

November 14, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		ACCUMULATE	
Target Price	1,600		1,525	
Sales (Rs. m)	1,10,270	1,22,561	1,10,114	1,22,834
% Chng.	0.1	(0.2)		
EBITDA (Rs. m)	22,767	26,511	22,753	26,569
% Chng.	0.1	(0.2)		
EPS (Rs.)	51.0	59.8	50.6	59.5
% Chng.	0.7	0.4		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	89,396	98,424	1,10,270	1,22,561
EBITDA (Rs. m)	16,931	19,603	22,767	26,511
Margin (%)	18.9	19.9	20.6	21.6
PAT (Rs. m)	9,427	10,874	12,934	15,165
EPS (Rs.)	37.2	42.9	51.0	59.8
Gr. (%)	43.9	15.3	18.9	17.3
DPS (Rs.)	4.0	5.0	6.0	6.0
Yield (%)	0.3	0.4	0.5	0.5
RoE (%)	14.2	14.6	15.2	15.4
RoCE (%)	16.2	17.9	19.3	20.6
EV/Sales (x)	3.7	3.3	2.9	2.6
EV/EBITDA (x)	19.6	16.7	14.1	11.9
PE (x)	35.0	30.4	25.5	21.8
P/BV (x)	4.8	4.2	3.6	3.1

Key Data

IPCA.BO | IPCA IN

52-W High / Low	Rs.1,758 / Rs.1,168
Sensex / Nifty	84,479 / 25,879
Market Cap	Rs.330bn / \$ 3,725m
Shares Outstanding	254m
3M Avg. Daily Value	Rs.234.94m

Shareholding Pattern (%)

Promoter's	44.72
Foreign	10.42
Domestic Institution	36.45
Public & Others	8.41
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.6)	(7.3)	(13.5)
Relative	(4.1)	(10.9)	(20.4)

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EBITDA beat; Margin outlook strong

Quick Pointers:

- Margin will be 100bps higher YoY in H2FY26.
- Better business from EU and LatAm aided high growth in export API.

We upgrade Ipca Labs (IPCA) from Accumulate to BUY given 1) recovery in API segment 2) higher margins ex Unichem 3) steady growth in domestic formulation and 4) attractive valuations.

Ipca reported strong EBITDA of Rs5.6bn (up 23% YoY) which was 6% above our estimates aided by Unichem and higher API sales. Q2 EBITDA for Unichem saw recovery QoQ. Export API business witnessed recovery in H1FY26 with 36% YoY growth. 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 14.5x EV/EBITDA and 24x PE on Sept 2027E adjusted for Unichem stake. We upgrade stock to Buy from ACCUMULATE with revised TP of Rs1,600/share; valuing at 18x EV/EBITDA on Sept 2027E.

In line revenue: IPCA's revenues came in at Rs 25.6bn, up 8.6% YoY in line with our est. Domestic formulations growth was 8% YoY to Rs 10.2bn. Export formulation was down 9% YoY at Rs 5bn. Branded business was up by 2% YoY while generics business declined 6.5% YoY. Institutional businesses was down 11% YoY. API sales growth was strong at 28% YoY. Export API was up 45% YoY whereas domestic API declined 11% YoY. Revenues from subsidiaries, including Unichem were at Rs 6.3bn.

EBITDA beat aided by Unichem and higher export API sales: Consolidated gross margins improved 160bps YoY to 69.4%. There was forex loss to the tune of Rs 94mn booked under other expenses. Adj for forex; other expenses were 7% YoY. Staff cost was up 6% YoY. EBITDA adj for forex gain came in at Rs 5.54bn, up 23% YoY; vs our est of Rs5.30bn. OPM came in at 21.7%, up 330bps YoY. Sharp uptick in Unichem margins at 11.4% (up 700bps QoQ). Adj for Unichem; EBITDA growth was at 24% YoY with OPM of 24.7%. PAT came at Rs 3.4bn; up 49% YoY

Key Conference Call Takeaways:

Domestic: Growth was impacted by GST rate rationalization in Sept'25 but strong recovery seen in Oct month. Chronic portfolio share rose to 35%, both acute and chronic segments outpaced IPM. Therapy wise growth; Pain (+10%), CVS (+11%), CNS (+18%), Cough & Cold (+17%), Dermatology/Urology (+11%); Anti-malarials declined (-8%). MR strength at 700, added 2 new cardiac divisions, planning for Cosmeto dermatology division.

Unichem: Synergy work in progress: ~12 dossiers filed in Europe/other markets; approvals expected in 12–18 months. API sourcing from IPCA to start from FY27E post regulatory clearance. Ireland plant closed; production shifted to Baddi, cost saving of EUR 3.5–4 mn p.a. EBITDA expected to sustain this level near term;

structural improvement in 1.5–2 yrs. US business grew 12% YoY; EU also steady. Targeting 8–10% US growth annually despite price erosion. Jogeshwari land sale completed (Q3 inflow); no further cash infusion needed.

US: Business stabilising; commercialised 6 products, 5-6 products under manufacturing. Additional launches expected from Q4FY26. For H1, reported Rs550mn of revenues

Export formulations: European softness due to one product; otherwise, healthy demand, new Germany subsidiary set up for tender participation. Cross-selling of Unichem products in ROW/Europe to begin post approvals (12–18 months). H2 growth guidance of 8-9% will be driven by generics recovery and steady branded exports.

API: Mix improvement, better business from EU and LatAm aided such high growth. FY26E growth guidance of 14-15%

R&D pipeline: 7 biosimilars in pipeline; 3 to enter clinical stage next year. FY27E range to be 4.5–4.7% with biosimilar clinical trials and expanded filings. For Q2, R&D spend was 3.9% of sales

Subsidiaries: Lyka Labs: Weak quarter due to GST change & batch rejections (~Rs 50 to 70mn hit). Critical care & animal health verticals progressing as planned. Biosimilar tech transfer (Puerto Rico partner): milestone + royalty model; aims for US market entry and regulatory collaboration.

Guidance- Domestic 10-11% growth in FY26E. Margins to be better by 100 bps in H2.

Exhibit 1: 2QFY26 Result Overview (Rs mn): EBITDA above estimates

Y/e March	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var	Q1FY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Net Sales	25,565	23,549	8.6	25,597	(0.1)	23,089	10.7	48,654	44,475	9.4
Raw Material	7,816	7,586	3.0	7,935	(1.5)	6,916	13.0	14,732	14,021	5.1
% of Net Sales	30.6	32.2		31.0		30.0		30.3	31.5	
Personnel Cost	5,379	5,098	5.5	5,650	(4.8)	5,432	(1.0)	10,811	9,977	8.4
% of Net Sales	21.0	21.7		22.1		23.5		22.2	22.4	
Others	6,826	6,367	7.2	6,800	0.4	6,495	5.1	13,322	12,105	10.1
% of Net Sales	26.7	27.0		26.6		28.1		27.4	27.2	
Total Expenditure	20,022	19,051	5.1	20,385	(1.8)	18,843	6.3	38,865	36,102	7.7
EBITDA	5,543	4,498	23.2	5,212	6.4	4,246	30.6	9,789	8,373	16.9
Margin (%)	21.7	19.1		20.4		18.4		20.1	18.8	
Depreciation	1,033	1,004	3.0	1,072	(3.6)	1,001	3.3	2,034	1,992	2.1
EBIT	4,510	3,495	29.0	4,140	8.9	3,245	39.0	7,755	6,381	21.5
Other Income	279	263	6.1	300	(7.1)	327	(14.7)	605	469	29.1
Forex	(94)	(84)		-		(82)		(176)	(31)	
Interest	196	226	(13.1)	180	8.9	185	5.9	381	466	(18.2)
PBT	4,498	3,448	30.5	4,260	5.6	3,305	36.1	7,804	6,352	22.8
Extra-Ord. Inc./Exps.	583	-		-		-		583	-	
Total Taxes	1,081	994	8.7	1,235	(12.5)	961	12.5	2,042	1,908	7.0
ETR (%)	24.0	28.8		29.0		29.1		26.2	30.0	
Reported PAT	2,835	2,454	15.5	3,024	(6.3)	2,344	20.9	5,179	4,444	16.5
Minority Interest	(9)	(160)		(15)		(12)		(21)	(227)	
Total Comprehensive Income	2,826	2,295	23.1	3,009	(6.1)	2,332	21.2	5,158	4,217	22.3

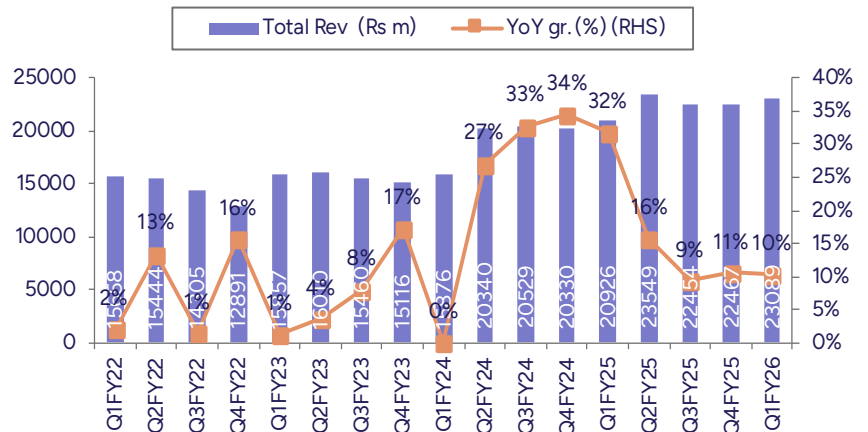
Source: Company, PL

Exhibit 2: Higher API business supports YoY

Major sources of revenues	Q2FY26	Q2FY25	YoY gr. (%)	Q1FY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Domestic	11,057	10,377	6.6	10,372	6.6	21,429	20,036	7.0
Formulations	10,189	9,405	8.3	9,610	6.0	19,799	18,139	9.2
APIs	868	972	(10.6)	762	14.0	1,630	1,897	(14.0)
Exports	8,137	7,629	6.7	6,998	16.3	15,134	13,538	11.8
Formulations	4,927	5,415	(9.0)	4,496	9.6	9,423	9,369	0.6
APIs	3,209	2,214	45.0	2,502	28.3	5,711	4,169	37.0
Subsidiaries	6,262	5,440		5,620		11,881	10,707	11.0
Net Sales	25,456	23,446	8.6	22,989	10.7	48,445	44,280	9.4

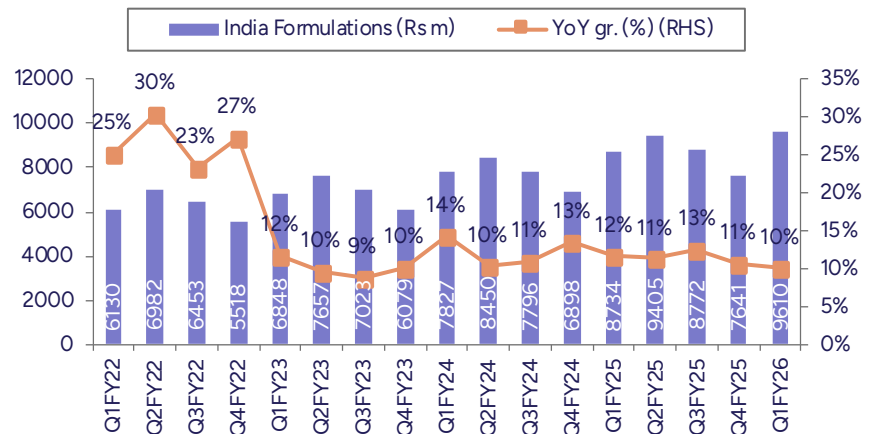
Source: Company, PL

Exhibit 3: Steady growth momentum from domestic formulations



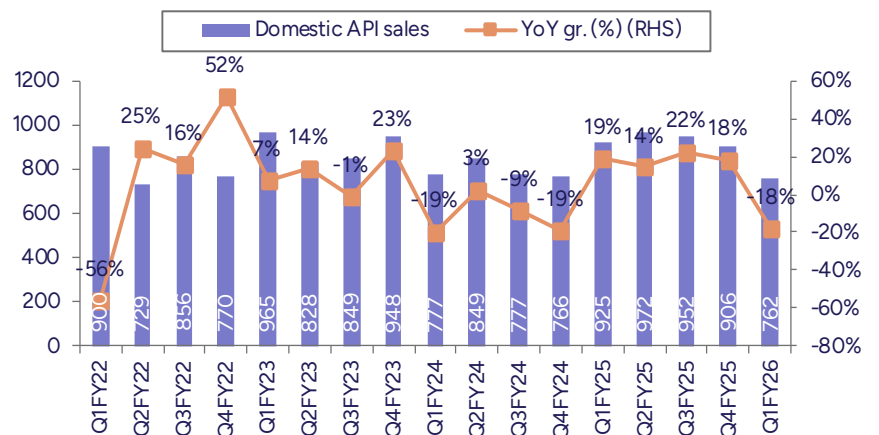
Source: Company, PL

Exhibit 4: Chronic portfolio share at 35%



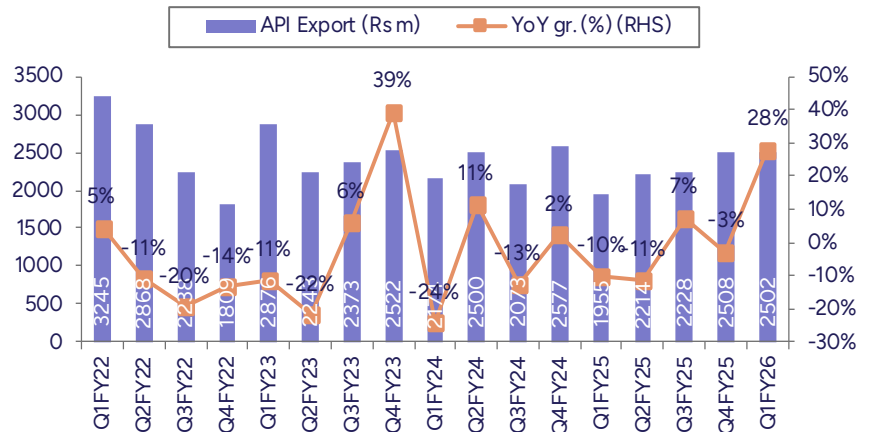
Source: Company, PL

Exhibit 5: Muted performance YoY



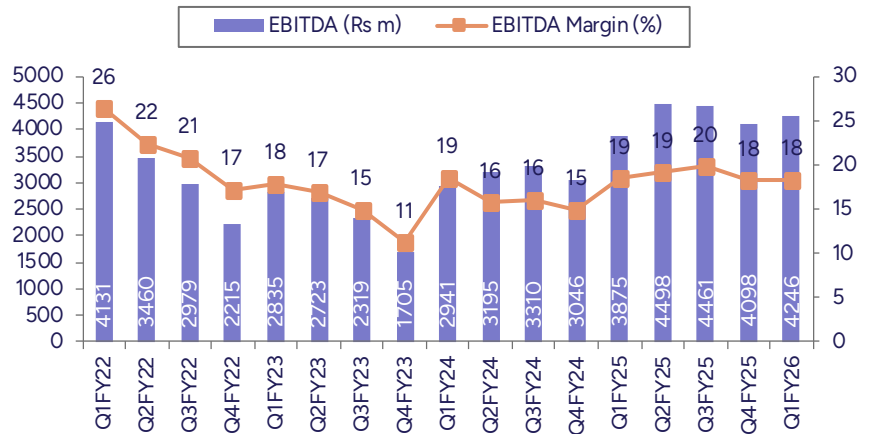
Source: Company, PL

Exhibit 6: Growth aided by Europe & LATAM



Source: Company, PL

Exhibit 7: Margin uplift driven by Unichem performance and better product mix



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	89,396	98,424	1,10,270	1,22,561
YoY gr. (%)	16.0	10.1	12.0	11.1
Cost of Goods Sold	33,332	36,813	41,242	44,958
Gross Profit	56,064	61,611	69,027	77,603
Margin (%)	62.7	62.6	62.6	63.3
Employee Cost	19,840	21,502	23,826	26,402
Other Expenses	19,292	20,506	22,434	24,689
EBITDA	16,931	19,603	22,767	26,511
YoY gr. (%)	31.4	15.8	16.1	16.4
Margin (%)	18.9	19.9	20.6	21.6
Depreciation and Amortization	3,978	4,177	4,470	4,782
EBIT	12,953	15,426	18,298	21,729
Margin (%)	14.5	15.7	16.6	17.7
Net Interest	849	750	600	500
Other Income	1,258	1,024	1,400	1,400
Profit Before Tax	13,362	15,700	19,098	22,629
Margin (%)	14.9	16.0	17.3	18.5
Total Tax	3,436	4,396	5,347	6,336
Effective tax rate (%)	25.7	28.0	28.0	28.0
Profit after tax	9,926	11,304	13,750	16,293
Minority interest	-	-	-	-
Share Profit from Associate	(499)	(430)	(817)	(1,128)
Adjusted PAT	9,427	10,874	12,934	15,165
YoY gr. (%)	43.9	15.3	18.9	17.3
Margin (%)	10.5	11.0	11.7	12.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,427	10,874	12,934	15,165
YoY gr. (%)	43.9	15.3	18.9	17.3
Margin (%)	10.5	11.0	11.7	12.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,427	10,874	12,934	15,165
Equity Shares O/s (m)	254	254	254	254
EPS (Rs)	37.2	42.9	51.0	59.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	65,372	73,372	81,372	89,372
Tangibles	65,372	73,372	81,372	89,372
Intangibles	-	-	-	-
Acc: Dep / Amortization	23,612	27,789	32,259	37,041
Tangibles	23,612	27,789	32,259	37,041
Intangibles	-	-	-	-
Net fixed assets	41,760	45,583	49,113	52,331
Tangibles	41,760	45,583	49,113	52,331
Intangibles	-	-	-	-
Capital Work In Progress	6,218	6,218	6,218	6,218
Goodwill	906	906	906	906
Non-Current Investments	253	253	253	253
Net Deferred tax assets	(2,781)	(2,781)	(2,781)	(2,781)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	7,634	7,634	7,634	7,634
Inventories	25,604	27,229	29,895	33,241
Trade receivables	18,738	20,422	21,964	24,422
Cash & Bank Balance	3,442	5,042	8,646	13,864
Other Current Assets	10,746	10,746	10,746	10,746
Total Assets	1,17,436	1,26,273	1,37,729	1,52,087
Equity				
Equity Share Capital	254	254	254	254
Other Equity	69,231	79,070	91,062	1,05,596
Total Network	69,485	79,323	91,316	1,05,850
Non-Current Liabilities				
Long Term borrowings	5,432	5,432	5,432	5,432
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,585	5,085	2,585	85
Trade payables	8,462	9,530	10,677	11,872
Other current liabilities	9,295	9,295	9,295	9,295
Total Equity & Liabilities	1,17,437	1,26,274	1,37,729	1,52,087

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	13,802	16,176	18,898	22,229
Add. Depreciation	3,978	4,177	4,470	4,782
Add. Interest	(849)	(750)	(600)	(500)
Less Financial Other Income	1,258	1,024	1,400	1,400
Add. Other	1,659	430	817	1,128
Op. profit before WC changes	18,591	20,033	23,584	27,639
Net Changes-WC	(1,765)	(2,346)	(3,174)	(4,727)
Direct tax	(3,613)	(4,396)	(5,347)	(6,336)
Net cash from Op. activities	13,213	13,290	15,062	16,576
Capital expenditures	(8,275)	(8,000)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(8,275)	(8,000)	(8,000)	(8,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(933)	(2,500)	(2,500)	(2,500)
Dividend paid	(1,015)	(1,465)	(1,758)	(1,758)
Interest paid	79	450	800	900
Others	(3,476)	(176)	-	-
Net cash from Fin. activities	(5,344)	(3,691)	(3,458)	(3,358)
Net change in cash	(406)	1,599	3,604	5,218
Free Cash Flow	5,458	5,290	7,062	8,576

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	22,454	22,467	23,089	25,565
YoY gr. (%)	9.4	10.5	10.3	8.6
Raw Material Expenses	6,682	7,083	6,916	7,816
Gross Profit	15,772	15,384	16,173	17,749
Margin (%)	70.2	68.5	70.0	69.4
EBITDA	4,461	4,098	4,246	5,543
YoY gr. (%)	34.8	34.5	9.6	23.2
Margin (%)	19.9	18.2	18.4	21.7
Depreciation / Depletion	985	1,001	1,001	1,033
EBIT	3,476	3,096	3,245	4,510
Margin (%)	15.5	13.8	14.1	17.6
Net Interest	168	215	185	196
Other Income	371	449	245	185
Profit before Tax	3,679	3,331	3,305	4,498
Margin (%)	16.4	14.8	14.3	17.6
Total Tax	906	622	961	1,081
Effective tax rate (%)	24.6	18.7	29.1	24.0
Profit after Tax	2,773	2,708	2,344	3,418
Minority interest	292	(20)	12	9
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,481	2,729	2,332	3,408
YoY gr. (%)	121.8	39.0	21.3	48.5
Margin (%)	11.1	12.1	10.1	13.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,481	2,729	2,332	3,408
YoY gr. (%)	121.8	39.0	21.3	48.5
Margin (%)	11.1	12.1	10.1	13.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,481	2,729	2,332	3,408
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	9.8	10.8	9.2	11.1

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	37.2	42.9	51.0	59.8
CEPS	52.8	59.3	68.6	78.6
BVPS	273.9	312.7	359.9	417.2
FCF	21.5	20.9	27.8	33.8
DPS	4.0	5.0	6.0	6.0
Return Ratio(%)				
RoCE	16.2	17.9	19.3	20.6
ROIC	12.2	13.6	15.1	16.6
RoE	14.2	14.6	15.2	15.4
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.2)
Net Working Capital (Days)	146	141	136	136
Valuation(x)				
PER	35.0	30.4	25.5	21.8
P/B	4.8	4.2	3.6	3.1
P/CEPS	24.6	21.9	19.0	16.6
EV/EBITDA	19.6	16.7	14.1	11.9
EV/Sales	3.7	3.3	2.9	2.6
Dividend Yield (%)	0.3	0.4	0.5	0.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Domestic Formulations	34,551	38,075	42,263	46,912
Domestic API	3,755	3,567	3,924	4,316
Export Formulations	19,186	20,633	23,919	26,989
Export API	8,904	11,130	12,465	13,961

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	Accumulate	1,525	1,360
2	13-Aug-25	Accumulate	1,525	1,377
3	08-Jul-25	Accumulate	1,525	1,456
4	31-May-25	Accumulate	1,525	1,425
5	08-Apr-25	Accumulate	1,700	1,316
6	14-Feb-25	Accumulate	1,700	1,491
7	08-Jan-25	Accumulate	1,700	1,736
8	18-Nov-24	Accumulate	1,700	1,537

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,539
2	Apollo Hospitals Enterprise	BUY	9,300	7,642
3	Aster DM Healthcare	BUY	775	693
4	Aurobindo Pharma	BUY	1,300	1,141
5	Cipla	Accumulate	1,675	1,541
6	Divi's Laboratories	Accumulate	7,050	6,657
7	Dr. Reddy's Laboratories	Reduce	1,270	1,284
8	Eris Lifesciences	BUY	1,975	1,590
9	Fortis Healthcare	BUY	1,150	969
10	HealthCare Global Enterprises	BUY	620	651
11	Indoco Remedies	Hold	325	290
12	Ipca Laboratories	Accumulate	1,525	1,360
13	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,820
14	Jupiter Life Line Hospitals	BUY	1,800	1,519
15	Krishna Institute of Medical Sciences	BUY	840	701
16	Lupin	BUY	2,400	1,972
17	Max Healthcare Institute	BUY	1,355	1,131
18	Narayana Hrudayalaya	BUY	2,000	1,783
19	Rainbow Children's Medicare	BUY	1,725	1,331
20	Sun Pharmaceutical Industries	BUY	1,875	1,703
21	Suntech Realty	BUY	600	432
22	Torrent Pharmaceuticals	Accumulate	4,200	3,580
23	Zydus Lifesciences	Accumulate	1,020	937

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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