

February 14, 2025

Q3FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,700		1,700	
Sales (Rs. m)	1,01,596	1,14,953	1,02,773	1,15,901
% Chng.	(1.1)	(0.8)		
EBITDA (Rs. m)	21,041	25,245	21,294	25,257
% Chng.	(1.2)	-		
EPS (Rs.)	43.8	54.9	43.6	53.5
% Chng.	0.6	2.7		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	77,050	89,251	1,01,596	1,14,953
EBITDA (Rs. m)	12,882	16,720	21,041	25,245
Margin (%)	16.7	18.7	20.7	22.0
PAT (Rs. m)	6,551	8,529	11,111	13,924
EPS (Rs.)	25.8	33.6	43.8	54.9
Gr. (%)	39.0	30.2	30.3	25.3
DPS (Rs.)	2.0	5.0	7.0	8.0
Yield (%)	0.1	0.3	0.5	0.5
RoE (%)	10.8	12.7	14.6	15.8
RoCE (%)	12.4	15.9	19.4	21.6
EV/Sales (x)	5.0	4.3	3.7	3.2
EV/EBITDA (x)	29.8	22.7	17.8	14.5
PE (x)	57.7	44.3	34.0	27.2
P/BV (x)	6.0	5.3	4.6	4.0

Key Data

IPCA.BO | IPCA IN

52-W High / Low	Rs.1,758 / Rs.1,052
Sensex / Nifty	76,139 / 23,031
Market Cap	Rs.378bn/ \$ 4,352m
Shares Outstanding	254m
3M Avg. Daily Value	Rs.891.2m

Shareholding Pattern (%)

Promoter's	44.72
Foreign	11.06
Domestic Institution	35.36
Public & Others	8.86
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.6)	6.7	28.5
Relative	(5.4)	10.7	20.7

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EBITDA beat aided by higher GMs and Unichem profitability

Quick Pointers:

- Adjusted for Unichem; margins came in at 21%.
- Domestic formulation growth was aided by 5-6% each price and volume.

Ipca Labs (IPCA) reported EBITDA of Rs4.6bn (up 35% YoY), 7% beat to our estimates. Our FY26E and FY27E EPS broadly remains unchanged. The broad-based revenue growth in 9M provides comfort while export API and generic should recover in coming quarters. Domestic formulation business, which now contributes 40% of revenues and ~60% of EBITDA, continued to outperform and grow at healthy levels. Turnaround in Unichem remains on track with margins improving from 6% at time of acquisition to 16% in Q3. At CMP, the stock is trading at 16x EV/EBITDA and 27x PE on FY27E adjusted for Unichem stake. We maintain our ACCUMULATE with TP of Rs1,700/share.

Domestic formulation & branded generics aids growth: IPCA's revenues came in at Rs 22.5bn, up 9.4% YoY in line with our est. Adjusted for Unichem; sales were up 8% YoY. Domestic formulations remained healthy at 12.5% YoY (we est 11.5%). Export formulation were up 6% YoY at Rs 4.6bn against our est of Rs 5.3bn. Branded business rose sharply by 53% YoY while generics remained muted down 11% YoY. Institutional businesses witnessed de-growth of 3% YoY. API revenues showed recovery up 11.6% YoY to Rs 3.2bn (we est Rs 2.9bn). Export API was flat YoY whereas domestic API increased 15% YoY. Revenues from subsidiaries, including Unichem came in higher at Rs5.83bn.

Higher GMs and Unichem profitability aided EBITDA beat: Consolidated gross margins improved 245bps QoQ to 70.2%. There was forex gain to the tune of Rs 170mn booked under other expenses. Adj for forex; other expenses were up 1% QoQ. Staff cost was up 6% YoY. EBITDA adj for forex gain came in at Rs 4.46bn; 7% above our est. OPM came in at 19.9%, up 80bps QoQ. Unichem margins came in higher at 16%. Adj for Unichem; EBITDA came in at 3.61bn with OPM at 21.1%. PAT came in at Rs2.48bn; up 38% YoY.

Key Concall takeaways: (1) Domestic market: The growth was primarily driven by a 5-6% price increase and 5% volume expansion. The acute portfolio recorded an 8.7% growth, while the chronic portfolio outperformed the IPM with a 17.1% increase. The current MR strength stands at 6,700, and PCPM improved to Rs 0.44 mn in Q3FY25, up from Rs 0.42 mn in the same period last year, despite the addition of new MRs. Mgmt highlighted significant opportunities in the Rheumatoid Arthritis portfolio. **(2) Unichem** – Achieved 14.5% YoY growth with a healthy 16% EBITDA margin. Over the past 6m, successfully shipped 4 products, with another 7-8 in the pipeline. Plans to launch 5-6 formulation products in the US annually. Borrowings as of Q3FY25 stood at \$30 mn. **(3) US** – Remains committed to launching 5-6 products in FY26. Dewas facility operates at 30-35% capacity utilization, while the Ratlam facility is dedicated to serving the US market.

(4) Branded formulation business: South Africa business faced slowdown due to the loss of tenders. Supply constraints on APIs impacted operations in Australia and New Zealand, though recovery is anticipated as outsourced APIs are restored. UK business remained muted. Growth of 15–17% is expected in FY26. EU segment delivered strong growth of 15%. **(5) Other:** Better product mix, strong chronic portfolio performance, and efficiencies from Unichem operations contributed to overall growth. The newly launched Flexicare division, focusing on orthopedic solutions with different indications, is gradually scaling up, with a recent addition of around 150 team members. R&D costs are expected to remain at 4% in FY26. Bayshore subsidiary has turned profitable, while the Pisgah subsidiary is anticipated to break even within the next couple of quarters. Gross debt stands at Rs 9 bn, with net debt at Rs 3 bn, and the company aims to be debt-free by FY26. ETR is projected at 27–28%.

Exhibit 1: 3QFY25 Result Overview (Rs mn): EBITDA above est, domestic formulation continues to aid growth

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	22,454	20,529	9.4	23,549	(4.7)	66,929	56,744	17.9
Raw Material	6,682	6,970	(4.1)	7,586	(11.9)	20,703	18,899	9.5
<i>% of Net Sales</i>	<i>29.8</i>	<i>34.0</i>		<i>32.2</i>		<i>30.9</i>	<i>33.3</i>	
Personnel Cost	4,854	4,590	5.8	5,098	(4.8)	14,832	12,424	19.4
<i>% of Net Sales</i>	<i>21.6</i>	<i>22.4</i>		<i>21.7</i>		<i>22.2</i>	<i>21.9</i>	
Others	6,457	5,659	14.1	6,367	1.4	18,561	15,975	16.2
<i>% of Net Sales</i>	<i>28.8</i>	<i>27.6</i>		<i>27.0</i>		<i>27.7</i>	<i>28.2</i>	
Total Expenditure	17,993	17,219	4.5	19,051	(5.6)	54,095	47,298	14.4
EBITDA	4,461	3,310	34.8	4,498	(0.8)	12,834	9,446	35.9
<i>Margin (%)</i>	<i>19.9</i>	<i>16.1</i>		<i>19.1</i>		<i>19.2</i>	<i>16.6</i>	
Depreciation	985	995	(1.0)	1,004	(1.9)	2,977	2,591	14.9
EBIT	3,476	2,315	50.2	3,495	(0.5)	9,857	6,855	43.8
Other Income	201	225	(10.4)	263	(23.4)	670	1,059	(36.7)
Forex	170	4		84		139	156	
Interest	168	334	(49.7)	226	(25.5)	634	1,089	(41.8)
PBT	3,679	2,209	66.6	3,448	6.7	10,031	6,981	43.7
Extra-Ord. Inc./Exps.	-	680		-		-	680	
Total Taxes	906	662	36.8	994	(8.9)	2,814	2,398	17.4
<i>ETR (%)</i>	<i>24.6</i>	<i>30.0</i>		<i>28.8</i>		<i>28.1</i>	<i>34.3</i>	
Reported PAT	2,773	2,226	24.6	2,454	13.0	7,218	5,263	37.1
Minority Interest	(292)	(428)		(160)		519	364	
Total Comprehensive Income	2,481	1,799	38.0	2,295	8.1	6,699	4,899	36.7

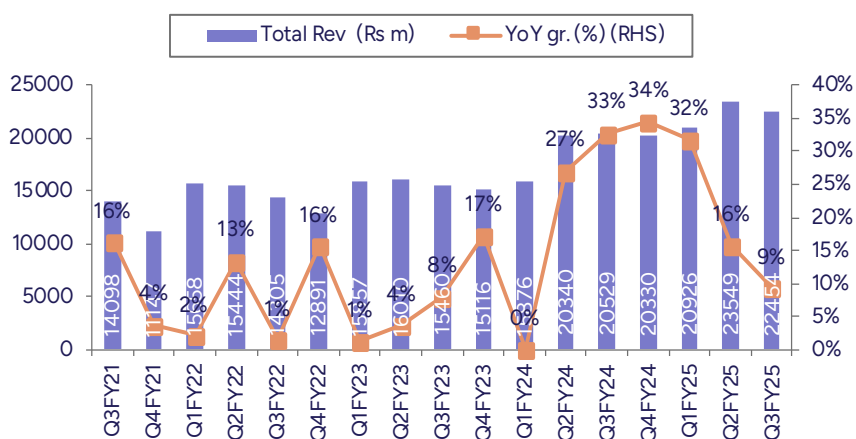
Source: Company, PL

Exhibit 2: Strong YoY growth across Domestic formulation and branded generic

Major sources of revenues	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Domestic	9,723	8,573	13.4	10,377	(6.3)	29,759	26,476	12.4
Formulations	8,772	7,796	12.5	9,405	(6.7)	26,911	24,073	11.8
APIs	952	777	22.5	972	(2.1)	2,848	2,403	18.5
Exports	6,809	6,403	6.3	7,629	(10.7)	20,347	19,763	3.0
Formulations	4,582	4,331	5.8	5,415	(15.4)	13,950	13,017	7.2
APIs	2,228	2,073	7.5	2,214	0.6	6,396	6,747	(5.2)
Subsidiaries	5,827	5,460		5,440		16,534	10,162	
Net Sales	22,359	20,437	9.4	23,446	(4.6)	66,640	56,402	18.2

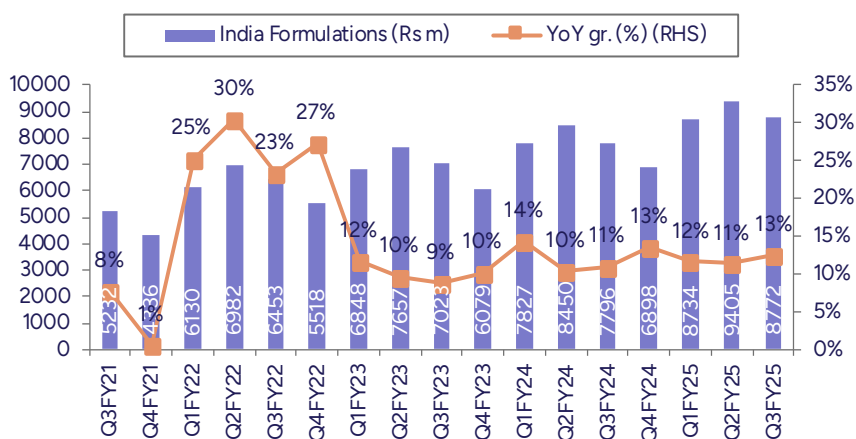
Source: Company, PL

Exhibit 3: Growth driven by domestic formulation & Unichem integration



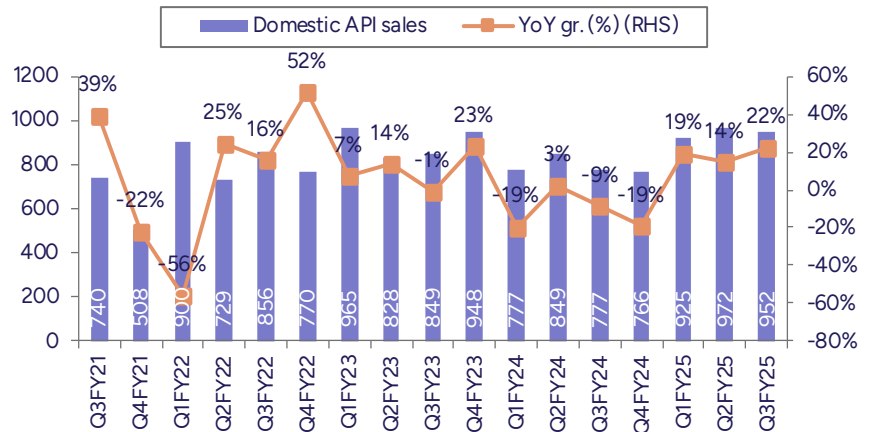
Source: Company, PL

Exhibit 4: Continued momentum YoY



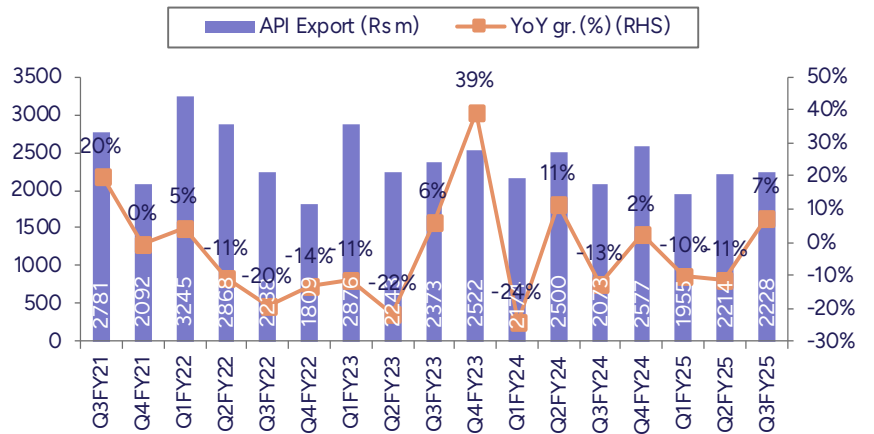
Source: Company, PL

Exhibit 5: Growth trajectory continues YoY



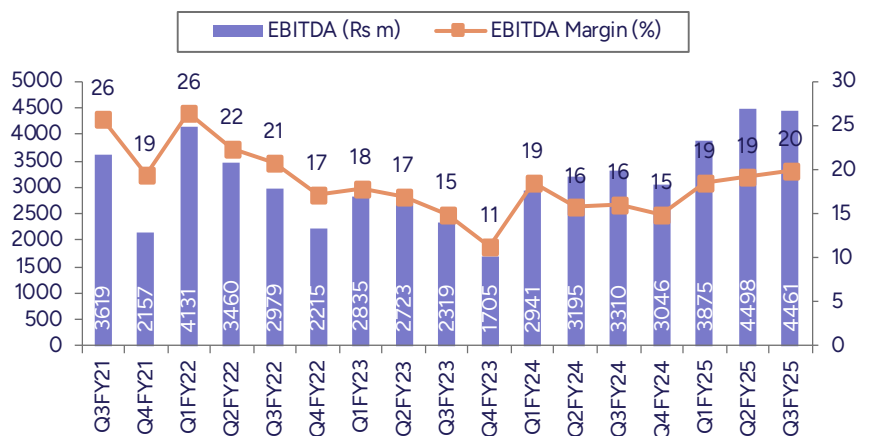
Source: Company, PL

Exhibit 6: Recovery in API business



Source: Company, PL

Exhibit 7: Better product mix & Unichem efficiency aided margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	77,050	89,251	1,01,596	1,14,953
YoY gr. (%)	23.4	15.8	13.8	13.1
Cost of Goods Sold	30,994	33,636	38,409	43,460
Gross Profit	46,056	55,615	63,187	71,493
Margin (%)	59.8	62.3	62.2	62.2
Employee Cost	17,084	20,112	22,335	24,779
Other Expenses	16,090	18,782	19,810	21,469
EBITDA	12,882	16,720	21,041	25,245
YoY gr. (%)	34.4	29.8	25.8	20.0
Margin (%)	16.7	18.7	20.7	22.0
Depreciation and Amortization	3,572	4,044	4,286	4,544
EBIT	9,310	12,676	16,755	20,702
Margin (%)	12.1	14.2	16.5	18.0
Net Interest	1,383	800	700	500
Other Income	1,577	1,039	1,100	1,400
Profit Before Tax	9,504	12,915	17,155	21,602
Margin (%)	12.3	14.5	16.9	18.8
Total Tax	3,135	3,616	4,803	6,048
Effective tax rate (%)	33.0	28.0	28.0	28.0
Profit after tax	6,370	9,299	12,351	15,553
Minority interest	-	-	-	-
Share Profit from Associate	181	(770)	(1,240)	(1,629)
Adjusted PAT	6,551	8,529	11,111	13,924
YoY gr. (%)	39.0	30.2	30.3	25.3
Margin (%)	8.5	9.6	10.9	12.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,551	8,529	11,111	13,924
YoY gr. (%)	39.0	30.2	30.3	25.3
Margin (%)	8.5	9.6	10.9	12.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,551	8,529	11,111	13,924
Equity Shares O/s (m)	254	254	254	254
EPS (Rs)	25.8	33.6	43.8	54.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	64,262	68,262	72,262	76,262
Tangibles	64,262	68,262	72,262	76,262
Intangibles	-	-	-	-
Acc: Dep / Amortization	19,634	23,678	27,964	32,508
Tangibles	19,634	23,678	27,964	32,508
Intangibles	-	-	-	-
Net fixed assets	44,628	44,584	44,298	43,754
Tangibles	44,628	44,584	44,298	43,754
Intangibles	-	-	-	-
Capital Work In Progress	3,429	3,429	3,429	3,429
Goodwill	906	906	906	906
Non-Current Investments	3,036	3,036	3,036	3,036
Net Deferred tax assets	(3,062)	(3,062)	(3,062)	(3,062)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	5,584	5,584	5,584	5,584
Inventories	24,696	25,918	29,515	33,397
Trade receivables	16,865	19,253	21,926	24,809
Cash & Bank Balance	2,968	4,429	7,235	12,786
Other Current Assets	6,252	6,252	6,252	6,252
Total Assets	1,10,971	1,16,128	1,25,054	1,36,970
Equity				
Equity Share Capital	254	254	254	254
Other Equity	63,068	70,902	81,202	94,411
Total Networkth	63,322	71,156	81,456	94,665
Non-Current Liabilities				
Long Term borrowings	5,804	5,804	5,804	5,804
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	8,071	5,571	3,071	571
Trade payables	7,761	7,585	8,711	9,918
Other current liabilities	9,003	9,003	9,003	9,003
Total Equity & Liabilities	1,10,971	1,16,129	1,25,055	1,36,971

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	10,692	13,476	17,455	21,202
Add. Depreciation	3,572	4,044	4,286	4,544
Add. Interest	(1,383)	(800)	(700)	(500)
Less Financial Other Income	1,577	1,039	1,100	1,400
Add. Other	444	139	-	-
Op. profit before WC changes	13,326	16,859	21,041	25,245
Net Changes-WC	(916)	(3,916)	(5,281)	(5,701)
Direct tax	(2,963)	(3,616)	(4,803)	(6,048)
Net cash from Op. activities	9,447	9,327	10,957	13,495
Capital expenditures	(19,891)	(4,000)	(4,000)	(4,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(19,891)	(4,000)	(4,000)	(4,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,038)	(2,500)	(2,500)	(2,500)
Dividend paid	(507)	(1,465)	(2,051)	(2,344)
Interest paid	(135)	100	400	900
Others	(560)	(880)	-	-
Net cash from Fin. activities	(4,241)	(4,745)	(4,151)	(3,944)
Net change in cash	(14,685)	581	2,805	5,551
Free Cash Flow	5,341	5,327	6,957	9,495

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	20,330	20,926	23,549	22,454
YoY gr. (%)	34.5	31.8	15.8	9.4
Raw Material Expenses	6,859	6,435	7,586	6,682
Gross Profit	13,471	14,491	15,963	15,772
Margin (%)	66.3	69.2	67.8	70.2
EBITDA	3,046	3,875	4,498	4,461
YoY gr. (%)	78.6	31.7	40.8	34.8
Margin (%)	15.0	18.5	19.1	19.9
Depreciation / Depletion	981	989	1,004	985
EBIT	2,065	2,886	3,495	3,476
Margin (%)	10.2	13.8	14.8	15.5
Net Interest	294	241	226	168
Other Income	362	258	179	371
Profit before Tax	2,133	2,904	3,448	3,679
Margin (%)	10.5	13.9	14.6	16.4
Total Tax	737	914	994	906
Effective tax rate (%)	34.5	31.5	28.8	24.6
Profit after Tax	1,396	1,990	2,454	2,773
Minority interest	(567)	67	160	292
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,963	1,922	2,295	2,481
YoY gr. (%)	156.5	16.6	58.2	121.8
Margin (%)	9.7	9.2	9.7	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,963	1,922	2,295	2,481
YoY gr. (%)	156.5	16.6	58.2	121.8
Margin (%)	9.7	9.2	9.7	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,963	1,922	2,295	2,481
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	2.3	7.6	9.0	9.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	25.8	33.6	43.8	54.9
CEPS	39.9	49.6	60.7	72.8
BVPS	249.6	280.5	321.1	373.1
FCF	21.1	21.0	27.4	37.4
DPS	2.0	5.0	7.0	8.0
Return Ratio(%)				
RoCE	12.4	15.9	19.4	21.6
ROIC	9.1	11.9	14.9	17.5
RoE	10.8	12.7	14.6	15.8
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	160	154	154	153
Valuation(x)				
PER	57.7	44.3	34.0	27.2
P/B	6.0	5.3	4.6	4.0
P/CEPS	37.4	30.1	24.6	20.5
EV/EBITDA	29.8	22.7	17.8	14.5
EV/Sales	5.0	4.3	3.7	3.2
Dividend Yield (%)	0.1	0.3	0.5	0.5

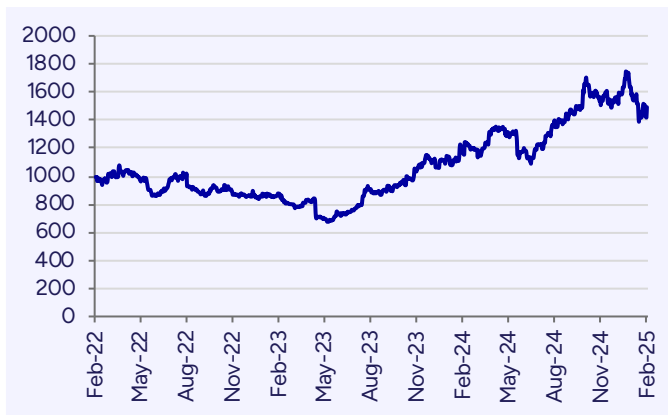
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Domestic Formulations	30,972	34,657	38,989	43,863
Domestic API	3,169	3,645	4,009	4,410
Export Formulations	17,726	19,114	23,334	27,352
Export API	9,324	8,951	10,114	11,632

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Accumulate	1,700	1,736
2	18-Nov-24	Accumulate	1,700	1,537
3	07-Oct-24	Reduce	1,250	1,491
4	15-Aug-24	Reduce	1,250	1,349
5	08-Jul-24	Reduce	1,150	1,193
6	31-May-24	Reduce	1,150	1,250
7	08-Apr-24	Hold	1,060	1,315
8	16-Feb-24	Hold	1,060	1,152

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,317
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	BUY	1,510	1,192
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	760	628
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,750	1,607
14	Krishna Institute of Medical Sciences	BUY	725	642
15	Lupin	BUY	2,420	2,025
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,369
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

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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