13 November 2025

2QFY26 Results Update | Sector: Healthcare

Ipca Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	IPCA IN
Equity Shares (m)	254
M.Cap.(INRb)/(USDb)	330.3 / 3.7
52-Week Range (INR)	1758 / 1168
1, 6, 12 Rel. Per (%)	-4/-13/-23
12M Avg Val (INR M)	472

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	97.5	107.8	123.1
EBITDA	19.1	22.8	27.0
Adjusted PAT	10.9	13.3	15.8
EBIT Margin (%)	15.4	17.1	18.2
Cons. Adj EPS (INR)	43.3	52.6	62.2
EPS Gr. (%)	20.3	21.4	18.4
BV/Sh. (INR)	309.3	353.9	406.9
Ratios			
Net D-E	0.1	0.0	-0.1
RoE (%)	15.1	15.9	16.4
RoCE (%)	13.4	14.3	15.2
Payout (%)	11.5	15.4	13.0
Valuation			
P/E (x)	29.7	24.8	20.9
EV/EBITDA (x)	17.4	14.6	12.3
Div. Yield (%)	0.4	0.6	0.6
FCF Yield (%)	1.5	3.3	3.0
EV/Sales (x)	3.4	3.1	2.7

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	44.7	44.7	46.3
DII	36.8	36.2	34.2
FII	10.4	10.7	10.8
Others	8.1	8.4	8.6

FII Includes depository receipts

CMP: INR1,302 TP: INR1,600 (+23%) Buy

Beat on estimates; DF/API drive earnings

Strengthening DF presence/integrating Unichem/reviving exports

- Ipca Laboratories (IPCA) delivered slightly better-than-expected revenue in 2QFY26, while EBITDA/PAT beat our estimates by 18%/22%. Segmental mix and cost-control measures led to improved profitability in 2Q.
- IPCA is consistently growing at a higher rate than the industry (IPM) rate in the domestic formulation (DF) segment. Notably, it outperformed IPM in acute and chronic therapies. On promising growth prospects, IPCA would be adding one division in the cosmetic dermatology segment.
- Excess inventory of certain products impacted generics exports formulation business in 1HFY26, which is expected to revive in the coming quarters.
- IPCA is integrating Unichem operations by using Unichem products to broaden the offerings in its focus markets and shifting the outsourcing of API to its site.
- We raise our earnings estimates by 6%/3%/3% for FY26/FY27/FY28, factoring in a) sustained industry-beating growth in branded DF segment, b) improvement in profitability of Unichem operations, and c) a gradual recovery in generics exports business.
- We value IPCA at 28x 12M forward earnings to arrive at a TP of INR1,600. We expect a CAGR of 10%/15%/20% in revenue/EBITDA/PAT over FY25-28. IPCA is not only progressing well in its focus markets of DF and exports-generics/branded but also working toward building synergy from Unichem operations. Maintain BUY.

Margin expansion driven by better product mix/operating leverage

- 2Q sales grew 8.6% YoY to INR25.6b (our est: INR24.8b).
- Formulations sales grew 2% YoY to INR14.1b (60% of sales). Export formulation sales declined 9% YoY to INR4.9b (20% of total sales). DF sales grew 8% YoY to INR10.2b (40% of total sales).
- Within export formulations, generics declined 6% YoY to INR2.7b (54% of export sales), branded grew 2% YoY to INR1.4b (29% of export sales), and institutional sales declined 29% YoY to INR796m (17% of export sales).
- API sales grew 28% YoY to INR4.1b (15% of sales). Export API sales grew 45% YoY to INR3.2b (79% of API sales). Domestic API sales declined 11% YoY to INR868m (21% of API sales).
- Revenue from subsidiaries grew 15% YoY to INR6.3b (25% of sales).
- Gross margin (GM) expanded 160bp YoY to 69%.
- EBITDA margin expanded 250bp YoY to 21.3% (our est: 18.5%), driven by gross margin expansion and better operational efficiency (employee costs down 70bp YoY as % of sales). EBITDA grew 23% YoY to INR5.5b (our est: INR4.6b).
- 2Q included an exceptional expense of INR582.6m related to the provision for European Commission fee.
- Adj. for the provision, PAT grew 41% YoY to INR3.2b (our est: INR2.7b).

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Highlights from the management commentary

- For FY26, IPCA expects revenue growth of 10-11% YoY in DF, 14-15% in API, and 9-10% YoY in branded export formulation.
- It guides for 8-9% YoY growth in generics formulation export revenue in 2H.
- IPCA is on track to build synergy from the Unichem acquisition. It has shut EU site and has transferred production to Baddi site, a step toward improving profitability. IPCA is also in the process of transferring outsourced API to procure from IPCA site. The overall process, including regulatory approvals, would take 12-15 months.
- Also, 12 Unichem products are filed through IPCA channel in export markets. This would take 1-1.5 years for commercial success, considering the regulatory approval process.

Quarterly Performance

Y/E March	FY25				FY26				FY25	FY26E	FY26E	% Chg
(INRm)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Net Revenues (Core)	**20,926**	**23,549**	**22,454**	**22,467**	**23,089**	**25,565**	**24,622**	**24,218**	**89,396**	**97,493**	**24,786**	**3.1**
YoY Change (%)	31.8	15.8	9.4	10.5	10.3	8.6	9.7	7.8	16.0	9.1	5.3	
EBITDA	**3,927**	**4,425**	**4,631**	**4,289**	**4,164**	**5,449**	**4,949**	**4,505**	**17,271**	**19,067**	**4,585**	**18.8**
YoY Change (%)	33.5	22.7	39.9	33.2	6.0	23.2	6.9	5.0	32.1	10.4	3.6	
Margins (%)	18.8	18.8	20.6	19.1	18.0	21.3	20.1	18.6	19.3	19.6	18.5	
Depreciation	989	1,004	985	1,001	1,001	1,033	1,038	1,021	3,978	4,094	1,052	
EBIT	**2,938**	**3,421**	**3,646**	**3,287**	**3,164**	**4,416**	**3,911**	**3,483**	**13,293**	**14,973**	**3,533**	**25.0**
YoY Change (%)	30.7	26.6	57.5	46.9	7.7	29.1	7.3	6.0	39.9	12.6	3.3	
Margins (%)	14.0	14.5	16.2	14.6	13.7	17.3	15.9	14.4	14.9	15.4	14.3	
Interest	241	226	168	215	185	196	184	171	849	736	131	
Other Income	206	263	201	258	327	279	290	310	928	1,205	350	
PBT before EO Expense	**2,904**	**3,458**	**3,679**	**3,331**	**3,305**	**4,498**	**4,017**	**3,622**	**13,372**	**15,442**	**3,752**	
One-off (gain)/ Expense	0	0	0	2,051	0	583	0	0	2,051	583	0	
PBT after EO Expense	**2,904**	**3,458**	**3,679**	**1,280**	**3,305**	**3,916**	**4,017**	**3,622**	**11,321**	**14,860**	**3,752**	
Tax	914	994	906	622	961	1,081	1,189	1,087	3,436	4,317	1,103	
Rate (%)	31.5	28.7	24.6	48.6	29.1	27.6	29.6	30.0	25.7	28.0	29.4	
Reported PAT	**1,990**	**2,464**	**2,773**	**658**	**2,344**	**2,835**	**2,828**	**2,536**	**7,885**	**10,543**	**2,649**	**7.0**
Minority Interest	-67	-160	-292	20	-12	-9	19	20	-499	18	16	
Adj PAT after Minority Int	**1,922**	**2,305**	**2,481**	**2,418**	**2,332**	**3,247**	**2,847**	**2,556**	**9,127**	**10,982**	**2,665**	**21.9**
YoY Change (%)	24.9	36.4	122.5	23.4	21.3	40.9	14.7	5.7	44.8	20.3	15.6	
Margins (%)	9.2	9.8	11.1	10.8	10.1	12.7	11.6	10.6	10.2	11.3	10.8	

Key Performance Indicators

Y/E March	FY25				FY26				FY25	FY26E	FY26E
(INRm)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Domestic formulations	8,734	9,405	8,772	7,641	9,610	10,189	9,789	8,596	34,551	38,184	10,421
YoY Change (%)	11.6	11.3	12.5	10.8	10.0	8.3	11.6	12.5	11.5	12.0	10.8
Exports formulations	3,954	5,415	4,582	5,235	4,496	4,927	5,222	5,770	19,186	20,415	5,123
YoY Change (%)	-0.6	15.0	5.8	10.5	13.7	-9.0	14.0	10.2	8.1	6.4	-5.4
API sales	2,880	3,186	3,179	3,414	3,263	4,078	3,599	3,732	12,658	14,673	3,580
YoY Change (%)	-2.4	-4.9	11.6	2.1	13.3	28.0	13.2	9.3	1.3	15.9	12.4
Cost Break-up											
RM Cost (% of Sales)	30.8	32.2	29.8	31.5	30.0	30.6	30.0	31.0	31.1	30.4	30.5
Staff Cost (% of Sales)	23.3	21.7	21.6	22.3	23.5	21.0	22.0	22.7	22.2	22.3	23.0
Other Cost (% of Sales)	27.2	27.4	28.0	27.1	28.5	27.1	27.9	27.7	27.4	27.8	28.0
Gross Margins(%)	69.2	67.8	70.2	68.5	70.0	69.4	70.0	69.0	68.9	69.6	69.5
EBITDA Margins(%)	18.8	18.8	20.6	19.1	18.0	21.3	20.1	18.6	19.3	19.6	18.5
EBIT Margins(%)	14.0	14.5	16.2	14.6	13.7	17.3	15.9	14.4	14.9	15.4	14.3

E: MOSL Estimates

CONFERENCE CALL

Highlights from the management commentary

- IPCA has garnered INR550m sales from US market. It has shipped 6 products and taken further 6 products for manufacturing scale-up
- It has 7k MRs on ground and intends to add one division in cosmetic dermatology segment.
- The company guides for R&D spend to be 4% of sales for FY26.
- The chronic share increased by 100bp YoY to 35% in DF segment in 2Q.
- IPCA's chronic therapy grew 14.2% YoY vs. industry YoY growth of 10.2% in 2Q.
- Its acute therapy grew 8.2% YoY vs. industry YoY growth of 6.2% in 2Q.

Steady overall performance with domestic leadership, stable exports, and strong API recovery

DF: Continued outperformance driven by superior execution

- The domestic formulations business grew ~9% YoY in 1HFY26, despite temporary disruption from GST rate rationalization in Sep'25. Management noted that sales momentum rebounded in Oct'25, indicating underlying demand resilience.
- IPCA outperformed IPM, reporting 10.2% YoY MAT growth in Sep'25 vs. 7.8% growth for IPM, supported by a robust chronic and specialty portfolio.
- The company continued to expand its presence in the chronic therapy segment, which now contributes ~35% of domestic revenue (vs. 34% last year), growing 14.2% YoY compared with 11% IPM growth in the same category.
- The field force remains steady at ~7,000 medical representatives, with annual additions of 400-500 reps. The focus also remains on productivity enhancement and deeper brand penetration.
- We expect a 12.2% sales CAGR in the domestic formulations segment, reaching INR48.9b by FY28E, driven by steady expansion in chronic therapies, new launches, and increased prescription coverage.

Exports: Stable performance; integration with Unichem to drive medium-term upside

- Export formulations revenue remained broadly stable YoY at INR9.4b in 1HFY26, as slower offtake in certain generic markets offset growth in other segments.
- Within the overall portfolio, generic exports increased by 5% YoY to INR5.4b, while branded exports also rose by 5% YoY to INR2.7b during the period. The institutional business recorded a decline of 19% YoY to INR1.4b, reflecting lower tender volumes and shipment delays in select markets.
- The company is focusing on leveraging cross-sourcing synergies between IPCA and Unichem. IPCA will supply API to Unichem, while Unichem's formulation facilities will be used for select IPCA products. This collaboration is expected to improve cost efficiency and diversify the product pipeline over the medium term.
- Subsidiary sales increased by 11% YoY to INR11.9b, primarily supported by Unichem's performance, which contributed meaningfully to overall growth.
- Management indicated that commercial benefits from Unichem's dossier filings and integration initiatives are likely to materialize over the next 12 to 18 months, creating a gradual tailwind for export revenues.

- Overall, we expect the export formulations business, including Unichem, to record a 10.3% sales CAGR, reaching INR56b by FY28, driven by improving demand in generic markets and realization of operational synergies between Ipca and Unichem.

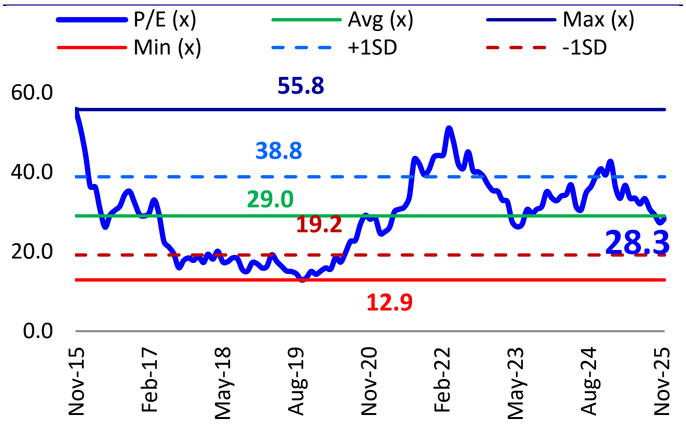
API: Strong export momentum support growth

- The API segment grew 21% YoY in 1HFY26 to INR7.3b, driven by strong export performance and robust demand from Europe and Latin America.
- IPCA continues to leverage its backward integration capabilities and is focusing on the development of five to six new APIs that will support future formulation filings, including products targeted for the US market.
- The API business remains a key margin contributor and strategic differentiator for IPCA, ensuring cost efficiency, reliable supply, and backward integration benefits for both internal formulations and external customers.
- We expect API revenue to record an 11.8% CAGR over FY25-28, reaching INR17.7b, supported by new product launches, sustained export momentum, and a shift toward higher-value complex APIs.

Valuation and view

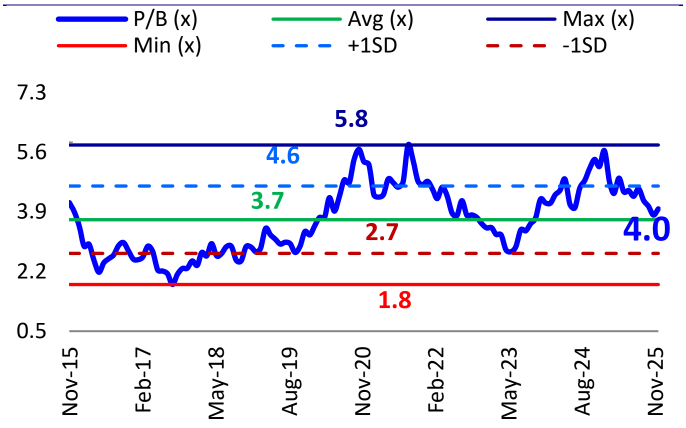
- We raise our earnings estimates by 6%/3%/3% for FY26/FY27/FY28, factoring in a) sustained industry-beating growth in branded DF segment, b) improvement in profitability of Unichem operations, and c) gradual recovery in generics exports business.
- We value IPCA at 28x 12M forward earnings to arrive at a TP of INR1,600. We expect 10%/15%/20% revenue/EBITDA/PAT CAGR over FY25-28. IPCA is not only progressing well in its focus markets of DF and exports-generics/branded but also working towards building synergy from Unichem operations. Maintain BUY.

Exhibit 1: P/E chart



Source: MOFSL, Company, and Bloomberg

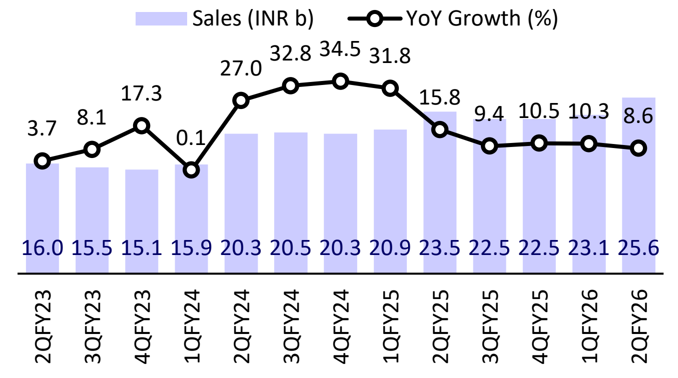
Exhibit 2: P/B chart



Source: MOFSL, Company, and Bloomberg

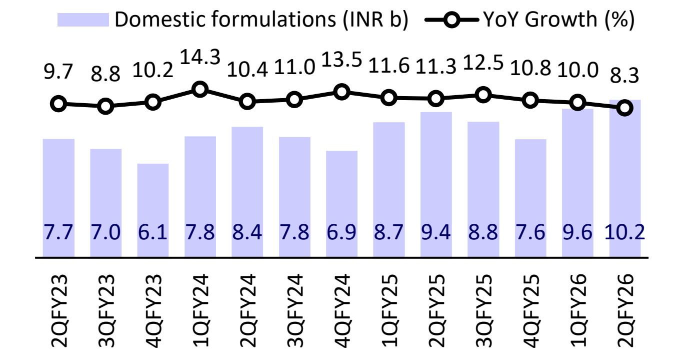
Story in charts

Exhibit 3: Total sales grew 8.6% YoY in 2QFY26



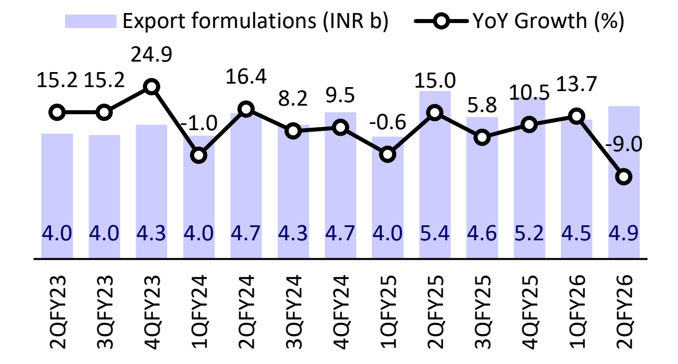
Source: Company, MOFSL

Exhibit 4: DF sales grew 8.3% YoY



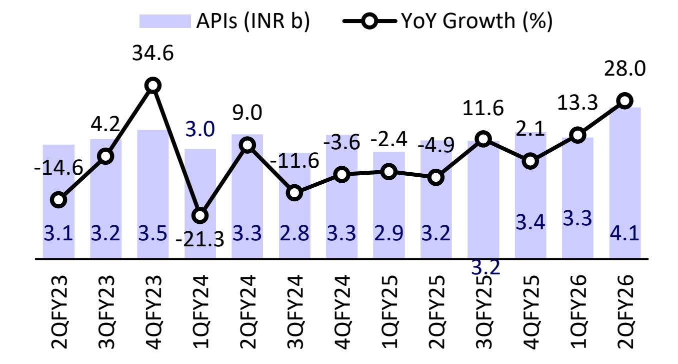
Source: Company, MOFSL

Exhibit 5: Export formulation sales declined 9% YoY



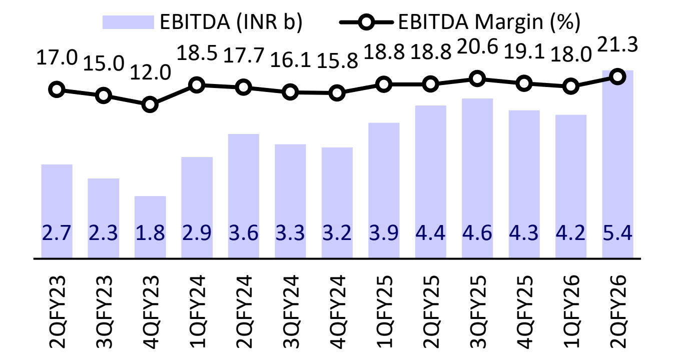
Source: Company, MOFSL

Exhibit 6: API sales increased 28% YoY



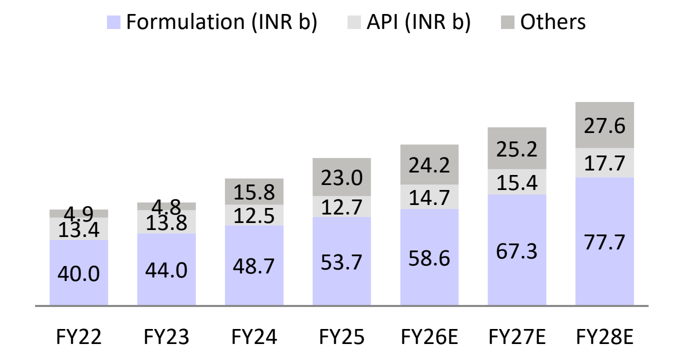
Source: Company, MOFSL

Exhibit 7: EBITDA margin expanded 250bp YoY in 2QFY26



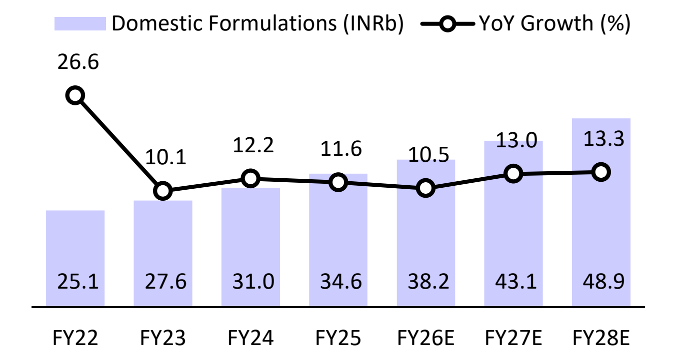
Source: Company, MOFSL

Exhibit 8: Expect 11% sales CAGR over FY25-28



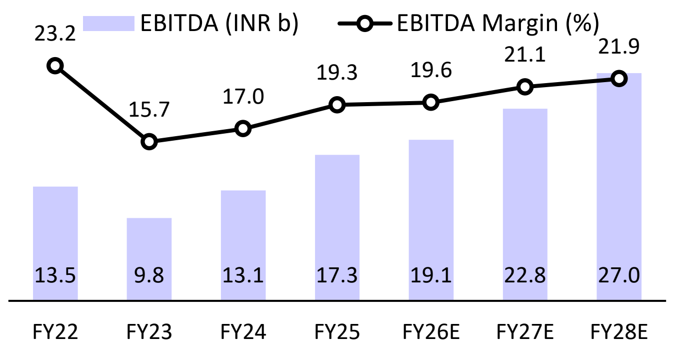
Note: Others include Subsidiaries; Source: Company, MOFSL

Exhibit 9: Expect 12% DF sales CAGR over FY25-28



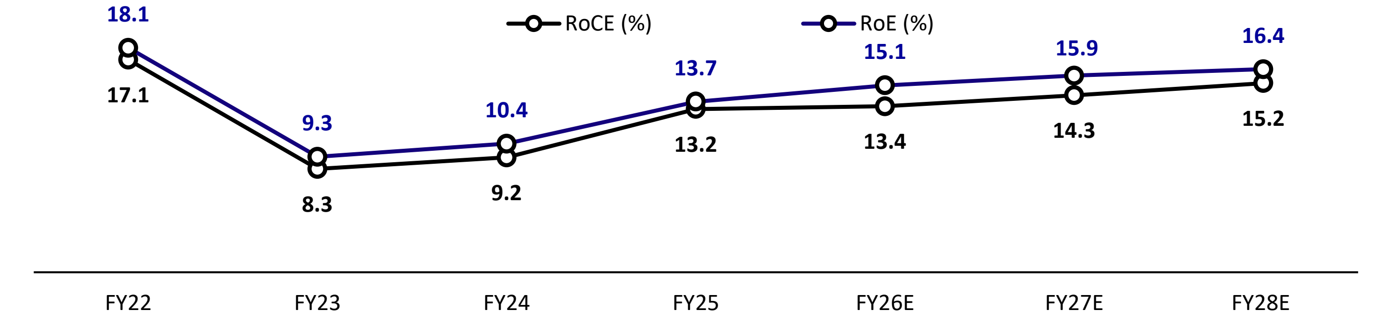
Source: Company, MOFSL

Exhibit 10: Expect margin to expand over FY25-28



Source: Company, MOFSL

Exhibit 11: Expect return ratios to gradually improve to 15%+ over FY25-28



Source: Company, MOFSL

Financials and valuations

Income Statement							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Net Revenues	**58,298**	**62,569**	**77,074**	**89,396**	**97,493**	**1,07,831**	**1,23,069**
Change (%)	7.6	7.3	23.2	16.0	9.1	10.6	14.1
EBITDA	**13,509**	**9,812**	**13,076**	**17,271**	**19,067**	**22,752**	**26,952**
Change (%)	-12.5	-27.4	33.3	32.1	10.4	19.3	18.5
Margin (%)	23.2	15.7	17.0	19.3	19.6	21.1	21.9
Depreciation	2,324	2,616	3,572	3,978	4,094	4,325	4,523
EBIT	**11,184**	**7,197**	**9,503**	**13,293**	**14,973**	**18,427**	**22,429**
Int. and Finance Charges	77	455	1,383	849	736	559	530
Other Income - Rec.	666	1,151	1,075	928	1,205	1,350	1,459
PBT before EO Expense	**11,773**	**7,892**	**9,195**	**13,372**	**15,442**	**19,218**	**23,358**
EO Expense/(Income)	416	314	769	2,051	583	0	0
PBT after EO Expense	**11,357**	**7,579**	**8,426**	**11,321**	**14,860**	**19,218**	**23,358**
Tax	2,248	2,532	3,135	3,436	4,317	5,842	7,218
Tax Rate (%)	19.1	32.1	34.1	25.7	28.0	30.4	30.9
Reported PAT	**9,110**	**5,047**	**5,291**	**7,885**	**10,542**	**13,375**	**16,139**
Less: Minority Interest	269	-206	984	499	-18	40	350
Net Profit	**8,841**	**5,253**	**4,307**	**7,387**	**10,559**	**13,335**	**15,789**
Adj PAT	**9,218**	**5,275**	**6,304**	**9,127**	**10,982**	**13,335**	**15,789**
Adj PAT growth (%)	-18.1	-42.8	19.5	44.8	20.3	21.4	18.4

Balance Sheet							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	254	254	254	254	254	254	254
Total Reserves	54,666	58,167	63,068	69,231	78,207	89,542	1,02,964
Net Worth	**54,920**	**58,420**	**63,322**	**69,485**	**78,461**	**89,796**	**1,03,218**
Deferred liabilities	1506	1856	3062	2781	2781	3165	3632
Total Loans	8,027	14,746	14,274	13,526	12,768	12,085	11,471
Capital Employed	**65,222**	**75,755**	**94,607**	**1,00,189**	**1,08,407**	**1,19,444**	**1,32,719**
Gross Block	37,647	43,601	65,195	66,306	70,306	73,306	76,806
Less: Accum. Deprn.	13,472	16,088	19,660	23,638	27,732	32,057	36,580
Net Fixed Assets	**24,175**	**27,514**	**45,535**	**42,668**	**42,575**	**41,250**	**40,226**
Capital WIP	3,064	1,404	3,429	6,218	6,218	6,218	6,218
Investments	9,892	6,260	8,620	9,797	9,797	9,797	9,797
Curr. Assets	**39,237**	**51,051**	**53,386**	**58,753**	**66,111**	**81,678**	**98,731**
Inventory	18,580	17,434	24,713	25,604	28,847	32,792	38,101
Account Receivables	9,108	9,890	16,865	18,738	20,834	23,634	27,648
Cash and Bank Balance	6,407	18,532	2,968	3,442	5,248	12,884	18,867
Loans & Advances	5,143	5,194	8,840	10,969	11,181	12,367	14,115
Curr. Liability & Prov.	**11,147**	**10,473**	**16,364**	**17,247**	**16,293**	**19,498**	**22,254**
Account Payables	9,704	8,923	13,050	13,592	14,424	17,430	19,893
Provisions	1,443	1,550	3,314	3,655	1,870	2,068	2,360
Net Current Assets	**28,091**	**40,577**	**37,022**	**41,506**	**49,817**	**62,180**	**76,477**
Appl. of Funds	**65,222**	**75,755**	**94,607**	**1,00,189**	**1,08,407**	**1,19,444**	**1,32,719**

Financials and valuations

Ratios							
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Adj. EPS (INR)	**36.3**	**20.8**	**24.9**	**36.0**	**43.3**	**52.6**	**62.2**
Cash EPS	44.0	31.0	31.1	44.8	57.8	69.6	80.1
BV/Share	216.5	230.3	249.6	273.9	309.3	353.9	406.9
DPS	8.1	4.0	4.0	4.0	5.0	8.1	8.1
Payout (%)	22.2	19.4	16.2	11.2	11.5	15.4	13.0
Valuation (x)							
P/E	35.9	62.7	52.4	36.2	29.7	24.8	20.9
P/BV	6.0	5.7	5.2	4.8	4.2	3.7	3.2
EV/Sales	5.7	5.3	4.3	3.7	3.4	3.1	2.7
EV/EBITDA	24.6	33.9	25.4	19.2	17.4	14.6	12.3
Dividend Yield (%)	0.6	0.3	0.3	0.3	0.4	0.6	0.6
Return Ratios (%)							
RoE	18.1	9.3	10.4	13.7	15.1	15.9	16.4
RoCE	17.1	8.3	9.2	13.2	13.4	14.3	15.2
RoIC	21.1	10.2	9.7	12.3	12.9	14.4	16.5
Working Capital Ratios							
Fixed Asset Turnover (x)	2.6	2.4	2.1	2.0	2.3	2.6	3.0
Debtor (Days)	56	58	80	77	78	80	82
Inventory (Days)	116	102	117	105	108	111	113
Working Capital Turnover (Days)	136	129	161	155	167	167	171
Leverage Ratio (x)							
Interest Cover Ratio	145.4	15.8	6.9	15.7	20.3	33.0	42.3
Debt/Equity	0.0	-0.1	0.2	0.1	0.1	0.0	-0.1

Cash Flow Statement							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Oper. Profit/(Loss) before Tax	13,509	9,812	13,076	17,271	19,067	22,752	26,952
Interest/Dividends Recd.	666	1,151	1,075	928	1,205	1,350	1,459
Direct Taxes Paid	-2,058	-2,181	-1,928	-3,718	-4,317	-5,458	-6,750
(Inc)/Dec in WC	-2,652	-361	-12,009	-4,010	-6,506	-4,726	-8,315
CF from Operations	**9,464**	**8,421**	**213**	**10,471**	**9,449**	**13,919**	**13,346**
Others							
EO Expense / (Income)	416	314	769	2,051	583	0	0
CF from Oper. incl EO Exp.	**9,048**	**8,107**	**-556**	**8,421**	**8,867**	**13,919**	**13,346**
(inc)/dec in FA	-6,491	-4,294	-23,618	-3,900	-4,000	-3,000	-3,500
Free Cash Flow	**2,557**	**3,813**	**-24,174**	**4,521**	**4,867**	**10,919**	**9,846**
(Pur)/Sale of Investments	-5,181	3,632	-2,360	-1,177	0	0	0
Others	0	0	0	0	0	0	0
CF from Investments	**-11,672**	**-662**	**-25,979**	**-5,077**	**-4,000**	**-3,000**	**-3,500**
Issue of shares	0	0	0	0	0	0	0
(Inc)/Dec in Debt	6,663	6,683	12,743	-298	-758	-683	-614
Interest Paid	-77	-455	-1,383	-849	-736	-559	-530
Dividend Paid	-2,030	-1,015	-1,015	-1,015	-1,269	-2,030	-2,030
Others	306	-532	719	-831	1,536	1,478	1,168
CF from Fin. Activity	**4,863**	**4,681**	**11,065**	**-2,993**	**-1,228**	**-1,793**	**-2,006**
Inc/Dec of Cash	**2,238**	**12,126**	**-15,470**	**351**	**3,639**	**9,125**	**7,840**
Add: Beginning Balance	4,795	7,033	19,159	2,969	3,442	5,248	12,884
Forex/ Business acquisition	0	0	0	0	0	0	0
Closing Balance	**7,033**	**19,159**	**3,690**	**3,319**	**7,081**	**14,373**	**20,724**
Bank balances / Mutual fund (gain)/ loss	-627	-627	-721	123	1,834	1,489	1,857
Closing Balance	**6,407**	**18,533**	**2,969**	**3,442**	**5,248**	**12,884**	**18,867**

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

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