

Innova Captab | ADD

Mixed 2Q; slower than anticipated Jammu ramp-up

Innova Captab reported a mixed 2QFY26, with revenue growth of +20% YoY and EBITDA margins contraction of 200bps YoY (at 13.6%). Revenue growth was enabled by the Branded Generics segment, which grew +31% YoY. It was led by the portfolio expansion and traction in key products. Despite headwinds of price pressure in APIs, the CDMO segment grew at +15% YoY. Growth in the CDMO business was driven by deeper client engagement and portfolio expansion. However, 1HFY26 remained muted for the Jammu facility – reporting INR 1.2bn in sales. The management now expects FY26 sales of INR 2.7–2.8bn (vs. INR 4bn guided earlier) from this facility, with no significant ramp-up expected in the second half. This, coupled with the continued API pricing pressure as well as the impact of GST revision on the entity level margins prompts us to revise our FY26/27/28 estimates downwards. We value the stock at 20x Sept'27 EPS vs. hitherto 24x, to arrive at a TP of INR 787. Re-rate to ADD.

- **CDMO:** The business has been reorganized via integration of Sharon Bio and part of international BGx into CDMO. The reorganized segment delivered revenue of INR 2.7bn (+15% YoY growth) in 2QFY26 and INR 5.2bn (+12% YoY) in 1HFY26. This growth was despite headwind of deteriorating API prices for key products, though the management now states seeing early signs of API price stabilization. Double-digit growth was enabled by deeper client engagement and expansion of product portfolio.
- **Jammu facility:** Jammu facility did INR 1.2bn worth of business in 1HFY26, and expects to do better in 2HFY26 (FY26 guidance of INR 2.7–2.8bn vs INR 4bn guided earlier). Impact of GST revision – Pharma formulation GST reduced from 12% to 5%, Jammu had maximum incentive cap of INR 750–800mn. Earlier had to achieve INR 6.5bn business to get maximum benefit, now has to achieve INR 14bn sales to attain maximum benefit in a single year. The prices with B2B client will be re-negotiated as earlier part of the benefits were passed on to clientele. The facility is seeing multiple client visits – some have commissioned contracts, while others remain in conversation. At optimum capacity utilization of 65–70%, the facility should deliver INR 14bn+ peak revenue, attainable in 4–5 years.
- **Branded generics:** The segment has been reorganized via merger of part of international BGx and domestic BGx to form Branded generics. The segment delivered revenue of INR 1.1bn (+31% YoY) in 2QFY26 and INR 2.2bn (+43% YoY) in 1HFY26. Strong growth was led by expansion of product portfolio and increased traction in existing portfolio.
- **Other highlights:** The company successfully closed inspection at its: 1. Cephalosporin plant in Baddi by the UK-MHRA; 2. Jammu facility by the State Service of Ukraine on Medicines and Drugs Control (SMDC). The company has multiple growth levers in sight– substantial room for scale-up, geographic diversification, and robust product pipeline. A key highlight of the performance is strong export orientation, with contribution being 30% to the overall revenue mix, both in 2QFY26 and 1HFY26. The company pointed out its target is to double top-line over the next 3 years.
- **Implication of GST revision:** GST for pharma formulations has been reduced from 12% to 5%. Subsequently, the Jammu facility which earlier had to achieve INR 6.5bn sales to get the maximum benefit available in a given single year, now has to attain INR 14bn sales. This is likely to have a detrimental impact on the company's margins.
- **Valuation:** In light of the slower than earlier anticipated ramp-up of Jammu facility, continued API pricing pressure and impact of GST revision on the entity level margins, we have revised our FY26/27/28 estimates downwards. We now value the company at 20x Sept'27 EPS vs. hitherto 24x, to arrive at a TP of INR 787. Re-rate to ADD.



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	BUY
Current Price Target (12M)	787
Upside/(Downside)	6.3%
Previous Price Target	1,152
Change	-31.7%

Key Data – INNOVACA IN

Current Market Price	INR740
Market cap (bn)	INR42.4/US\$0.5
Free Float	28%
Shares in issue (mn)	57.2
Diluted share (mn)	57.2
3-mon avg daily val (mn)	INR30.5/US\$0.3
52-week range	1,260/662
Sensex/Nifty	83,535/25,574
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	-11.5	-11.7	-22.2
Relative*	-12.6	-16.0	-26.0

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,813	12,437	15,224	18,880	23,753
Sales Growth (%)	16.7	15.0	22.4	24.0	25.8
EBITDA	1,545	1,862	2,207	2,917	3,919
EBITDA Margin (%)	14.3	15.0	14.5	15.5	16.5
Adjusted Net Profit	943	1,283	1,281	1,872	2,634
Diluted EPS (INR)	16.5	22.4	22.4	32.7	46.0
Diluted EPS Growth (%)	16.5	35.9	-0.1	46.1	40.7
ROIC (%)	12.9	10.4	10.7	15.8	20.9
ROE (%)	17.0	14.3	12.5	15.8	18.7
P/E (x)	44.9	33.0	33.1	22.6	16.1
P/B (x)	5.1	4.4	3.9	3.3	2.8
EV/EBITDA (x)	28.8	24.4	19.5	14.3	10.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

■ Financial highlights:

- Revenue at INR 3.8bn (+20% YoY | 1.1% vs JMFe)
- Gross Profit of INR 1.4bn (+23% YoY | in-line vs JMFe), with gross margin at 36% (+101bps YoY)
- EBITDA at INR 519mn (+4% YoY | -5% vs JMFe)
- EBITDA Margin at 13.6% (-200bps YoY | -91bps vs JMFe)
- PAT at INR 297mn (-15% YoY | -1% vs JMFe)

■ Segmental performance

- CDMO reported INR 2.7bn (+15% YoY)
- Branded generics reported INR 1.1bn (+31% YoY)

Exhibit 1. Valuation methodology

Valuation	INR
September '27 EPS	39.4
Multiple (P/E)	20
September'26 TP	787
CMP	742
Upside	6.1%
Prev. TP	1152
Change	-32%

Source: JM Financial

Exhibit 2. Change in estimates

(INR mn)	FY26E				FY27E				FY28E			
	Old	New	growth	change %	Old	New	growth	change %	Old	New	growth	change %
Total operating revenue	17,321	15,224	22%	-12%	22,049	18,880	24%	-14%	26,636	23,753	26%	-11%
Gross profit	5,803	5,557	29%	-4%	7,276	6,646	20%	-9%	8,737	8,314	25%	-5%
% margin	33.5%	36.5%	196 bps		33.0%	35.2%	-130 bps		32.8%	35.0%	-20 bps	
EBITDA	2,650	2,207	19%	-17%	3,528	2,917	32%	-17%	4,342	3,919	34%	-10%
% margin	15.3%	14.5%	-47 bps		16.0%	15.5%	95 bps		16.3%	16.5%	105 bps	
PAT	1,800	1,281	0%	-28.9%	2,479	1,872	46%	-24%	3,114	2,634	41%	-15%
% margin	10.4%	8.4%	-190 bps		11.2%	9.9%	150 bps		11.7%	11.1%	118 bps	
Basic EPS (INR)	31.5	22.4	0%	-28.9%	43.3	32.7	46%	-24%	54.4	46.0	41%	-15%

Source: JM Financial

Exhibit 3. 2QFY26 review

Innova Captab - P&L (INR mn)	2Q25A	2Q26A	% YoY	2Q26E	% Delta vs esimates	1Q26A	% QoQ
Net Sales	3,182	3,804	19.5%	3,762		3,515	8.2%
Other op income	0	0		0		0	
Revenue	3,182	3,804	19.5%	3,762	1.1%	3,515	8.2%
Raw Material/FG	2,070	2,436	17.7%	2,400	1%	2,207	10.3%
Gross Profit	1,112	1,368	23.0%	1,362	0%	1,308	4.6%
- % of revenue	35.0%	36.0%	101 bps	36.2%		37.2%	-125 bps
Staff Cost	282	417	48.1%	400	4%	391	6.7%
Other expenses	333	432	29.7%	415	4%	396	9.1%
EBITDA	497	519	4.3%	547	-5.2%	521	-0.5%
EBITDA (%)	15.6%	13.6%	-200 bps	14.5%	-91 bps	14.8%	-119 bps
Other Income	22	42		35		45	
Interest	1	55		30		29	
Depreciation	50	113		111		110	
PBT	468	392	-16.2%	441		427	-8.1%
Tax	118	96		140		117	
Tax Rate (%)	25.2%	24.4%		31.8%		27.3%	
PAT (Reported)	350	297	-15.2%	301	-1.4%	310	-4.3%
PAT Margin (%)	11.0%	7.8%		8.0%		8.8%	
Innova Captab - Cost margins	2Q25A	2Q26A	% YoY	2Q26A	% YoY	1Q26A	% QoQ
Raw material cost/sales	65.0%	64.0%	-101 bps	63.8%	24 bps	62.8%	125 bps
Staff cost/sales	8.9%	11.0%	211 bps	10.6%	33 bps	11.1%	-15 bps
Other expenditure/sales	10.5%	11.4%	89 bps	11.0%	33 bps	11.3%	9 bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,813	12,437	15,224	18,880	23,753
Sales Growth	16.7%	15.0%	22.4%	24.0%	25.8%
Other Operating Income	0	0	0	0	0
Total Revenue	10,813	12,437	15,224	18,880	23,753
Cost of Goods Sold/Op. Exp	7,283	8,141	9,667	12,234	15,439
Personnel Cost	907	1,168	1,675	1,841	2,138
Other Expenses	1,078	1,266	1,675	1,888	2,257
EBITDA	1,545	1,862	2,207	2,917	3,919
EBITDA Margin	14.3%	15.0%	14.5%	15.5%	16.5%
EBITDA Growth	35.9%	20.5%	18.6%	32.1%	34.4%
Depn. & Amort.	160	248	470	414	428
EBIT	1,385	1,614	1,738	2,503	3,492
Other Income	125	120	160	192	230
Finance Cost	215	24	190	200	209
PBT before Excep. & Forex	1,295	1,710	1,708	2,496	3,513
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	1,295	1,710	1,708	2,496	3,513
Taxes	352	428	427	624	878
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	943	1,283	1,281	1,872	2,634
Adjusted Net Profit	943	1,283	1,281	1,872	2,634
Net Margin	8.7%	10.3%	8.4%	9.9%	11.1%
Diluted Share Cap. (mn)	57.2	57.2	57.2	57.2	57.2
Diluted EPS (INR)	16.5	22.4	22.4	32.7	46.0
Diluted EPS Growth	16.5%	35.9%	-0.1%	46.1%	40.7%
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	1,708	2,496	3,513
Depn. & Amort.	160	248	470	414	428
Net Interest Exp. / Inc. (-)	215	22	190	200	209
Inc (-) / Dec in WCap.	73	-1,147	885	-601	-941
Others	-3	43	0	0	0
Taxes Paid	-277	-237	-427	-624	-878
Operating Cash Flow	1,463	638	2,825	1,884	2,331
Capex	-2,874	-1,725	-300	-300	-300
Free Cash Flow	-1,410	-1,087	2,525	1,584	2,031
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-2,116	209	0	0	0
Investing Cash Flow	-4,990	-1,516	-300	-300	-300
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	-190	-200	-209
Financing Cash Flow	3,608	915	-240	-250	-259
Inc / Dec (-) in Cash	82	38	2,285	1,334	1,771
Opening Cash Balance	35	117	155	2,440	3,775
Closing Cash Balance	117	155	2,440	3,775	5,546

Source: Company, JM Financial

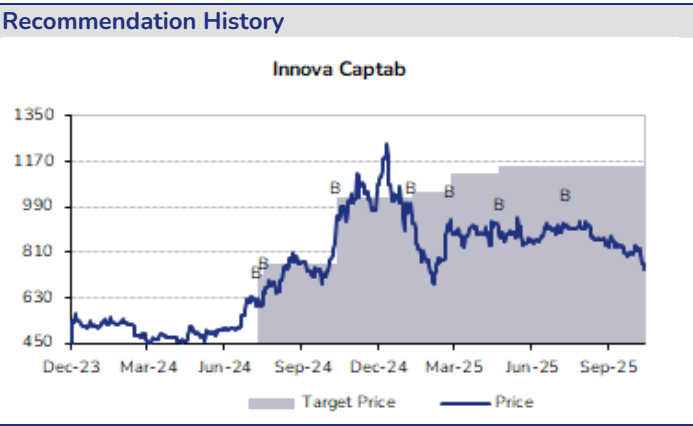
Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,309	9,594	10,875	12,747	15,381
Share Capital	572	572	572	572	572
Reserves & Surplus	7,737	9,022	10,303	12,175	14,809
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	2,418	3,361	3,311	3,261	3,211
Def. Tax Liab. / Assets (-)	-151	10	10	10	10
Total - Equity & Liab.	10,576	12,964	14,195	16,017	18,602
Net Fixed Assets	6,987	8,524	8,354	8,241	8,113
Gross Fixed Assets	3,881	8,850	9,150	9,450	9,750
Intangible Assets	176	174	174	174	174
Less: Depn. & Amort.	478	726	1,195	1,609	2,036
Capital WIP	3,408	225	225	225	225
Investments	33	90	90	90	90
Current Assets	5,989	7,068	9,161	11,723	15,296
Inventories	1,440	2,080	1,710	2,069	2,603
Sundry Debtors	2,885	3,316	3,545	4,138	5,206
Cash & Bank Balances	117	155	2,440	3,775	5,546
Loans & Advances	0	0	0	0	0
Other Current Assets	1,547	1,516	1,466	1,741	1,941
Current Liab. & Prov.	2,433	2,717	3,410	4,037	4,898
Current Liabilities	1,820	2,031	2,725	3,351	4,212
Provisions & Others	614	686	686	686	686
Net Current Assets	3,556	4,350	5,751	7,686	10,399
Total - Assets	10,576	12,964	14,195	16,017	18,602

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.7%	10.3%	8.4%	9.9%	11.1%
Asset Turnover (x)	1.3	1.0	1.1	1.2	1.4
Leverage Factor (x)	1.5	1.3	1.3	1.3	1.2
RoE	17.0%	14.3%	12.5%	15.8%	18.7%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	145.2	167.7	190.0	222.8	268.8
ROIC	12.9%	10.4%	10.7%	15.8%	20.9%
ROE	17.0%	14.3%	12.5%	15.8%	18.7%
Net Debt/Equity (x)	0.3	0.3	0.1	0.0	-0.2
P/E (x)	44.9	33.0	33.1	22.6	16.1
P/B (x)	5.1	4.4	3.9	3.3	2.8
EV/EBITDA (x)	28.8	24.4	19.5	14.3	10.2
EV/Sales (x)	4.1	3.6	2.8	2.2	1.7
Debtor days	97	97	85	80	80
Inventory days	49	61	41	40	40
Creditor days	71	70	76	76	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
21-May-25	Buy	1,152	2.9
8-Aug-25	Buy	1,152	0.0



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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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