,052	23,851
Net Changes-WC	(916)	(1,765)	(2,414)	(3,048)
Direct tax	(2,963)	(3,613)	(4,559)	(5,381)
Net cash from Op. activities	9,447	13,213	13,080	15,421
Capital expenditures	(19,891)	(8,275)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(19,891)	(8,275)	(8,000)	(8,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,569)	(933)	(2,500)	(2,500)
Dividend paid	(507)	(1,015)	(1,465)	(1,758)
Interest paid	(135)	79	450	900
Others	(30)	(3,476)	(82)	-
Net cash from Fin. activities	(4,241)	(5,344)	(3,597)	(3,358)
Net change in cash	(14,685)	(406)	1,483	4,063
Free Cash Flow	5,341	5,458	5,080	7,421

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	25.8	37.2	42.1	50.5
CEPS	39.9	52.8	58.7	68.3
BVPS	249.6	273.9	312.1	359.7
FCF	21.1	21.5	20.0	29.3
DPS	2.0	4.0	5.0	6.0
Return Ratio(%)				
RoCE	12.4	16.2	17.8	19.4
ROIC	9.1	12.2	13.5	15.1
RoE	10.8	14.2	14.4	15.0
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	160	146	141	136
Valuation(x)				
PER	53.3	37.0	32.7	27.3
P/B	5.5	5.0	4.4	3.8
P/CEPS	34.5	26.1	23.5	20.2
EV/EBITDA	27.5	20.7	17.7	14.9
EV/Sales	4.6	3.9	3.5	3.1
Dividend Yield (%)	0.1	0.3	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	23,549	22,454	22,467	23,089
YoY gr. (%)	15.8	9.4	10.5	10.3
Raw Material Expenses	7,586	6,682	7,083	6,916
Gross Profit	15,963	15,772	15,384	16,173
Margin (%)	67.8	70.2	68.5	70.0
EBITDA	4,498	4,461	4,098	4,246
YoY gr. (%)	40.8	34.8	34.5	9.6
Margin (%)	19.1	19.9	18.2	18.4
Depreciation / Depletion	1,004	985	1,001	1,001
EBIT	3,495	3,476	3,096	3,245
Margin (%)	14.8	15.5	13.8	14.1
Net Interest	226	168	215	185
Other Income	179	371	449	245
Profit before Tax	3,448	3,679	3,331	3,305
Margin (%)	14.6	16.4	14.8	14.3
Total Tax	994	906	622	961
Effective tax rate (%)	28.8	24.6	18.7	29.1
Profit after Tax	2,454	2,773	2,708	2,344
Minority interest	160	292	(20)	12
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,295	2,481	2,729	2,332
YoY gr. (%)	58.2	121.8	39.0	21.3
Margin (%)	9.7	11.1	12.1	10.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,295	2,481	2,729	2,332
YoY gr. (%)	58.2	121.8	39.0	21.3
Margin (%)	9.7	11.1	12.1	10.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,295	2,481	2,729	2,332
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	9.0	9.8	10.8	9.2

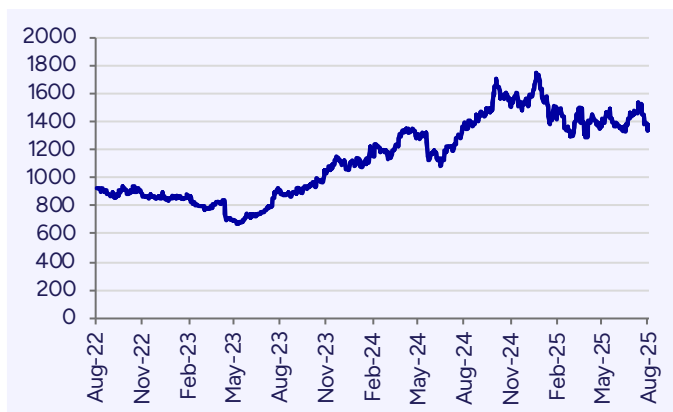
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Domestic Formulations	30,972	34,551	38,352	42,570
Domestic API	3,169	3,755	3,942	4,337
Export Formulations	17,753	19,186	21,981	25,087
Export API	9,324	8,904	9,616	10,770

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Accumulate	1,525	1,456
2	31-May-25	Accumulate	1,525	1,425
3	08-Apr-25	Accumulate	1,700	1,316
4	14-Feb-25	Accumulate	1,700	1,491
5	08-Jan-25	Accumulate	1,700	1,736
6	18-Nov-24	Accumulate	1,700	1,537
7	07-Oct-24	Reduce	1,250	1,491
8	15-Aug-24	Reduce	1,250	1,349

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,350	7,616
2	Aster DM Healthcare	BUY	700	605
3	Aurobindo Pharma	BUY	1,300	1,079
4	Cipla	BUY	1,730	1,533
5	Divi's Laboratories	Accumulate	6,550	6,134
6	Dr. Reddy's Laboratories	Reduce	1,270	1,247
7	Eris Lifesciences	BUY	1,975	1,808
8	Fortis Healthcare	BUY	1,000	884
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	322
11	Ipca Laboratories	Accumulate	1,525	1,456
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,778
13	Jupiter Life Line Hospitals	BUY	1,720	1,451
14	Krishna Institute of Medical Sciences	BUY	815	745
15	Lupin	BUY	2,400	1,852
16	Max Healthcare Institute	BUY	1,300	1,300
17	Narayana Hrudayalaya	BUY	2,000	1,830
18	Rainbow Children's Medicare	BUY	1,725	1,541
19	Sun Pharmaceutical Industries	BUY	1,875	1,707
20	Sunteck Realty	BUY	650	427
21	Torrent Pharmaceuticals	Accumulate	4,000	3,623
22	Zydus Lifesciences	Accumulate	970	999

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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