

Innova Captab | BUY

Visibility strengthens; Margins improve

Innova Captab delivered mixed results in 4QFY25, with revenue growing 20% YoY (7% below expectations), while the EBITDA margin came in higher at 15.2% (up 65 bps, 102 bps above estimates). Reported PAT stood at Rs 296mn, up 3% YoY, impacted by higher depreciation costs following the commercialisation of the Jammu plant during the quarter. During the quarter, the CDMO segment grew 11% YoY, while the Domestic Gx segment expanded 30% YoY. On the export side, both International Formulations and Sharon reported healthy growth of ~50% and 16%, respectively. CDMO growth was affected by the cannibalisation of sales due to project transitions from Baddi to Jammu. This disruption is expected to ease in the coming quarters. Overall, management has maintained its guidance of low-teens growth for the base business and incremental sales of Rs 4 bn from the Jammu unit in FY26. Margins are expected to improve over time, driven by a better mix from Jammu sales. With the commercialisation of the Jammu plant, the company has expanded its addressable market to include injectables and liquid formulations, which will support the delivery of 29%/33%/34% revenue/EBITDA/PAT CAGR over FY25–28—the highest among domestic CDMO peers. At the current market price, the stock is trading at 21x times FY27 EPS, which we find attractive given the superior growth visibility versus peers. We maintain a BUY rating with a target price of Rs 1,152.

- **Guidance:** The management directed 25% growth guidance for the next three years. Margins are expected to improve, but there is no firm guidance on the management's part. The newly commissioned Jammu (Kathua) facility to increase growth across businesses, on the back of significant ramp up from INR 360mn topline in Q4FY25 to INR 4bn FY26 (incl. INR 300-350mn GST benefits). Ex-Jammu FY26 revenue to grow at low teens. Normalization of working capital in FY26 to lead to significant cash generation.
- **CDMO:** The company made significant strides during the quarter, growing 11% YoY and taking the total clientele to 200. The annual 6% YoY growth in CDMO was volume led, with pricing impact being negligible. The company has 3,300 products now, up from 2,209 in FY24. Focus going forward is on new client acquisition and new formulations.
- **Domestic BGx:** The segment delivered 30% YoY growth in Q4 on the back of increased volume. Innova continues to expand distribution network to 6,000 distributors, up from 5,000 in FY24. The product offered too has expanded to 750 from 650 in FY24. Future guidance of growth – in line with company growth.
- **International BGx:** The segment delivered a ~50% YoY growth in Q4 and ~25% YoY growth on annual basis. Innova's products now enjoy presence in 30+ countries, including EU and Canada.
- **Sharon Bio:** Sharon delivered a 16% YoY growth this quarter with EU, Canada and Australia being the major contributors. Upcoming Panchkula R&D would be dedicated for Sharon's regulated markets projects. IP will be owned by Innova while the marketing will be executed by partners with negligible impact on margins. Focus going forward in on

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,813	12,437	17,321	22,049	26,636
Sales Growth (%)	16.7	15.0	39.3	27.3	20.8
EBITDA	1,545	1,862	2,650	3,528	4,342
EBITDA Margin (%)	14.3	15.0	15.3	16.0	16.3
Adjusted Net Profit	943	1,283	1,800	2,479	3,114
Diluted EPS (INR)	16.5	22.4	31.5	43.3	54.4
Diluted EPS Growth (%)	16.5	35.9	40.4	37.7	25.6
ROIC (%)	12.9	10.4	13.8	19.3	23.3
ROE (%)	17.0	14.3	17.2	19.6	20.2
P/E (x)	55.2	40.6	28.9	21.0	16.7
P/B (x)	6.3	5.4	4.6	3.8	3.1
EV/EBITDA (x)	35.1	29.6	19.8	14.3	11.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 20/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,152
Upside/(Downside)	26.5%
Previous Price Target	1,120
Change	2.9%

Key Data – INNOVACA IN

Current Market Price	INR910
Market cap (bn)	INR52.1/US\$0.6
Free Float	27%
Shares in issue (mn)	57.2
Diluted share (mn)	57.2
3-mon avg daily val (mn)	INR72.3/US\$0.8
52-week range	1,260/421
Sensex/Nifty	81,186/24,684
INR/US\$	85.6

Price Performance

%	1M	6M	12M
Absolute	-0.3	-2.3	75.6
Relative*	-2.5	-7.1	60.0

* To the BSE Sensex

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increasing the presence in the aforementioned regions and on adding more markets.

■ **Financial highlights:**

- Revenue grew 20%YoY to INR 3.1bn (6.6% miss)
- EBITDA came in at INR 477mn, up 25%YoY (in line)
- EBITDA margin were at 15.2%; expanded 65bps YoY due to lower than expected RM and other expenses , partially offset by increased staff cost
- Reported PAT stood at INR 296mn, up 3% YoY (4.1% miss); underperformance on account of higher than expected interest and lower other income

Exhibit 1. 4QFY25 Review

Innova Captab - P&L (INR mn)	4Q24A	4Q25A	% YoY	4Q25E	% Delta vs estimates	3Q25A	% QoQ
Revenue	2,626	3,147	19.8%	3,368	-6.6%	3,165	-0.5%
Raw Material/FG	1,683	1,980	17.7%	2,193	-10%	2,099	-5.7%
Gross Profit	944	1,167	23.7%	1,175	-1%	1,065	9.6%
- % of revenue	35.9%	37.1%	115 bps	34.9%		33.7%	342 bps
Staff Cost	259	355	37.1%	289	23%	282	25.9%
Other expenses	304	335	10.3%	410	-18%	318	5.5%
EBITDA	381	477	25.2%	476	0.2%	466	2.4%
EBITDA (%)	14.5%	15.2%	65 bps	14.1%	102 bps	14.7%	44 bps
Other Income	57	34		53		43	
Interest	8	20		1		2	
Depreciation	34	98		116		51	
PBT	395	393	-0.6%	412		456	-13.8%
Tax	108	97		104		114	
Tax Rate (%)	27.4%	24.8%		25.2%		25.0%	
Minority Interest	0	0		0		0	
PAT (Reported)	287	296	3.0%	308	-4.1%	342	-13.5%
PAT Margin (%)	10.9%	9.4%		9.2%		10.8%	
Innova Captab - Cost margins	4Q24A	4Q25A	% YoY	4Q25E	% YoY	3Q25A	% QoQ
Raw material cost/sales	64.1%	62.9%	-115 bps	65.1%	-220 bps	66.3%	-342 bps
Staff cost/sales	9.9%	11.3%	142 bps	8.6%	272 bps	8.9%	237 bps
Other expenditure/sales	11.6%	10.6%	-92 bps	12.2%	-154 bps	10.0%	61 bps
Innova Captab - Segmental revenue	4Q24A	4Q25A	% YoY	4Q25E	% Delta vs esimtates	3Q25A	% QoQ
CDMO	1,392	1,548	11.2%	1,960	-21%	1,722	-10.1%
Domestic BGx	473	617	30.5%	542	14%	586	5.3%
International BGx	289	434	50.2%	326	33%	412	5.3%
Sharon	473	549	16.1%	540	2%	445	23.4%

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,813	12,437	17,321	22,049	26,636
Sales Growth	16.7%	15.0%	39.3%	27.3%	20.8%
Other Operating Income	0	0	0	0	0
Total Revenue	10,813	12,437	17,321	22,049	26,636
Cost of Goods Sold/Op. Exp	7,283	8,141	11,519	14,773	17,900
Personnel Cost	907	1,168	1,420	1,654	1,918
Other Expenses	1,078	1,266	1,732	2,095	2,477
EBITDA	1,545	1,862	2,650	3,528	4,342
EBITDA Margin	14.3%	15.0%	15.3%	16.0%	16.3%
EBITDA Growth	35.9%	20.5%	42.4%	33.1%	23.1%
Depn. & Amort.	160	248	390	394	398
EBIT	1,385	1,614	2,261	3,134	3,944
Other Income	125	120	160	192	230
Finance Cost	215	24	20	21	22
PBT before Excep. & Forex	1,295	1,710	2,401	3,305	4,152
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,295	1,710	2,401	3,305	4,152
Taxes	352	428	600	826	1,038
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	943	1,283	1,800	2,479	3,114
Adjusted Net Profit	943	1,283	1,800	2,479	3,114
Net Margin	8.7%	10.3%	10.4%	11.2%	11.7%
Diluted Share Cap. (mn)	57.2	57.2	57.2	57.2	57.2
Diluted EPS (INR)	16.5	22.4	31.5	43.3	54.4
Diluted EPS Growth	16.5%	35.9%	40.4%	37.7%	25.6%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,295	1,710	2,401	3,305	4,152
Depn. & Amort.	160	248	390	394	398
Net Interest Exp. / Inc. (-)	215	22	20	21	22
Inc (-) / Dec in WCap.	73	-1,147	465	-794	-886
Others	-3	43	0	0	0
Taxes Paid	-277	-237	-600	-826	-1,038
Operating Cash Flow	1,463	638	2,675	2,100	2,648
Capex	-2,874	-1,725	-75	-90	-90
Free Cash Flow	-1,410	-1,087	2,601	2,010	2,559
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-2,116	209	0	0	0
Investing Cash Flow	-4,990	-1,516	-75	-90	-90
Inc / Dec (-) in Capital	3,231	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	536	941	-50	-50	-50
Others	-159	-26	-20	-21	-22
Financing Cash Flow	3,608	915	-70	-71	-72
Inc / Dec (-) in Cash	82	38	2,531	1,939	2,487
Opening Cash Balance	35	117	155	2,686	4,625
Closing Cash Balance	117	155	2,686	4,625	7,112

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,309	9,594	11,395	13,873	16,988
Share Capital	572	572	572	572	572
Reserves & Surplus	7,737	9,022	10,822	13,301	16,415
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	2,418	3,361	3,311	3,261	3,211
Def. Tax Liab. / Assets (-)	-151	10	10	10	10
Total - Equity & Liab.	10,576	12,964	14,715	17,144	20,208
Net Fixed Assets	6,987	8,524	8,209	7,905	7,597
Gross Fixed Assets	3,881	8,850	8,924	9,014	9,104
Intangible Assets	176	174	174	174	174
Less: Depn. & Amort.	478	726	1,115	1,509	1,907
Capital WIP	3,408	225	225	225	225
Investments	33	90	90	90	90
Current Assets	5,989	7,068	10,200	13,746	17,929
Inventories	1,440	2,080	1,946	2,416	2,919
Sundry Debtors	2,885	3,316	4,034	4,833	5,838
Cash & Bank Balances	117	155	2,686	4,625	7,112
Loans & Advances	0	0	0	0	0
Other Current Assets	1,547	1,516	1,535	1,871	2,060
Current Liab. & Prov.	2,433	2,717	3,784	4,597	5,407
Current Liabilities	1,820	2,031	3,098	3,911	4,722
Provisions & Others	614	686	686	686	686
Net Current Assets	3,556	4,350	6,416	9,149	12,521
Total - Assets	10,576	12,964	14,715	17,144	20,208

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.7%	10.3%	10.4%	11.2%	11.7%
Asset Turnover (x)	1.3	1.0	1.2	1.4	1.4
Leverage Factor (x)	1.5	1.3	1.3	1.3	1.2
RoE	17.0%	14.3%	17.2%	19.6%	20.2%

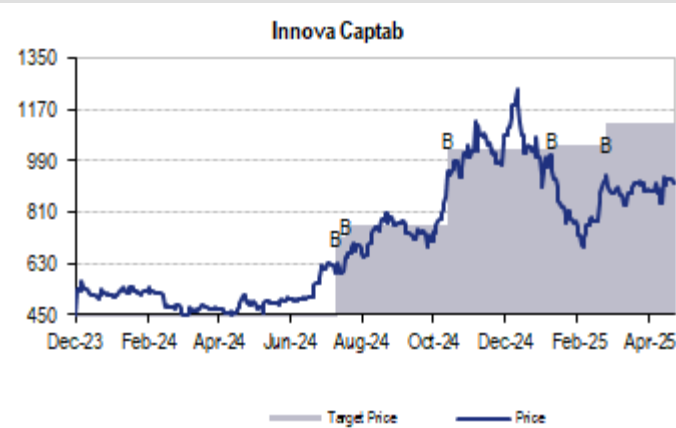
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	145.2	167.7	199.1	242.4	296.9
ROIC	12.9%	10.4%	13.8%	19.3%	23.3%
ROE	17.0%	14.3%	17.2%	19.6%	20.2%
Net Debt/Equity (x)	0.3	0.3	0.1	-0.1	-0.2
P/E (x)	55.2	40.6	28.9	21.0	16.7
P/B (x)	6.3	5.4	4.6	3.8	3.1
EV/EBITDA (x)	35.1	29.6	19.8	14.3	11.0
EV/Sales (x)	5.0	4.4	3.0	2.3	1.8
Debtor days	97	97	85	80	80
Inventory days	49	61	41	40	40
Creditor days	71	70	77	77	77

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
6-Aug-24	Buy	720	
13-Aug-24	Buy	765	6.3
8-Nov-24	Buy	1,031	34.8
6-Feb-25	Buy	1,047	1.6
24-Mar-25	Buy	1,120	7.0

Recommendation History



APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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