

# Ipca Laboratories | BUY

## Margins expand; Unichem opportunity yet to unravel

IPCA Laboratories reported a moderate topline growth of 11% YoY in 4QFY25, with expanding margins (+325bps in operating margin) leading to EBITDA growth of 33% YoY and Adj. PAT growth of 39%. The topline growth was supported by performance across verticals, with exception of API exports (-3% YoY) and Generic (+7% YoY) & Branded (+3% YoY) formulation exports. Domestic formulations grew 11% YoY, Institutional export (tender) saw uptick of 36% YoY (primarily on account of muted Q4FY24 base), and subsidiaries, led by Unichem, achieving 16% YoY growth. The company exceeded its FY25 EBITDA margin guidance, delivering 18.9% against a target of 18%. Looking ahead, IPCA provided an 8-10% revenue growth guidance for FY26, with a 100bps improvement in consolidated EBITDA margins. The company also plans to invest INR 4bn in CapEx in FY26, focusing on new facilities and capacity expansion. The management maintains their confidence of sustaining the domestic formulation growth of ~1.5x the IPM growth on the back of penetration in metro cities. Further, value unlocking is due on the front of cross-selling opportunities available from the Unichem portfolio. The potential expansion of Unichem margins to IPCA margins too will result in significant value creation for the investors. Thus, we remain positive on the company and maintain BUY with a TP of INR 1,810.

- **Domestic Formulations:** IPCA's domestic formulations business grew 11% YoY to INR 7.6bn in 4QFY25. The company is ranked 16th in MAT IQVIA and is the fastest-growing among the top 20 pharmaceutical companies in India. IPCA's market share improved by 9 basis points to 2.07% in 4QFY25. IPCA's growth outpaced the market at 13% vs. 8% for market as per MAT; this is driven by increased presence in metro markets post-COVID. The company expects to grow at 1.5x the market rate for the next 3-4 years.
- **Export Formulations:** Branded export formulations grew 3% YoY to INR 1.7bn in 4QFY25. Institutional (tender) exports grew 26% YoY to INR 1.1bn, driven by the upgraded injectables line. Generic exports grew 7% YoY to INR 2.5bn. Branded formulation exports grew 10% YoY in FY25, with varied performance across regions: CIS markets grew 10% (muted due to currency fluctuations, but positive volume growth), West Africa 34%, Latin America 17%, Southeast Asia 24%, Middle East declined 21%, Europe grew 10%, Australia and New Zealand declined 11%, Canada was flat at INR 1.1bn, and South Africa declined 65% due to lost tenders. IPCA plans to ship ~7 new products in FY26, targeting INR 1bn in US revenues from current INR 250mn. For FY26, IPCA guides for 10-11% growth in export formulations and 10% growth in institutional and generic segments, Unichem's filings are underway but not included in FY26 guidance.
- **APIs:** IPCA's API business grew 2% YoY to INR 3.4bn in 4QFY25. Domestic API sales grew 18% YoY to INR 906mn, while export API sales declined 3% YoY to INR 2.5bn. Despite volume improvements since COVID, pricing pressures have impacted topline growth. However, Q4FY25 saw volume and price growth in the domestic market. For FY26, IPCA expects 6-7% growth in the API segment, driven by continued volume growth and



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,810
Upside/(Downside)	27.0%
Previous Price Target	1,800
Change	0.6%

### Key Data – IPCA IN

Current Market Price	INR1,425
Market cap (bn)	INR361.4/US\$4.2
Free Float	55%
Shares in issue (mn)	253.7
Diluted share (mn)	253.7
3-mon avg daily val (mn)	INR346.9/US\$4.1
52-week range	1,758/1,052
Sensex/Nifty	81,451/24,751
INR/US\$	85.6

### Price Performance

%	1M	6M	12M
Absolute	1.7	-7.6	14.0
Relative*	0.5	-9.0	3.6

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	76,604	89,012	98,238	1,09,569	1,22,012
Sales Growth (%)	23.4	16.2	10.4	11.5	11.4
EBITDA	13,212	17,261	20,032	23,887	27,645
EBITDA Margin (%)	17.1	19.3	20.3	21.7	22.6
Adjusted Net Profit	6,228	8,812	11,604	14,604	17,411
Diluted EPS (INR)	24.5	34.7	45.7	57.6	68.6
Diluted EPS Growth (%)	32.1	41.5	31.7	25.9	19.2
ROIC (%)	9.5	11.9	13.8	17.3	19.5
ROE (%)	10.2	13.3	15.6	17.1	17.6
P/E (x)	58.1	41.0	31.2	24.8	20.8
P/B (x)	5.7	5.2	4.6	3.9	3.4
EV/EBITDA (x)	28.9	22.0	18.2	14.9	12.5
Dividend Yield (%)	0.1	0.3	0.5	0.6	0.7

Source: Company data, JM Financial. Note: Valuations as of 30/May/2025

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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stabilizing prices.

- **Subsidiaries:** IPCA's subsidiaries grew 16% YoY to INR 6.1bn in 4QFY25. Unichem, a key subsidiary, delivered 18% topline growth in FY25 and improved EBITDA margins to 12.55% from 4.87%. For Unichem, IPCA targets a 1% improvement in EBITDA margins in FY26, along with 8-9% topline growth. Over the next 2-3 years, Unichem aims to achieve 18% EBITDA margins with 10-12% topline growth. Unichem has significant capacity available, reducing the need for fresh CapEx in the near term. Cross-selling benefits from Unichem's products are expected to materialize in FY28, as the products are currently under approval.
- **Guidance:** IPCA Laboratories provided guidance for FY26, projecting 8-10% revenue growth. The company expects this growth rate to increase to 12-13% once the Unichem integration is fully realized in the future. Additionally, IPCA aims to improve its consolidated EBITDA margins by 1% in FY26. The company also announced a CapEx guidance of INR 4bn for FY26. Key projects over FY25 and FY26 – a \$20 million injectable and oral liquid facility in North Carolina, USA; an INR 2.5bn formulation facility for the domestic market in Dewas; an INR 2-2.5bn API and intermediate facility in Nagpur; and an INR 2.5bn monoclonal antibody facility in Pithampur, Madhya Pradesh. These projects are expected to be capitalized in the current year, with test batches in FY26 and ramp up in FY27 onwards.
- **Financial Highlights:**
  - Revenue for the quarter grew 11% YoY to INR 22.5bn (In line);
  - EBITDA was at INR 4.3bn with 33% YoY growth (5% miss)
  - EBITDA margin was at 19.1% , up 325bps YoY (137bps miss);
  - PAT came in at INR 678mn, up 14% YoY (74% miss); impacted by exceptional items of INR 2bn in Q4FY25 and INR 1.4bn in Q4FY24
  - Adj PAT at INR 2.7bn, up 39% YoY (4% beat)

#### Exhibit 1. Valuation



Source: Bloomberg

## Exhibit 2. 4QFY25 Review

Ipca P&L (INR mn)	4QFY24A	4QFY25A	% YoY	4QFY25E	% Delta vs JMFe	4QFY25E (cons)	% Delta vs Cons.	3QFY25A	% QoQ
<b>Total Income</b>	<b>20,330</b>	<b>22,467</b>	<b>11%</b>	<b>22,028</b>	<b>2%</b>	<b>22,223</b>	<b>1%</b>	<b>22,454</b>	<b>0%</b>
Raw material	6,859	7,083	3%	6,429	10%			6,682	6%
Gross Profit	13,471	15,384	14%	15,598	-1%			15,772	-2%
% Gross Profit Margin	66%	68%	221 bps	71%	-234 bps			70%	-177 bps
Staff cost	4,660	5,008	7%	4,872	3%			4,854	3%
Mfg & Other expense	5,592	6,087	9%	6,219	-2%			6,286	-3%
R&D									
<b>EBITDA</b>	<b>3,219</b>	<b>4,289</b>	<b>33%</b>	<b>4,507</b>	<b>-5%</b>	<b>4,146</b>	<b>3%</b>	<b>4,631</b>	<b>-7%</b>
<b>% EBITDA Margin</b>	<b>15.8%</b>	<b>19.1%</b>	<b>325 bps</b>	<b>20.5%</b>	<b>-137 bps</b>	<b>18.7%</b>		<b>20.6%</b>	<b>-154 bps</b>
Other income	189	258	36%	309	-16%			201	28%
Interest Expense	294	215	-27%	151	42%			168	28%
Depreciation	981	1,001	2%	1,002	0%			985	2%
Extraordinary income (expense)	-1,367	-2,051		0				0	
Other foreign exchange gain (loss)									
Profit Before Tax (PBT)	766	1,280	67%	3,663	-65%			3,679	-65%
Tax	737	622	-16%	952	-35%			906	-31%
% Tax rate	96%	49%		26%				25%	
Minority Interest	567	20		-81				-292	
<b>Reported PAT</b>	<b>596</b>	<b>678</b>	<b>14%</b>	<b>2,630</b>	<b>-74%</b>			<b>2,481</b>	<b>-73%</b>
<b>Adj. PAT</b>	<b>1,963</b>	<b>2,729</b>	<b>39%</b>	<b>2,630</b>	<b>4%</b>	<b>2,196</b>	<b>24%</b>	<b>2,481</b>	<b>10%</b>
<b>Reported EPS</b>	<b>2.3</b>	<b>2.7</b>	<b>14%</b>	<b>10.4</b>	<b>-74%</b>			<b>9.8</b>	<b>-73%</b>

% Cost Ratios	4QFY24A	4QFY25A	% YoY	4QFY25E	% Delta vs JMFe		3QFY25A	% QoQ
Raw Materials	33.7	31.5	-221 bps	29.2	234 bps		29.8	-177 bps
Staff cost	22.9	22.3	-63 bps	22.1	17 bps		21.6	-67 bps
Mfg & Other expense	27.5	27.1	-41 bps	28.2	-114 bps		28.0	90 bps

Sales Break-up	4QFY24A	4QFY25A	% YoY	4QFY25E	% Delta vs JMFe		3QFY25A	% QoQ
<b>Domestic</b>	<b>7,664</b>	<b>8,547</b>	<b>12%</b>	<b>8,701</b>	<b>-2%</b>		<b>9,723</b>	<b>-12%</b>
Formulations	6,898	7,641	11%	7,778	-2%		8,772	-13%
API	766	906	18%	923	-2%		952	-5%
<b>Exports</b>	<b>7,314</b>	<b>7,743</b>	<b>6%</b>	<b>8,063</b>	<b>-4%</b>		<b>6,809</b>	<b>14%</b>
Formulations	4,737	5,235	11%	5,415	-3%		4,582	14%
- Generic	2,303	2,461	7%	2,960	-17%		2,240	10%
- Branded	1,619	1,664	3%	1,639	2%		1,600	4%
- Institutional	814	1,110	36%	816	36%		741	50%
API	2,577	2,508	-3%	2,648	-5%		2,228	13%
<b>Subsidiaries</b>	<b>5,224</b>	<b>6,083</b>	<b>16%</b>	<b>5,264</b>	<b>16%</b>		<b>5,827</b>	<b>4%</b>

Source: JM Financial, Company

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	76,604	89,012	98,238	1,09,569	1,22,012
Sales Growth	23.4%	16.2%	10.4%	11.5%	11.4%
Other Operating Income	447	384	442	508	584
<b>Total Revenue</b>	<b>77,050</b>	<b>89,396</b>	<b>98,679</b>	<b>1,10,077</b>	<b>1,22,596</b>
Cost of Goods Sold/Op. Exp	25,758	27,786	31,084	34,894	39,047
Personnel Cost	17,084	19,840	21,216	23,116	24,887
Other Expenses	20,997	24,509	26,347	28,180	31,017
<b>EBITDA</b>	<b>13,212</b>	<b>17,261</b>	<b>20,032</b>	<b>23,887</b>	<b>27,645</b>
EBITDA Margin	17.1%	19.3%	20.3%	21.7%	22.6%
EBITDA Growth	42.6%	30.7%	16.1%	19.2%	15.7%
Depn. & Amort.	3,572	3,978	4,520	4,699	4,992
EBIT	9,639	13,283	15,512	19,188	22,653
Other Income	1,248	928	1,480	1,651	1,839
Finance Cost	1,383	849	771	631	491
PBT before Excep. & Forex	9,504	13,362	16,221	20,208	24,001
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	9,504	13,362	16,221	20,208	24,001
Taxes	3,135	3,436	4,218	5,254	6,240
Extraordinary Inc./Loss(-)	-1,078	-2,051	0	0	0
Assoc. Profit/Min. Int.(-)	-307	453	100	150	150
Reported Net Profit	5,473	7,377	11,604	14,604	17,411
<b>Adjusted Net Profit</b>	<b>6,228</b>	<b>8,812</b>	<b>11,604</b>	<b>14,604</b>	<b>17,411</b>
Net Margin	8.1%	9.9%	11.8%	13.3%	14.2%
Diluted Share Cap. (mn)	253.7	253.7	253.7	253.7	253.7
<b>Diluted EPS (INR)</b>	<b>24.5</b>	<b>34.7</b>	<b>45.7</b>	<b>57.6</b>	<b>68.6</b>
Diluted EPS Growth	32.1%	41.5%	31.7%	25.9%	19.2%
Total Dividend + Tax	507	1,015	1,741	2,191	2,612
Dividend Per Share (INR)	2.0	4.0	6.9	8.6	10.3

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	8,427	11,311	16,221	20,208	24,001
Depn. & Amort.	3,572	3,978	4,520	4,699	4,992
Net Interest Exp. / Inc. (-)	753	498	-709	-1,020	-1,348
Inc (-) / Dec in WCap.	-916	-1,765	3,733	-3,942	-4,339
Others	573	2,803	-150	-100	-100
Taxes Paid	-2,963	-3,613	-4,218	-5,254	-6,240
<b>Operating Cash Flow</b>	<b>9,447</b>	<b>13,213</b>	<b>19,397</b>	<b>14,591</b>	<b>16,966</b>
Capex	-4,106	-7,755	-4,018	-4,289	-4,576
Free Cash Flow	5,341	5,458	15,379	10,302	12,389
Inc (-) / Dec in Investments	390	-335	0	0	0
Others	-9,202	-605	2,251	1,651	1,839
<b>Investing Cash Flow</b>	<b>-12,918</b>	<b>-8,695</b>	<b>-1,767</b>	<b>-2,638</b>	<b>-2,738</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-507	0	-1,741	-2,191	-2,612
Inc / Dec (-) in Loans	-3,569	-933	-2,000	-2,000	-2,000
Others	-1,449	-1,897	-771	-631	-491
<b>Financing Cash Flow</b>	<b>-5,526</b>	<b>0</b>	<b>-4,512</b>	<b>-4,822</b>	<b>-5,103</b>
<b>Inc / Dec (-) in Cash</b>	<b>-8,997</b>	<b>0</b>	<b>13,118</b>	<b>7,131</b>	<b>9,126</b>
Opening Cash Balance	12,579	2,089	1,672	14,790	21,921
Closing Cash Balance	2,089	1,672	14,790	21,921	31,047

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	63,322	69,485	79,348	91,761	1,06,560
Share Capital	254	254	254	254	254
Reserves & Surplus	63,068	69,231	79,094	91,507	1,06,306
Preference Share Capital	0	0	0	0	0
Minority Interest	13,948	14,398	14,648	14,898	15,148
Total Loans	13,875	13,017	11,017	9,017	7,017
Def. Tax Liab. / Assets (-)	3,062	2,781	2,781	2,781	2,781
<b>Total - Equity &amp; Liab.</b>	<b>94,207</b>	<b>99,680</b>	<b>1,07,793</b>	<b>1,18,456</b>	<b>1,31,506</b>
Net Fixed Assets	46,800	46,699	46,197	45,787	45,372
Gross Fixed Assets	66,030	66,968	71,486	76,275	81,351
Intangible Assets	4,326	4,340	4,340	4,340	4,340
Less: Depn. & Amort.	26,792	30,770	35,290	39,989	44,981
Capital WIP	3,236	6,162	5,662	5,162	4,662
Investments	8,620	9,797	9,797	9,797	9,797
Current Assets	55,550	60,940	71,466	83,906	98,863
Inventories	24,713	25,604	27,035	30,158	33,588
Sundry Debtors	16,865	18,738	16,221	18,095	20,153
Cash & Bank Balances	2,089	1,672	14,790	21,921	31,047
Loans & Advances	94	428	428	428	428
Other Current Assets	11,788	14,499	12,992	13,305	13,647
Current Liab. & Prov.	16,763	17,756	19,668	21,035	22,526
Current Liabilities	8,170	8,977	9,883	11,032	12,283
Provisions & Others	8,593	8,779	9,784	10,003	10,243
Net Current Assets	38,787	43,184	51,799	62,872	76,337
<b>Total - Assets</b>	<b>94,207</b>	<b>99,680</b>	<b>1,07,793</b>	<b>1,18,456</b>	<b>1,31,506</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.1%	9.9%	11.8%	13.3%	14.2%
Asset Turnover (x)	0.9	0.9	0.9	1.0	1.0
Leverage Factor (x)	1.4	1.5	1.4	1.3	1.3
RoE	10.2%	13.3%	15.6%	17.1%	17.6%

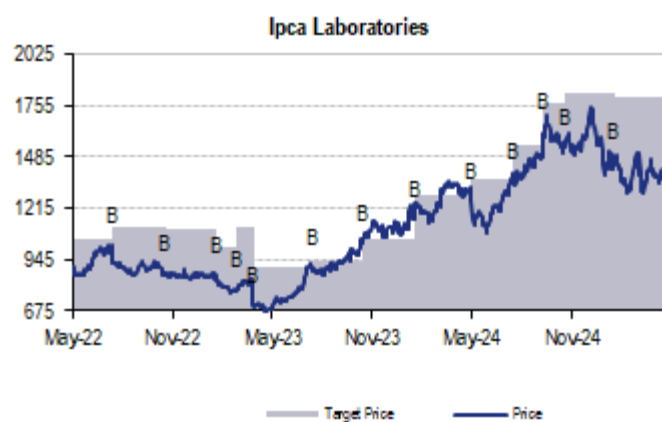
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	249.6	273.9	312.8	361.7	420.0
ROIC	9.5%	11.9%	13.8%	17.3%	19.5%
ROE	10.2%	13.3%	15.6%	17.1%	17.6%
Net Debt/Equity (x)	0.1	0.1	-0.1	-0.2	-0.3
P/E (x)	58.1	41.0	31.2	24.8	20.8
P/B (x)	5.7	5.2	4.6	3.9	3.4
EV/EBITDA (x)	28.9	22.0	18.2	14.9	12.5
EV/Sales (x)	5.0	4.3	3.7	3.2	2.8
Debtor days	80	77	60	60	60
Inventory days	117	105	100	100	100
Creditor days	44	43	43	45	45

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-May-22	Buy	1,050	
11-Aug-22	Buy	1,110	5.7
14-Nov-22	Buy	1,105	-0.5
16-Feb-23	Buy	1,010	-8.6
27-Mar-23	Buy	1,115	10.4
26-Apr-23	Buy	900	-19.3
13-Aug-23	Buy	940	4.4
12-Nov-23	Buy	1,055	12.2
15-Feb-24	Buy	1,280	21.3
30-May-24	Buy	1,365	6.6
15-Aug-24	Buy	1,545	13.2
9-Oct-24	Buy	1,765	14.2
17-Nov-24	Buy	1,815	2.8
14-Feb-25	Buy	1,800	-0.8

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
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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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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