

Ipca Laboratories

Estimate change



TP change



Rating change



Bloomberg	IPCA IN
Equity Shares (m)	254
M.Cap.(INRb)/(USDb)	361.4 / 4.2
52-Week Range (INR)	1758 / 1052
1, 6, 12 Rel. Per (%)	0/-10/4
12M Avg Val (INR M)	653

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	89.4	99.6	110.6
EBITDA	17.3	20.3	24.0
Adjusted PAT	9.1	11.2	13.7
EBIT Margin (%)	14.9	16.3	17.8
Cons. Adj EPS (INR)	36.0	44.0	53.9
EPS Gr. (%)	44.8	22.3	22.6
BV/Sh. (INR)	273.9	311.3	357.1

Ratios

Net D-E	0.1	0.1	0.0
RoE (%)	15.7	15.0	16.1
RoCE (%)	13.2	13.7	14.8
Payout (%)	9.8	11.5	15.0

Valuation

P/E (x)	39.7	32.4	26.5
EV/EBITDA (x)	21.1	17.9	15.1
Div. Yield (%)	0.3	0.4	0.6
FCF Yield (%)	1.1	1.4	3.1
EV/Sales (x)	4.1	3.7	3.3

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	44.7	44.7	46.3
DII	36.1	35.7	34.4
FII	10.8	11.1	10.5
Others	8.5	8.5	8.8

FII Includes depository receipts

CMP: INR1,425

TP: INR1,750 (+23%)

Buy

DF and Institutional segments drive earnings

Work in progress to support better growth prospects in exports

- Ipca Laboratories (IPCA) delivered better-than-expected revenue/EBITDA (3%/6% beat) for 4QFY25. However, the reported PAT was hit by the impairment of certain goodwill. Adj. PAT was 19.5% above our estimate.
- IPCA is consistently delivering above-industry growth in the domestic formulation (DF) segment through product launches as well as improving its existing brand franchise.
- The overall performance was impacted by subdued growth in exports (generics/branded) for 4QFY25.
- The pricing challenges are abating in the API segment, and it is expected to have a better outlook going forward.
- We trim our earnings estimates by 3%/4% for FY26/FY27, factoring in 1) a moderation in export markets and 2) a gradual revival in the US business. We value IPCA at 34x 12M forward earnings to arrive at our TP of INR1,750.
- We expect an 11%/18%/15% sales/EBITDA/PAT CAGR over FY25-27, led by superior execution in the DF segment, b) synergy benefits from integrating Ipca/Unichem, and c) better operating leverage. **Reiterate BUY.**

Improved segmental mix and operating leverage fuel profitability YoY

- IPCA's 4QFY25 sales grew 10.5% YoY to INR22.4b (our est: INR21.7b).
- Formulation sales increased 11% YoY to INR12.8b (57% of sales).
- DF sales grew 10.8% YoY to INR7.6b (59% of formulation sales). Exports formulation sales grew 10.5% YoY to INR5.2b (41% of formulation sales).
- API sales grew 2% YoY to INR3.4b (15% of sales). Domestic API sales grew 18% YoY to INR906m (27% of API sales). Export API sales declined 3% YoY to INR2.5b (73% of API sales).
- Revenue from subsidiaries grew 16% YoY to INR6.1b (28% of sales). The revenue growth is largely due to Unichem.
- Gross margin (GM) expanded 220bp YoY to 68.5% due to superior product mix/lower RM costs.
- In line with gross margins, EBITDA margin expanded 330bp YoY to 19.1% (our est: 18.6%), on higher GM and better operating leverage (employee expense/other expenses down 60bp/40bp YoY as % of sales).
- EBITDA grew 33.2% YoY to INR4.2b (our est: INR4b).
- IPCA had impairment of exposure to associate (INR1.2b) and fair value of freehold land (INR860m).
- Adj. PAT grew 23.4% YoY to INR2.4b (our estimate: INR2.0b).
- Revenue/EBITDA/PAT rose 16%/32.1%/45% YoY during FY25 to INR89b/INR17b/INR9b.

Highlights from the management commentary

- IPCA guided an 8-10% YoY growth in revenue for FY26. It also indicated a 100bp margin improvement in FY26.

- Management indicated 6-7 product filings for the US market in FY26.
- Overall, for export markets, IPCA is likely to file 20+ products in FY26.
- The generics exports business for 4QFY25 was hit by the loss of tenders in the SA market.
- Out of the capex plan of INR10b over FY25 and FY26, IPCA has incurred INR6b in FY25 and would incur INR4b in FY26.
- IPCA outperformed the DF market in acute and chronic categories in FY25.
- IPCA's share of DF business from top-30 metro cities has increased from 32.6% in FY22 to 37.5% in FY25.

Quarterly Performance

Y/E March	FY24				FY25				FY24	FY25	FY25E	% Chg
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Revenues (Core)	15,876	20,340	20,529	20,330	20,926	23,549	22,454	22,467	77,074	89,396	21,798	3.1
YoY Change (%)	0.1	27.0	32.8	34.5	31.8	15.8	9.4	10.5	23.2	16.0	7.2	
EBITDA	2,941	3,606	3,310	3,219	3,927	4,425	4,631	4,289	13,076	17,271	4,053	5.8
YoY Change (%)	3.8	32.4	42.7	77.9	33.5	22.7	39.9	33.2	33.3	32.1	25.9	
Margins (%)	18.5	17.7	16.1	15.8	18.8	18.8	20.6	19.1	17.0	19.3	18.6	
Depreciation	693	903	995	981	989	1,004	985	1,001	3,572	3,978	990	
EBIT	2,249	2,702	2,315	2,238	2,938	3,421	3,646	3,287	9,503	13,293	3,062	7.3
YoY Change (%)	1.4	29.6	40.0	100.7	30.7	26.6	57.5	46.9	32.0	39.9	36.9	
Margins (%)	14.2	13.3	11.3	11.0	14.0	14.5	16.2	14.6	12.3	14.9	14.0	
Interest	314	441	334	294	241	226	168	215	1,383	849	147	
Other Income	449	386	225	16	206	263	201	258	1,075	928	230	
PBT before EO Expense	2,383	2,647	2,205	1,960	2,904	3,458	3,679	3,331	9,195	13,372	3,145	
One-off (gain)/ Expense	-135	393	-684	1,194	0	0	0	2,051	769	2,051	0	
PBT after EO Expense	2,518	2,254	2,889	766	2,904	3,458	3,679	1,280	8,426	11,321	3,145	
Tax	856	879	662	737	914	994	906	622	3,135	3,436	878	
Rate (%)	34.0	39.0	22.9	96.2	31.5	28.7	24.6	48.6	34.1	25.7	27.9	
Reported PAT	1,662	1,374	2,227	29	1,990	2,464	2,773	658	5,292	7,885	2,267	-71.0
Minority Interest	-34	76	-428	567	-67	-160	-292	20	-984	-499	-243	
Adj PAT after Minority Int	1,539	1,690	1,115	1,960	1,922	2,305	2,481	2,418	6,304	9,127	2,024	19.5
YoY Change (%)	0.9	-9.2	-6.1	179.8	24.9	36.4	122.5	23.4	19.5	44.8	3.3	
Margins (%)	9.7	8.3	5.4	9.6	9.2	9.8	11.1	10.8	8.2	10.2	9.3	

Key performance Indicators

Y/E March	FY24				FY25				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY24	FY25	FY25E 3QE
INRm											
Domestic formulations	7,827	8,450	7,796	6,898	8,734	9,405	8,772	7,641	30,972	34,551	7,623
YoY Change (%)	14.3	10.4	11.0	13.5	11.6	11.3	12.5	10.8	12.2	11.5	10.5
Exports formulations	3,979	4,707	4,331	4,737	3,954	5,415	4,582	5,235	17,753	19,186	4,981
YoY Change (%)	-1.0	16.4	8.2	9.5	-0.6	15.0	5.8	10.5	8.3	8.1	5.2
API sales	2,951	3,349	2,850	3,343	2,880	3,186	3,179	3,414	12,493	12,658	3,285
YoY Change (%)	-21.3	9.0	-11.6	-3.6	-2.4	-4.9	11.6	2.1	-9.3	1.3	-1.7
Cost Break-up											
RM Cost (% of Sales)	32.5	33.3	34.0	33.7	30.8	32.2	29.8	31.5	33.4	31.1	33.0
Staff Cost (% of Sales)	22.5	20.9	22.4	22.9	23.3	21.7	21.6	22.3	22.2	22.2	22.2
Other Cost (% of Sales)	26.5	28.0	27.6	27.5	27.2	27.4	28.0	27.1	27.5	27.4	27.0
Gross Margin (%)	67.5	66.7	66.0	66.3	69.2	67.8	70.2	68.5	66.6	68.9	67.0
EBITDA Margin (%)	18.5	17.7	16.1	15.8	18.8	18.8	20.6	19.1	17.0	19.3	17.8
EBIT Margin (%)	14.2	13.3	11.3	11.0	14.0	14.5	16.2	14.6	12.3	14.9	13.5

E: MOFSL Estimates



Highlights from the management commentary

- IPCA indicated branded export formulation as well as generic export formulation businesses to achieve 10% YoY growth in revenue for FY26.
- The inventory rationalization affected business in the Australia/New Zealand markets for IPCA.
- IPCA will be shipping seven more products to the US market in FY26 (three in FY25).
- Unichem achieved an EBITDA margin target one year ahead of its earlier guidance. It aims to garner 8-10% YoY growth in revenue and 100bp margin improvement in FY26
- The gross margin of Unichem was lower for the quarter due to changes in product mix.
- Given enough capacity available at Unichem to cater to growth in sales, additional investment in manufacturing would be limited at the Unichem level over the next 1-2 years.
- Despite consistent pricing headwinds in the API business, IPCA has managed to maintain sales in this segment, driven by higher volume off-take.

Strong DF momentum, Unichem-led export revival, and API resilience to drive growth

IPCA outpaces IPM; expects 12.5% CAGR over FY25-27

- In FY25, the DF segment grew 12% YoY to INR34.5b compared to IPM growth of 8% during a similar period.
- IPCA has consistently exhibited above-industry growth for three straight years.
- Interestingly, it is outperforming IPM in both acute therapies (IPCA grew 10.9% YoY vs IPM growth of 6.9% YoY) as well as chronic therapies (IPCA grew 17.9% YoY vs IPM growth of 9.8% YoY) in FY25.
- In addition to its product pipeline, IPCA has enhanced its marketing efforts in metro cities, driving a higher share of business from metro cities.
- Therapy-wise, gastrointestinal grew 16% YoY in FY25, followed by derma, cardiac, and pain therapy (up 15%, 13%, and 11% YoY).
- Additionally, IPCA continues to implement efforts toward increasing its field-force productivity.
- Accordingly, we expect a 12.5% sales CAGR in the DF segment to INR44b over FY25-27.

Unichem synergies and brand focus to drive 10% exports CAGR

- During FY25, IPCA's export sales grew 8% YoY to INR19b, led by ~33% YoY growth in the institutional business, followed by 11% YoY growth in the branded formulation business. Generics exports were flat YoY for FY25.
- The export sales growth was impacted due to currency headwinds in certain markets and the loss of certain tenders.
- Having said this, IPCA continues to have superior execution in the branded export market and outperforms respective markets at the industry level.
- Subsidiary sales grew 47% YoY to INR23b, primarily led by Unichem.

- While there has been considerable improvement in the financial performance of Unichem in FY25, IPCA continues to work on enhancing integration benefits and increasing overall synergy between IPCA and Unichem.
- Accordingly, we expect the overall export formulations (including Unichem) business to clock a 10% sales CAGR to reach INR51b over FY25-27.

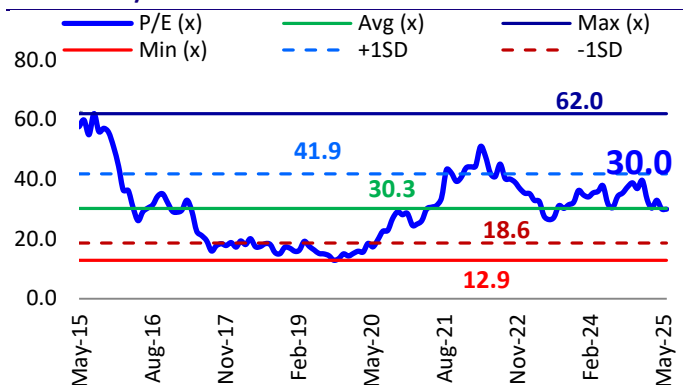
Increased volume offtake offsets pricing challenges in the API segment

- During FY25, API sales were stable YoY at INR13b.
- The overall industry has been facing pricing challenges over the past two years. Despite that, IPCA has delivered steady sales in this segment for FY25.
- With new introductions and improved cost efficiency, we expect a 14.3% sales CAGR in this segment to INR16.4b over FY25-27.

Valuation and view

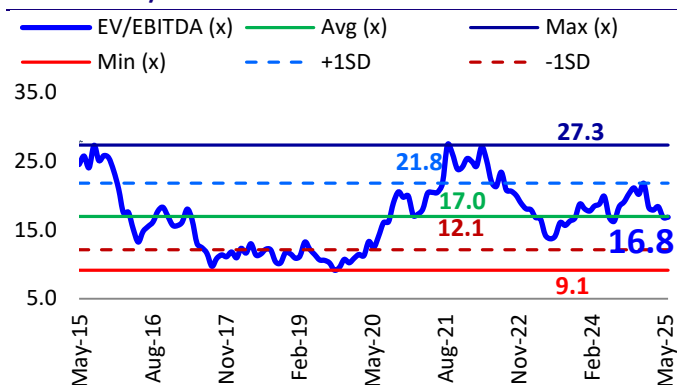
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- We expect an 11%/18%/15% sales/EBITDA/PAT CAGR over FY25-27, led by superior execution in the DF segment, b) synergy benefits from integrating Ipca/Unichem, and c) better operating leverage. **Reiterate BUY.**

Exhibit 1: P/E chart



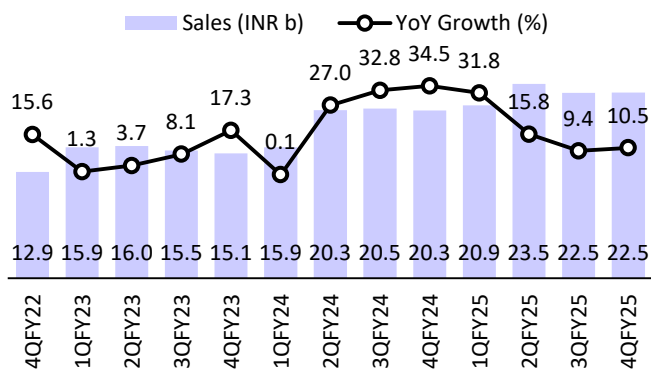
Source: MOFSL, Company, and Bloomberg

Exhibit 2: EV/EBITDA chart

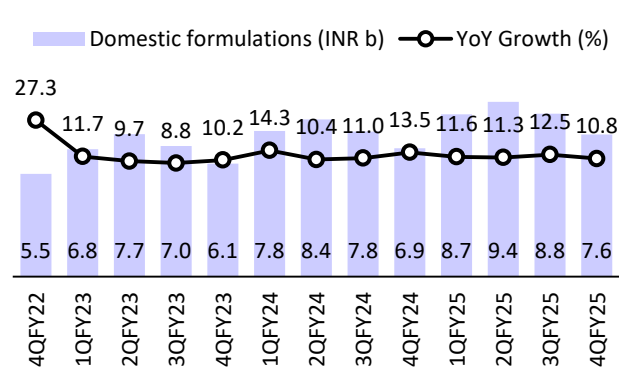


Source: MOFSL, Company, and Bloomberg

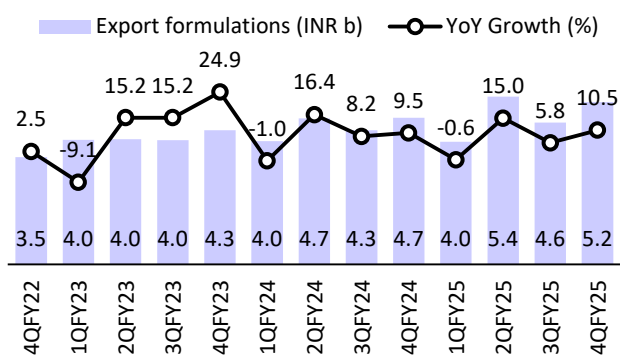
Story in charts

Exhibit 3: Total sales grew 10.5% YoY in 4QFY25


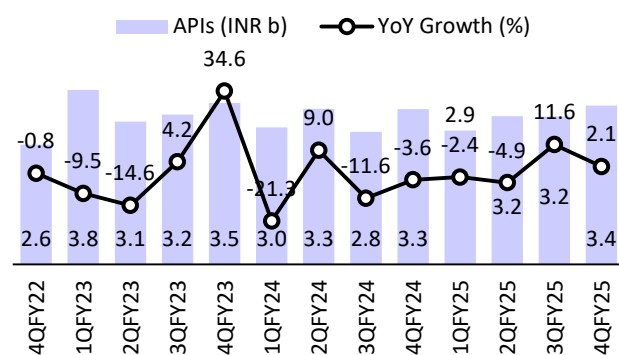
Source: Company, MOFSL

Exhibit 4: DF sales grew 10.8% YoY in 4QFY25


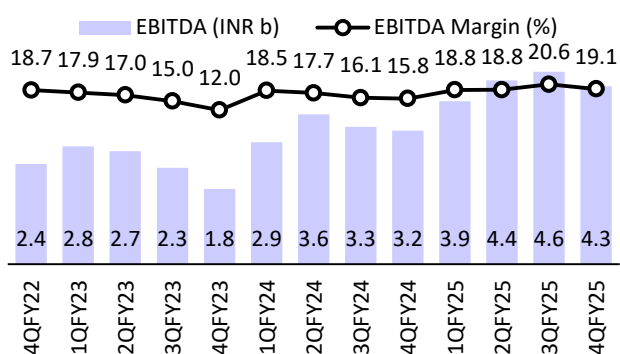
Source: Company, MOFSL

Exhibit 5: Export formulation sales rose 10.5% YoY


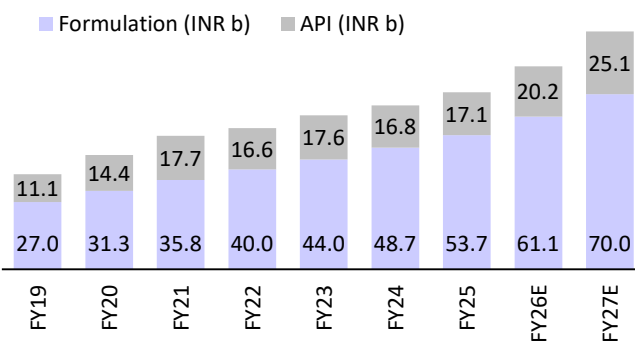
Source: Company, MOFSL

Exhibit 6: API sales increased 2.1% YoY in 4QFY25


Source: Company, MOFSL

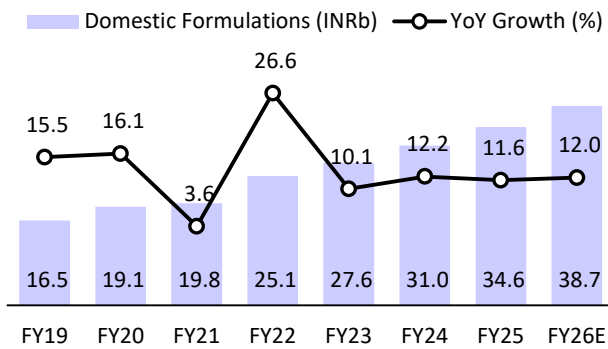
Exhibit 7: EBITDA margin improved 330bp YoY in 4QFY25


Source: Company, MOFSL

Exhibit 8: Expect 11% sales CAGR over FY25-27


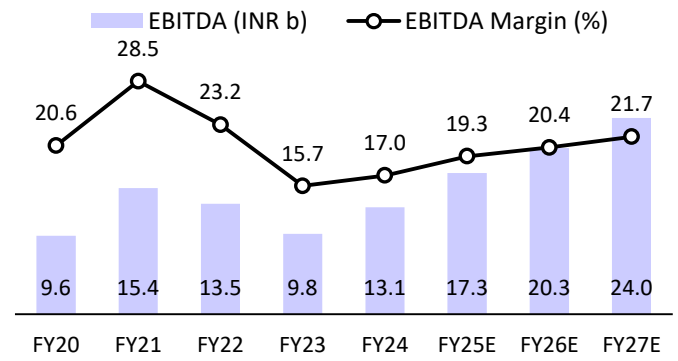
Source: Company, MOFSL

Exhibit 9: Expect 13% DF sales CAGR over FY25-27



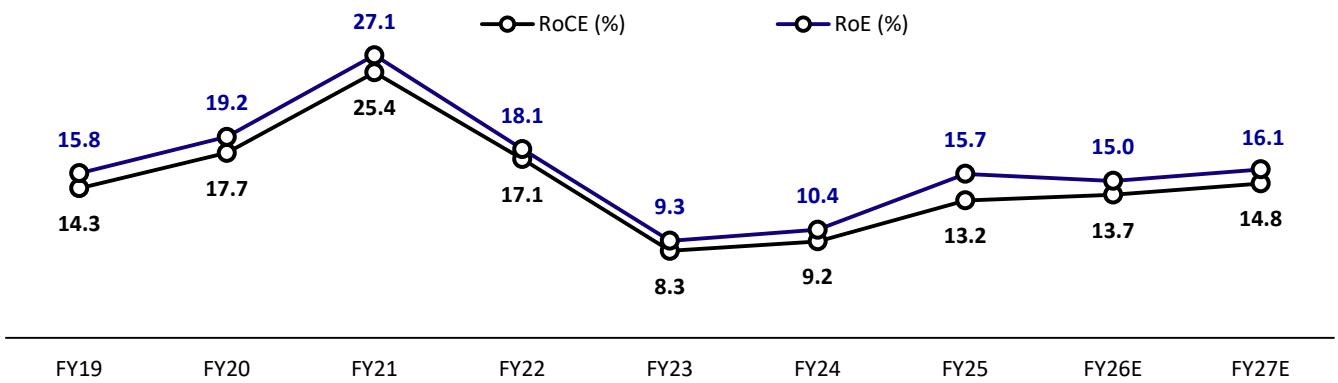
Source: Company, MOFSL

Exhibit 10: Expect margin to expand over FY25-27



Source: Company, MOFSL

Exhibit 11: Expect return ratios to gradually improve over FY25-27



Source: Company, MOFSL

Financials and valuations

Income Statement								(INRm)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	37,732	46,487	54,200	58,298	62,569	77,074	89,396	99,616	1,10,620
Change (%)	14.9	23.2	16.6	7.6	7.3	23.2	16.0	11.4	11.0
EBITDA	7,170	9,580	15,444	13,509	9,812	13,076	17,271	20,322	24,004
Change (%)	57.7	33.6	61.2	-12.5	-27.4	33.3	32.1	17.7	18.1
Margin (%)	19.0	20.6	28.5	23.2	15.7	17.0	19.3	20.4	21.7
Depreciation	1,824	2,105	2,092	2,324	2,616	3,572	3,978	4,111	4,325
EBIT	5,346	7,475	13,352	11,184	7,197	9,503	13,293	16,210	19,680
Int. and Finance Charges	189	165	90	77	455	1,383	849	526	497
Other Income - Rec.	483	578	457	666	1,151	1,075	928	950	980
PBT before EO Expense	5,640	7,888	13,719	11,773	7,892	9,195	13,372	16,634	20,163
EO Expense/(Income)	157	445	-171	416	314	769	2,549	0	0
PBT after EO Expense	5,483	7,442	13,890	11,357	7,579	8,426	10,823	16,634	20,163
Current Tax	1,218	1,406	2,487	2,070	2,302	3,102	3,436	4,691	5,726
Deferred Tax	-176	-53	-85	178	230	33	0	333	403
Tax	1,042	1,353	2,401	2,248	2,532	3,135	3,436	5,024	6,129
Tax Rate (%)	18.5	17.2	17.5	19.1	32.1	34.1	25.7	30.2	30.4
Reported PAT	4,441	6,090	11,488	9,110	5,047	5,291	7,387	11,610	14,032
Less: Minority Interest	18	78	91	269	-206	984	-499	450	350
Net Profit	4,423	6,012	11,398	8,841	5,253	4,307	7,885	11,160	13,682
Adj PAT	4,580	6,485	11,255	9,218	5,275	6,304	9,127	11,160	13,682
Adj PAT growth (%)	91.3	41.6	73.6	-18.1	-42.8	19.5	44.8	22.3	22.6

Balance Sheet								(INRm)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	252	252	254	254	254	254	254	254	254
Total Reserves	30,971	35,903	46,763	54,666	58,167	63,068	69,231	78,718	90,348
Net Worth	31,224	36,275	47,017	54,920	58,420	63,322	69,485	78,971	90,602
Deferred liabilities	1457	1398	1316	1506	1856	3062	2781	3113	3516
Total Loans	3,505	4,328	1,988	8,027	14,746	14,274	13,526	12,768	12,085
Capital Employed	36,342	42,137	50,466	65,222	75,755	94,607	1,00,189	1,09,250	1,20,601
Gross Block	26,657	30,268	31,872	37,647	43,601	65,195	66,306	70,306	73,306
Less: Accum. Deprn.	6,951	9,056	11,148	13,472	16,088	19,660	23,638	27,750	32,074
Net Fixed Assets	19,706	21,212	20,724	24,175	27,514	45,535	42,668	42,557	41,232
Capital WIP	361	708	2,348	3,064	1,404	3,429	6,218	6,218	6,218
Investments	1,204	2,719	4,711	9,892	6,260	8,620	9,797	9,797	9,797
Curr. Assets	24,217	27,939	32,881	39,237	51,051	53,386	58,753	67,327	83,357
Inventory	10,725	13,231	15,948	18,580	17,434	24,713	25,604	29,476	33,641
Account Receivables	6,815	8,952	8,118	9,108	9,890	16,865	18,738	21,288	24,245
Cash and Bank Balance	2,823	1,809	3,651	6,407	18,532	2,968	3,442	5,139	12,784
Loans & Advances	3,854	3,947	5,164	5,143	5,194	8,840	10,969	11,425	12,687
Curr. Liability & Prov.	9,147	10,441	10,198	11,147	10,473	16,364	17,247	16,648	20,002
Account Payables	8,190	9,182	8,781	9,704	8,923	13,050	13,592	14,738	17,881
Provisions	957	1,259	1,417	1,443	1,550	3,314	3,655	1,910	2,121
Net Current Assets	15,070	17,498	22,682	28,091	40,577	37,022	41,506	50,679	63,355
Appl. of Funds	36,342	42,137	50,466	65,222	75,755	94,607	1,00,189	1,09,250	1,20,601

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Adj. EPS (INR)	18.1	25.6	44.4	36.3	20.8	24.9	41.1	44.0	53.9
Cash EPS	24.8	32.2	53.2	44.0	31.0	31.1	46.8	60.2	71.0
BV/Share	123.7	143.2	185.3	216.5	230.3	249.6	273.9	311.3	357.1
DPS	3.0	5.0	8.1	8.1	4.0	4.0	4.0	5.0	8.1
Payout (%)	16.8	19.7	18.2	22.2	19.4	16.2	9.8	11.5	15.0
Valuation (x)									
P/E	79.1	55.8	32.2	39.3	68.6	57.4	34.7	32.4	26.5
P/BV	11.5	10.0	7.7	6.6	6.2	5.7	5.2	4.6	4.0
EV/Sales	9.6	7.8	6.7	6.2	5.8	4.7	4.1	3.7	3.3
EV/EBITDA	50.7	38.0	23.5	26.9	37.1	27.8	21.1	17.9	15.1
Dividend Yield (%)	0.2	0.4	0.6	0.6	0.3	0.3	0.3	0.4	0.6
Return Ratios (%)									
RoE	15.8	19.2	27.1	18.1	9.3	10.4	15.7	15.0	16.1
RoCE	14.3	17.7	25.4	17.1	8.3	9.2	13.2	13.7	14.8
RoIC	14.0	18.0	28.7	21.1	10.2	9.7	12.3	13.4	15.2
Working Capital Ratios									
Fixed Asset Turnover (x)	1.9	2.3	2.6	2.6	2.4	2.1	2.0	2.3	2.6
Debtor (Days)	65	70	54	56	58	80	77	78	80
Inventory (Days)	104	104	107	116	102	117	105	108	111
Working Capital Turnover (Days)	118	123	128	136	129	161	155	167	167
Leverage Ratio (x)									
Interest Cover Ratio	28.3	45.3	147.7	145.4	15.8	6.9	15.7	30.8	39.6
Debt/Equity	0.0	0.1	0.0	0.0	-0.1	0.2	0.1	0.1	0.0

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Oper. Profit/(Loss) before Tax	7,170	9,580	15,444	13,509	9,812	13,076	17,271	20,322	24,004
Interest/Dividends Recd.	483	578	457	666	1,151	1,075	928	950	980
Direct Taxes Paid	-1,165	-1,412	-2,484	-2,058	-2,181	-1,928	-3,718	-4,691	-5,726
(Inc)/Dec in WC	-1,686	-3,442	-3,343	-2,652	-361	-12,009	-4,010	-7,476	-5,030
CF from Operations	4,803	5,304	10,075	9,464	8,421	213	10,471	9,105	14,228
Others	365	784							
EO Expense / (Income)	157	445	-171	416	314	769	2,549	0	0
CF from Oper. incl EO Exp.	5,010	5,643	10,246	9,048	8,107	-556	7,922	9,105	14,228
(inc)/dec in FA	-1,632	-3,958	-3,244	-6,491	-4,294	-23,618	-3,900	-4,000	-3,000
Free Cash Flow	3,379	1,685	7,002	2,557	3,813	-24,174	4,023	5,105	11,228
(Pur)/Sale of Investments	-336	-1,515	-1,992	-5,181	3,632	-2,360	-1,177	0	0
Others	317	376	0	0	0	0	0	0	0
CF from Investments	-1,651	-5,097	-5,236	-11,672	-662	-25,979	-5,077	-4,000	-3,000
Issue of shares	0	0	1	0	0	0	0	0	0
(Inc)/Dec in Debt	-1,070	804	-2,331	6,663	6,683	12,743	-298	-758	-683
Interest Paid	-189	-165	-90	-77	-455	-1,383	-849	-526	-497
Dividend Paid	-761	-1,269	-2,030	-2,030	-1,015	-1,015	-1,015	-1,269	-2,030
Others	188	-675	1,281	306	-532	719	-332	1,068	1,168
CF from Fin. Activity	-1,832	-1,305	-3,169	4,863	4,681	11,065	-2,495	-1,485	-2,041
Inc/Dec of Cash	1,528	-758	1,841	2,238	12,126	-15,470	351	3,620	9,187
Add: Beginning Balance	2,181	3,709	2,954	4,795	7,033	19,159	2,969	3,442	5,139
Forex/ Business acquisition	0	3	0	0	0	0	0	0	0
Closing Balance	3,709	2,954	4,795	7,033	19,159	3,690	3,319	7,062	14,325
Bank balances / Mutual fund (gain)/ loss	-886	-1,145	-1,145	-627	-627	-721	123	1,924	1,541
Closing Balance	2,823	1,809	3,650	6,407	18,533	2,969	3,442	5,139	12,784

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