

June 4, 2025

Conservative FY26 guidance but better prospects thereafter...

About the stock: Ipca Laboratories is an integrated pharmaceutical company which manufactures and market over 350 formulations and 80 APIs across various therapeutic segments. The Company has 18 manufacturing units in India producing API's and formulations.

- Top 3 therapeutic segments which include pain management, cardiovascular and anti-infectives, together account for ~60% of domestic revenues (IQVIA MAT April 25)
- Revenue break-up FY25 – Formulations: 60% (domestic: 39%, export: 21% - export generic: 10%, export institutional: 4%, export branded: 7%), APIs: 15% (export API: 10%, domestic API: 4%), subsidiaries: 25%

Investment Rationale:

- Q4FY25- Domestic and exports formulations drive sales; margins improved- Revenues grew ~11% YoY to ₹ 2247 crore driven by domestic and exports formulations, both of which grew 11%YoY besides Unichem integration (ex-Unichem growth 8%). Domestic formulations grew 11% YoY to ₹ 764 crore, driven by strong traction in pain management. Total APIs grew ~2% to ₹ 341 crore. Under exports formulations - Branded exports grew ~3% to ₹ 166 crore, Institutional exports grew 36% to ₹ 111 crore along with generic exports which grew 7% to ₹ 246 crore. EBITDA grew ~33% YoY to ₹ 429 crore while EBITDA margins improved 325 bps to 19.1% driven by 221 bps GPM improvement (68.5%). PAT grew only 3% YoY to ₹ 61 crore due to exceptional items.
- Unichem integration synergies to be effective soon; - Formulations sales (both domestic and exports continued to drive numbers. However, the key monitorable for Ipca would be Unichem integration, which, as per management is yet to be incorporated (Q4 Unichem EBITDA of ₹ 265 crore without any Ipca integration benefit). We expect full impact of synergy especially on the US front to trickle down on numbers. The synergy can be in the form of common API sourcing or using Ipca's own API source or using Unichem's front-end to sell combined portfolios in the US. There will be product rationalisation as well. Although the EBITDA margins continue to languish below 20% level, we expect synergy benefits and continuing momentum from the legacy domestic formulations and export formulations to lead margin expansion. With Ipca's own USFDA focused plants out of USFDA embargo, we expect better capacity utilisation and hence better operating leverage.

Rating and Target price

- We roll forward our estimates and now value IPCA at 17x FY27 EBITDA of ₹2435.8 crore and thus arrive at a target price of ₹ 1710 per share.



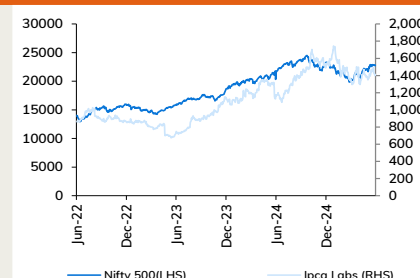
Particulars

Particular	Amount
Market Capitalisation	₹ 35560 crore
Debt (FY25)	₹ 1363 crore
Cash (FY25)	₹ 167 crore
EV	₹ 36756 crore
52 week H/L (₹)	1756/1052
Equity capital	₹ 25 crore
Face value	₹ 1 crore

Shareholding pattern

(in %)	Jun-24	Sep-24	Dec-24	Mar-25
Promote	46.3	46.3	44.7	44.7
FII's	10.9	10.8	11.1	10.8
DII's	33.5	33.9	35.4	35.7
Others	9.4	9.0	8.9	8.8

Price Chart



Key risks

- Slower ramp up in new launches especially in the US.
- Regulatory issues which keep on emerging.

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Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY24-26E)
Revenues	5829.8	6243.5	7707.4	8939.6	15.3	9854.5	10919.5	10.5
EBITDA	1309.2	925.9	1282.1	1726.2	9.7	1951.9	2435.8	18.8
EBITDA Margins (%)	22.5	14.8	16.6	19.3		19.8	22.3	
Net Profit	884.1	470.5	547.4	730.8	-6.1	1039.3	1373.5	37.1
EPS (₹)	34.8	18.5	21.6	28.8		40.9	54.1	
PE (x)	40.2	75.6	65.0	48.7		34.2	25.9	
EV to EBITDA (x)	27.0	38.3	28.3	20.9		17.8	13.8	
RoNW (%)	16.1	8.1	9.3	12.6		13.3	15.3	
RoCE (%)	17.4	10.3	11.0	14.0		14.6	16.8	

Exhibit 1: Quarterly Summary

₹ Crore	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Sales	1289.1	1585.7	1600.1	1546.0	1511.6	1587.6	2034.0	2052.9	2033.0	2092.6	2354.9	2245.4	2246.7	10.5	0.1
Raw Material Expenses	426.2	578.7	574.8	561.8	591.2	515.3	677.6	697.0	685.9	643.5	758.6	668.2	708.3	3.3	6.0
% of Revenue	33.1	36.5	35.9	36.3	39.1	32.5	33.3	34.0	33.7	30.8	32.2	29.8	31.5	-221bps	177bps
Gross Profit	862.9	1007.0	1025.3	984.2	920.5	1072.3	1356.4	1355.9	1347.1	1449.1	1596.3	1577.2	1538.4	14.2	-2.5
GPM (%)	66.9	63.5	64.1	63.7	60.9	67.5	66.7	66.0	66.3	69.2	67.8	70.2	68.5	221bps	-177bps
Employee Expenses	297.7	322.7	319.2	318.4	327.3	357.5	425.9	459.0	466.0	487.9	509.8	485.4	500.8	7.5	3.2
% of Revenue	23.1	20.4	19.9	20.6	21.7	22.5	20.9	22.4	22.9	23.3	21.7	21.6	22.3	-63bps	67bps
Other expense	345.8	415.1	446.4	449.9	412.1	407.1	609.2	565.5	559.2	568.6	645.0	628.6	608.7	8.8	-3.2
% of Revenue	26.8	26.2	27.9	29.1	27.3	25.6	30.0	27.5	27.5	27.2	27.4	28.0	27.1	-41bps	-90bps
Total Expenditure	1069.8	1316.5	1340.3	1330.1	1330.6	1280.0	1712.7	1721.5	1711.1	1699.9	1913.4	1782.3	1817.8	6.2	2.0
% of Revenue	83.0	83.0	83.8	86.0	88.0	80.6	84.2	83.9	84.2	81.2	81.3	79.4	80.9	-325bps	154bps
EBIDTA	219.3	269.2	259.8	215.9	181.0	307.6	321.3	331.3	321.9	392.7	441.5	463.1	428.9	33.2	-7.4
EBIDTA Margin (%)	17.0	17.0	16.2	14.0	12.0	19.4	15.8	16.1	15.8	18.8	18.7	20.6	19.1	325bps	-154bps
Depreciation	60.9	61.7	63.7	66.6	69.5	69.3	90.3	99.5	98.1	98.9	100.4	98.5	100.1	2.0	1.7
Interest	3.4	6.9	9.3	10.8	18.5	31.4	44.1	33.4	29.4	24.1	22.6	16.8	21.5	-26.8	28.0
Other Income	14.5	22.1	36.2	30.9	36.4	44.9	38.6	22.5	18.9	20.6	26.3	20.1	25.8	36.5	28.5
PBT	169.5	222.7	223.0	169.3	129.4	251.8	225.4	220.9	213.3	290.4	344.8	367.9	333.0	56.1	-9.5
Tax	28.8	74.3	77.0	53.7	48.4	85.6	87.9	66.2	73.7	91.4	99.4	90.6	62.2	-15.6	-31.3
Tax Rate (%)	17.0	33.3	34.5	31.7	37.4	34.0	39.0	30.0	34.5	31.5	28.8	24.6	18.7	-1586bps	-594bps
PAT	130.2	143.1	143.1	107.8	76.5	162.8	145.1	180.0	59.6	192.2	229.5	248.1	61.0	2.3	-75.4
PAT Margin (%)	10.1	9.0	8.9	7.0	5.1	10.3	7.1	8.8	2.9	9.2	9.7	11.1	2.7	-22bps	-834bps
EPS (₹)	5.1	5.6	5.6	4.2	3.0	6.4	5.7	7.1	2.3	7.6	9.0	9.8	2.4	2.3	-75.4

Source: Company, ICICI Direct Research

Q4FY25 Results / Conference call highlights

Domestic Business

- As per IQVIA, In chronic segment Ipca witnessed growth 17.9% vs IPM growth of 9.8% whereas for acute Ipca witnessed growth of 10.9% vs IPM growth of 6.9%.
- Domestic business is expected to grow by 10-12% during FY26.

Exports Business

- On a standalone basis Ipca has shipped goods worth ₹65 crore to US majorly in Q3 and Q4 of this year.
- IPCA has currently shipped only 4 products to US and has plans to ship 7 more products in coming year (overall contribution of ₹100 crore is expected).
- API business is expected to see growth 6-7% driven by both volume and price.
- Generic business including Institutional business is expected to grow at 8-10%.

Unichem

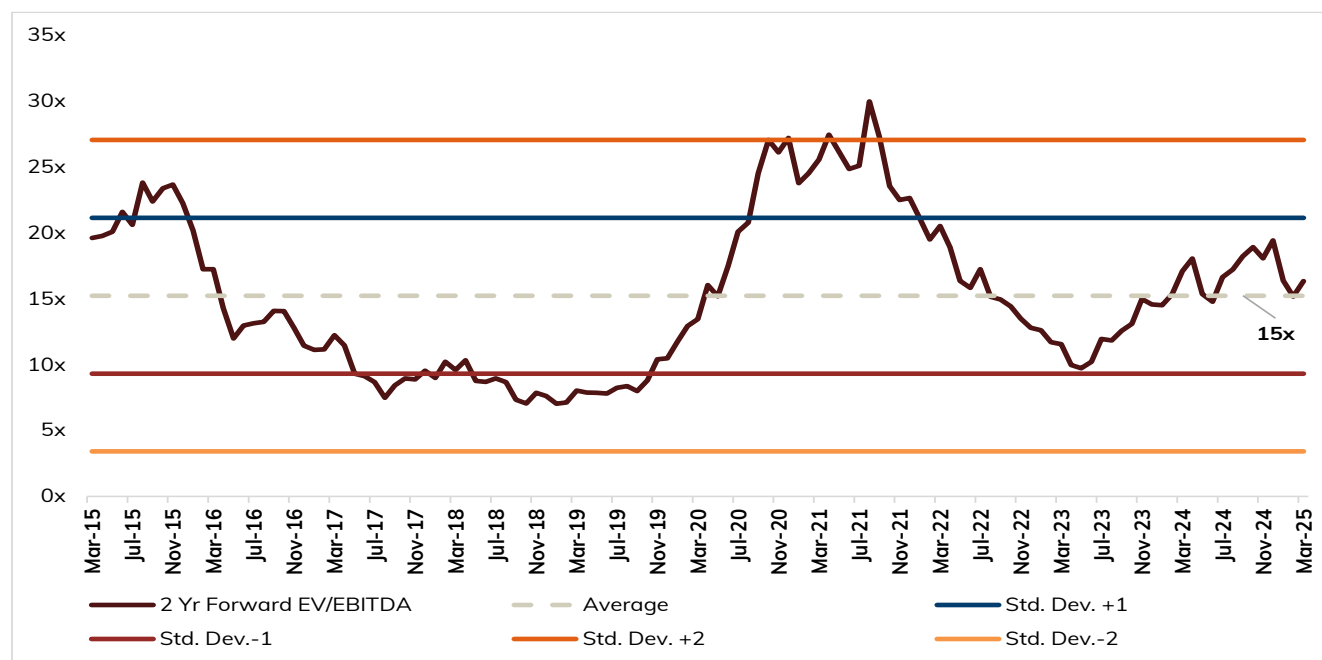
- Management has guided for 8-10% growth with margin improvement of 100 bps.
- Bayshore contributes around ₹150 crore in topline which Unichem acquired from Ipca in October 24.
- Management expects Unichem margins to 18-20% in the medium term as synergies starts kicking in.

Other Aspects

- Management has guided for 8-10% growth for FY26 and improve margins by 100 bps to ~20% on consolidated basis.
- Ipca has capacity to develop ~20 products during a year and in current year company plans to file 6-7 product.
- New greenfield plant for monoclonal antibody in Pithampur MP will start trial production in the current financial year (capex of ₹250 crore).
- Intermediate API manufacturing facility is coming at Wardha near Nagpur (capex of ₹250 crore).
- New formulation facility for domestic market is coming up at Dewas (capex of ₹200 crore).

- Injectable and oral liquids greenfield manufacturing facility is being set up by Pisgah in North Carolina which is also expected to start trial production in the current financial year (capex of US\$ 20 million).
- Ipca usually adds 400-500 MR's every year.
- Management has guided for capex of ₹400 crore for FY26.
- R&D guidance for FY26 is ~3.5-4.0% of IPCA standalone revenue.

Exhibit 2: 2 Year Forward EV/EBITDA Band



Source: Company, ICICI Direct Research

Financial Tables

Exhibit 2: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Revenues	7,707.4	8,939.6	9,854.5	10,919.5	
Growth (%)	23.4	16.0	10.2	10.8	
Raw Material Expenses	2,575.8	2,778.6	3,252.0	3,548.8	
Employee Expenses	1,708.4	1,984.0	2,187.0	2,423.4	
Other Expense	2,141.1	2,450.9	2,463.6	2,511.5	
Total Operating Expenditure	6,425.3	7,213.5	7,902.6	8,483.7	
EBITDA	1,282.1	1,726.2	1,951.9	2,435.8	
Growth (%)	38.5	34.6	13.1	24.8	
Interest	138.3	84.9	84.9	84.9	
Depreciation	357.2	397.8	422.1	446.4	
Other Income	124.8	92.8	102.3	113.3	
PBT after EO/Forex	842.7	1,131.1	1,547.1	2,017.8	
Total Tax	313.5	343.6	448.7	585.2	
MI & Profit from associates	-30.7	53.8	51.3	51.3	
PAT	547.4	730.8	1,039.3	1,373.5	
Growth (%)	16.4	33.5	42.2	32.2	
Adjusted PAT	590.6	873.6	1,039.3	1,373.5	
EPS	21.6	28.8	40.9	54.1	
EPS (Adjusted)	23.3	34.4	40.9	54.1	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit after Tax	546.4	769.9	1,039.3	1,373.5	
Add: Depreciation	357.2	397.8	422.1	446.4	
(Inc)/dec in Current Assets	-185.5	-192.8	-670.2	-541.9	
Inc/(dec) in CL and Provision	93.9	16.4	198.2	148.2	
Others	132.6	330.0	84.9	84.9	
CF from operating activities	944.6	1,321.3	1,074.4	1,511.2	
(Inc)/dec in Fixed Assets	-402.7	-770.2	-400.0	-400.0	
(Inc)/dec in Investments	39.7	-27.2	0.0	0.0	
Others	-928.8	-72.1	123.6	136.5	
CF from investing activities	-1,291.8	-869.5	-276.4	-263.5	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-370.1	-111.3	0.0	0.0	
Dividend paid & dividend tax	-50.7	-101.5	-155.9	-206.0	
Other	238.3	41.1	-84.9	-84.9	
CF from financing activities	-552.6	-283.0	-240.8	-291.0	
Net Cash flow	-1,446.5	-804.9	557.1	956.7	
Opening Cash	1,655.5	755.8	924.6	1,481.6	
Closing Cash	209.0	-49.2	1,481.6	2,438.4	
Free Cash Flow	542.0	551.0	674.4	1,111.2	
FCF Yield %	2%	2%	2%	3%	

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Equity Capital	25.4	25.4	25.4	25.4	
Reserve and Surplus	6,306.8	6,923.1	7,806.5	8,974.0	
Total Shareholders funds	6,332.2	6,948.5	7,831.9	8,999.4	
Total Debt	1,438.4	1,362.7	1,362.7	1,362.7	
Deferred Tax Liability	310.5	295.0	315.6	337.7	
Minority Interest	1394.8	1439.8	1,583.8	1,742.2	
LTP & Other LTL	87.8	97.0	103.7	111.0	
Total Liabilities	9,563.7	10,142.9	11,197.8	12,553.0	
Gross Block - Fixed Assets	6,437.9	6,548.9	6,948.9	7,348.9	
Accumulated Depreciation	1,975.1	2,372.9	2,795.0	3,241.4	
Net Block	4,462.8	4,176.0	4,153.9	4,107.4	
Capital WIP	342.9	621.8	621.8	621.8	
Total Fixed Assets	4,805.7	4,797.7	4,775.6	4,729.2	
Goodwill on Consolidation	90.6	90.6	90.6	90.6	
Investments	862.2	980.0	980.0	980.0	
LT L&A, Non Current Asset	362.4	688.6	736.5	787.7	
Inventory	2,469.6	2,560.4	2,996.7	3,270.2	
Debtors	1,686.5	1,873.8	2,065.6	2,288.8	
Loans and Advances	9.4	42.8	45.8	49.0	
Other Current Assets	606.1	559.5	598.6	640.5	
Cash	208.9	167.2	1,481.6	2,438.4	
Total Current Assets	4,980.5	5,203.7	7,188.3	8,686.9	
Creditors	776.1	846.2	990.3	1,080.7	
Provisions	244.6	269.2	288.0	308.2	
Other current liabilities	517.0	502.3	537.4	575.1	
Total Current Liabilities	1,537.6	1,617.6	1,815.8	1,964.0	
Net Current Assets	3,442.9	3,586.0	4,615.1	5,965.5	
Application of Funds	9,563.7	10,142.9	11,197.8	12,553.0	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	
Per share data (₹)					
Adjusted EPS	23.3	34.4	40.9	54.1	
BV per share	249.3	273.6	308.3	354.3	
Dividend per share	5.4	6.1	6.1	8.1	
Operating Ratios (%)					
Gross Profit Margins	67	69	67	68	
EBITDA Margins	17	19	20	22	
PAT Margins	8	10	11	13	
Inventory days	350	336	336	336	
Debtor days	80	77	77	77	
Creditor days	110	111	111	111	
Asset Turnover	1.2	1.4	1.4	1.5	
EBITDA conversion Rate	73.7	76.5	55.0	62.0	
Return Ratios (%)					
RoE	9.3	12.6	13.3	15.3	
RoCE	11.0	14.0	14.6	16.8	
RoIC	11.6	17.0	18.5	23.1	
Valuation Ratios (x)					
P/E	65.0	48.7	34.2	25.9	
EV / EBITDA	28.3	20.9	17.8	13.8	
EV / Net Sales	4.7	4.0	3.5	3.1	
Market Cap / Sales	4.6	4.0	3.6	3.3	
Price to Book Value	5.6	5.1	4.5	4.0	
Solvency Ratios					
Debt / EBITDA	1.1	0.8	0.7	0.6	
Debt / Equity	0.2	0.2	0.2	0.2	
Current Ratio	3.1	3.1	3.1	3.2	

Source: Company, ICICI Direct Research

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Sell: <-15%



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