

Estimate change 

TP change 

Rating change 

Bloomberg	IPCA IN
Equity Shares (m)	254
M.Cap.(INRb)/(USDb)	379.2 / 4.2
52-Week Range (INR)	1595 / 1168
1, 6, 12 Rel. Per (%)	-1/5/-10
12M Avg Val (INR M)	385

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	96.2	106.8	121.9
EBITDA	19.6	22.5	26.7
Adjusted PAT	11.5	13.2	15.6
EBIT Margin (%)	16.1	17.0	18.2
Cons. Adj EPS (INR)	45.5	52.0	61.6
EPS Gr. (%)	26.4	14.3	18.5
BV/Sh. (INR)	311.6	355.8	408.1

Ratios

Net D-E	0.1	0.0	-0.1
RoE (%)	15.5	15.6	16.1
RoCE (%)	14.4	14.0	15.0
Payout (%)	11.1	15.5	13.1

Valuation

P/E (x)	33.0	28.9	24.4
EV/EBITDA (x)	19.5	17.0	14.3
Div. Yield (%)	0.3	0.5	0.5
FCF Yield (%)	1.8	2.9	2.6
EV/Sales (x)	4.0	3.6	3.1

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	44.7	44.7	44.7
DII	37.3	36.8	35.7
FII	10.6	10.4	11.1
Others	7.3	8.1	8.5

FII Includes depository receipts

CMP: INR1,495

TP: INR1,720 (+15%)

Buy

Branded generics drive earnings

Work-in-progress across DF/Unichem/branded exports

- Ipca Laboratories (IPCA) reported in-line revenue and better-than-expected EBITDA/PAT (10%/12% beat) in 3QFY26, aided by product mix, favorable currency and a lower tax rate.
- IPCA remains on a robust growth path in domestic formulation (DF) segment, as the company not only delivered healthy double-digit YoY growth but also outperformed the industry.
- The generics exports segment has witnessed steady sales for the past three quarters, with higher volume off-take and currency benefits.
- API business remains volatile, subject to customer requirements. In addition to external supply, IPCA is working on backward integration with Unichem to improve operational efficiency.
- Unichem reported a modest ~2% YoY revenue decline in 3QFY26, primarily due to a temporary US market share loss in select molecules; the US contributes ~two-thirds of its total revenue.
- Unichem's growth trajectory should improve with recovery in lost US share, scaling of Ipca's pipeline through its platform, and 4-5 planned US product launches over the next 12-24 months, alongside ongoing European filings.
- We raise our earnings estimate for FY26, factoring in improved execution in branded generics in India as well as export markets. We value IPCA at 28x 12M forward earnings to arrive at a TP of INR1,720.
- IPCA is working on initiatives to sustain earnings growth momentum, such as a) superior execution in DF and branded export markets, b) enhancing business prospects in US generics, c) synergy benefits from Unichem. Accordingly, we estimate a CAGR of 13%/17%/16% in revenue/EBITDA/PAT over FY26-28. Maintain BUY.

Healthy margin gains offset modest revenue growth

- 3QFY26 sales grew 6.6% YoY to INR23.9b (our est: INR24.1b).
- Gross margin (GM) expanded 230bp YoY to 72.5%. As a result, EBITDA margin expanded 170bp YoY to 22.3% (our est: 20.1%).
- EBITDA grew 15% YoY to INR5.3b (our est: INR4.8b).
- 3Q had an exceptional gain of INR177m related to sale of land and building.
- Adj. for the same, PAT grew 26% YoY to INR3.1b (our est.: INR2.8b).
- For 9MFY26, IPCA revenue/EBITDA/PAT grew 8%/15%/30% to INR73b/INR15b/INR9b.
- For Unichem, revenue/EBITDA fell 2%/44% to INR5.2b/INR478m in 3Q, while EBITDA margin declined 680bp to 9.2%.
- There was a one-time gain of INR2.7b on the sale of land and building (registered office). Adjusted for the same, Unichem PAT declined 67% YoY to INR189m in 3Q.
- For 9MFY26, Unichem revenue increased by 13% YoY, while EBITDA/PAT declined by 27%/38% YoY.

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Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Formulations momentum offsets stable API performance

- Formulation sales grew 14% YoY to INR15.2b (64% of sales). Export formulation sales rose 17% YoY to INR5.4b (23% of total sales). DF sales increased by 12% YoY to INR9.8b (41% of total sales).
- Exports (generics formulation) grew 21% YoY to INR2.7b (51% of export sales).
- Exports (branded formulation) rose 28% YoY to INR2.0b (38% of export sales).
- Exports (institutional sales) declined 21% YoY to INR583m (11% of export sales).
- API sales remained stable at INR3.2b (13% of sales). Export API sales grew 6% YoY to INR2.4b (74% of API sales). Domestic API sales declined 14% YoY to INR815m (26% of API sales).
- Revenue from subsidiaries fell 6% YoY to INR5.4b (23% of sales).

Highlights from the management commentary

- IPCA guided YoY growth at ~10-11% in FY26, with domestic, promotional branded and generics each expected to grow ~10-12% and API expected to grow at a slightly lower rate.
- About ~35 US registrations are in place, with 5 already commercialized and 5-7 molecules expected to be commercialized over the next 12-15 months, with 5-6 filings planned annually.
- IPCA outpaced the industry in chronic therapies in DF with 15% YoY growth compared to industry YoY growth of 12%. It also outperformed the industry in acute therapies with 8.4% YoY growth compared to IPM growth of 6.9% YoY.
- The company indicated 13% YoY growth in pain management for the quarter. Likewise, cardiovascular therapy has witnessed revival with 16% YoY growth after reorganization. IPCA also indicated YoY growth of 22%/17%/14% in dermatology/neurology/anti-diabetes segments.

Consolidated - Quarterly Earning Model

Y/E March	FY25				FY26				FY25	FY26E	FY26E	% Chg
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
INRm												
Net Revenues (Core)	20,926	23,549	22,454	22,467	23,089	25,565	23,925	23,582	89,396	96,161	24,081	-0.6
YoY Change (%)	31.8	15.8	9.4	10.5	10.3	8.6	6.6	5.0	16.0	7.6	7.2	
EBITDA	3,927	4,425	4,631	4,289	4,164	5,449	5,334	4,622	17,271	19,569	4,840	10.2
YoY Change (%)	33.5	22.7	39.9	33.2	6.0	23.2	15.2	7.8	32.1	13.3	4.5	
Margins (%)	18.8	18.8	20.6	19.1	18.0	21.3	22.3	19.6	19.3	20.4	20.1	
Depreciation	989	1,004	985	1,001	1,001	1,033	1,076	1,008	3,978	4,118	1,026	
EBIT	2,938	3,421	3,646	3,287	3,164	4,416	4,258	3,614	13,293	15,451	3,815	11.6
YoY Change (%)	30.7	26.6	57.5	46.9	7.7	29.1	16.8	9.9	39.9	16.2	4.6	
Margins (%)	14.0	14.5	16.2	14.6	13.7	17.3	17.8	15.3	14.9	16.1	15.8	
Interest	241	226	168	215	185	196	176	171	849	728	184	
Other Income	206	263	201	258	327	279	202	310	928	1,117	290	
PBT before EO Expense	2,904	3,458	3,679	3,331	3,305	4,498	4,283	3,753	13,372	15,840	3,921	
One-off (gain)/ Expense	0	0	0	2,051	0	583	-177	0	2,051	406	0	
PBT after EO Expense	2,904	3,458	3,679	1,280	3,305	3,916	4,460	3,753	11,321	15,434	3,921	
Tax	914	994	906	622	961	1,081	819	938	3,436	3,799	1,161	
Rate (%)	31.5	28.7	24.6	48.6	29.1	27.6	18.4	25.0	25.7	24.0	29.6	
Reported PAT	1,990	2,464	2,773	658	2,344	2,835	3,641	2,815	7,885	11,634	2,760	31.9
Minority Interest	-67	-160	-292	20	-12	-9	-378	20	-499	-379	19	
Adj PAT after Minority Int	1,922	2,305	2,481	2,418	2,332	3,247	3,119	2,835	9,127	11,533	2,779	12.2
YoY Change (%)	24.9	36.4	122.5	23.4	21.3	40.9	25.7	17.2	44.8	26.4	12.0	
Margins (%)	9.2	9.8	11.1	10.8	10.1	12.7	13.0	12.0	10.2	12.0	11.5	

KPIs													
Y/E March	FY25				FY26				FY25	FY26E	FY26E		
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	% Chg	
Domestic formulations	8,734	9,405	8,772	7,641	9,610	10,189	9,840	8,519	34,551	38,158	9,649	-2%	
YoY Change (%)	11.6	11.3	12.5	10.8	10.0	8.3	12.2	11.5	11.5	12.0	10.0		
Exports formulations	3,954	5,415	4,582	5,235	4,496	4,927	5,350	5,632	19,186	20,404	5,222	-2%	
YoY Change (%)	-0.6	15.0	5.8	10.5	13.7	-9.0	16.8	7.6	8.1	6.4	14.0		
API sales	2,880	3,186	3,179	3,414	3,263	4,078	3,171	3,612	12,658	14,123	3,599	14%	
YoY Change (%)	-2.4	-4.9	11.6	2.1	13.3	28.0	-0.3	5.8	1.3	11.6	13.2		
Cost Break-up													
RM Cost (% of Sales)	30.8	32.2	29.8	31.5	30.0	30.6	27.5	30.0	31.1	29.5	30.0		
Staff Cost (% of Sales)	23.3	21.7	21.6	22.3	23.5	21.0	22.8	22.7	22.2	22.5	22.0		
Other Cost (% of Sales)	27.2	27.4	28.0	27.1	28.5	27.1	27.4	27.7	27.4	27.6	27.9		
Gross Margins(%)	69.2	67.8	70.2	68.5	70.0	69.4	72.5	70.0	68.9	70.5	70.0		
EBITDA Margins(%)	18.8	18.8	20.6	19.1	18.0	21.3	22.3	19.6	19.3	20.4	20.1		
EBIT Margins(%)	14.0	14.5	16.2	14.6	13.7	17.3	17.8	15.3	14.9	16.1	15.8		



Highlights from the management commentary

- Unichem’s US market share recovery is expected over the next 1-2 quarters.
- IPCA guided for Unichem’s overall revenue growth at ~8-10% over time once US market share is recovered.
- The company indicated that Unichem’s EBITDA margin is targeted at ~15% in 2-3 years, with a gradual improvement toward ~20% as Europe registrations come through and capacity utilization improves.
- Biosimilar pipeline comprises five candidates, with two under technology transfers, and manufacturing is expected to commence shortly, targeting global regulated markets.
- LATAM grew 20% YoY, MEA grew 27% YoY, East Asia grew 36%, West Africa grew 69%, and CIS remained largely flat for the quarter.

Chronic-led DF strength/US pipeline to anchor medium-term growth

DF: Chronic-led outperformance to sustain double-digit growth

- DF revenue grew ~10% YoY in 9MFY26 and ~12% in 3QFY26, outperforming IPM growth (~9%), with market share steady at 2.08% and continued industry outperformance.
- Growth continues to be driven by chronic therapies (+15%), materially outpacing acute (~8-9%), with cardiovascular, anti-diabetes, CNS, dermatology and urology emerging as key contributors, partly offset by anti-malarial decline.
- The pain portfolio, contributing >50% of revenue, delivered ~13% growth, providing scale stability while the portfolio mix steadily tilts toward structurally faster-growing chronic segments.
- The ongoing shift toward chronic therapies, combined with improving traction in the reorganized cardiovascular portfolio, supports visibility for steady momentum in growth.
- We expect a 12.2% sales CAGR in the DF segment, reaching INR48.9b by FY28.

Exports: Branded momentum and US pipeline to drive medium-term acceleration

- Export formulation revenue grew ~6% YoY in 9MFY26, with 3Q accelerating to ~17% YoY, reflecting stronger branded exports and ramp-up in the US portfolio.
- Promotional branded exports expanded ~14% in 9M, led by West Africa, Latin America, MEA and East Asia, underscoring resilience in core emerging markets.
- Unichem is expected to add 4-5 new US launches over the next 12-24 months, alongside scaling of IPCA's pipeline through its distribution platform, providing incremental revenue visibility.
- ROW generics continue to expand across Europe (ex-UK), Australia and Canada, with early signs of pricing recovery in the UK following prior competitive intensity.
- Ongoing European registrations within Unichem (1-2-year timeline) offer scope for gradual geographic diversification, while underutilized European manufacturing capacity provides headroom for revenue expansion as approvals convert.
- Overall, we expect the export formulations business, including Unichem, to record a 9.7% sales CAGR, reaching INR55.7b by FY28, supported by branded momentum, US pipeline additions and gradual stabilization in Unichem's US portfolio, while institutional business remains inherently volatile.

API: Stable growth with backward integration supporting formulation scale-up

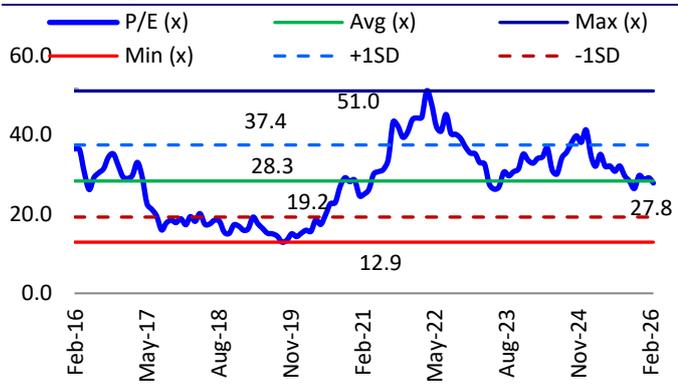
- API revenue grew ~14% in 9MFY26, although 3Q was flat YoY, due to softer domestic anti-malarial demand and order timing variability.
- Export API realizations have largely stabilized, indicating normalization after prior pricing compression.
- API demand is increasingly supported by captive consumption linked to US formulation launches, reinforcing the benefits of backward integration.
- Growth is expected to remain moderate relative to formulations, with upside contingent on the pace of US approvals and commercial ramp-up.

- The segment’s strategic role remains centered on enhancing formulation competitiveness and supply security rather than aggressive standalone expansion.
- We expect API revenue to record an 11.2% CAGR over FY25-28, reaching INR17.4b.

Valuation and view

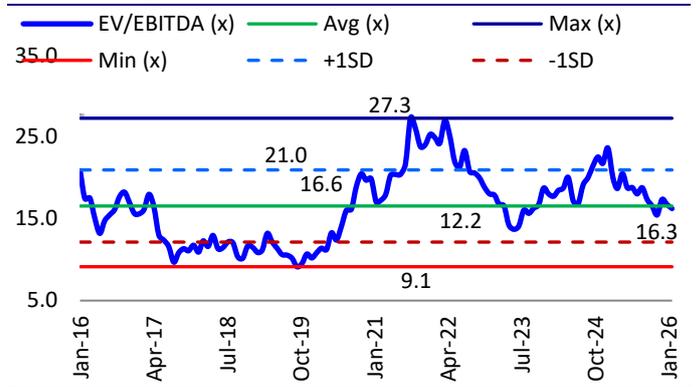
- We raise our earnings estimate for FY26 by 5%, factoring in improved execution in branded generics in India and export markets. We value IPCA at 28x 12M forward earnings to arrive at a TP of INR1,720.
- IPCA is working on multiple fronts to sustain earnings growth momentum, such as a) superior execution in DF and branded exports markets, b) enhancing business prospects in US generics, c) synergy benefit from Unichem. Accordingly, we build 13%/17%/16% revenue/EBITDA/PAT CAGR over FY26-28. Maintain BUY.

Exhibit 1: P/E chart



Source: MOFSL, Company, and Bloomberg

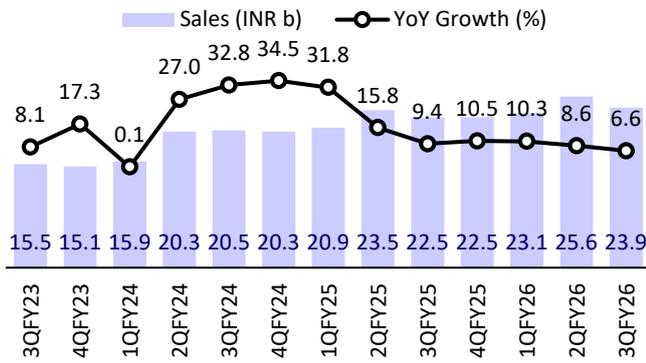
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, and Bloomberg

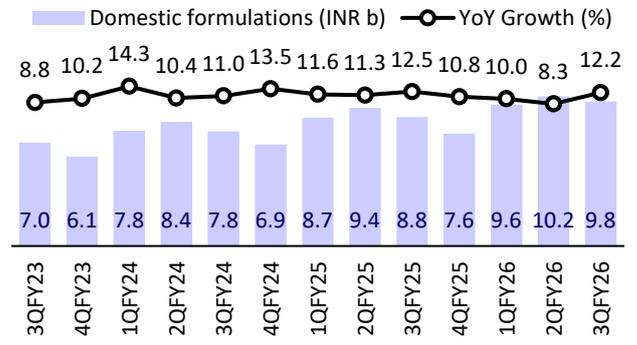
Story in charts

Exhibit 3: Total sales grew 6.6% YoY in 2QFY26



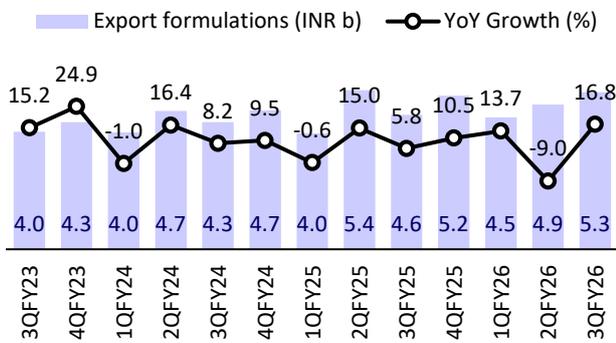
Source: Company, MOFSL

Exhibit 4: DF sales grew 12.2% YoY



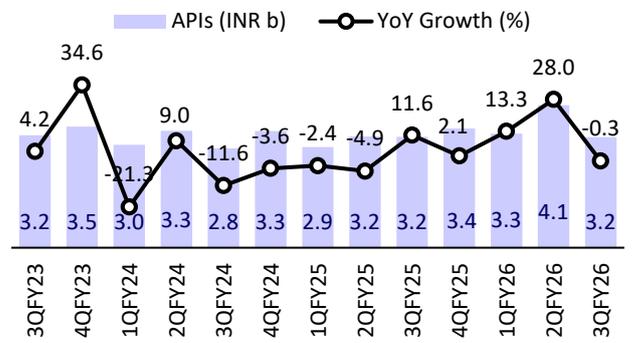
Source: Company, MOFSL

Exhibit 5: Export formulation sales increased 17% YoY



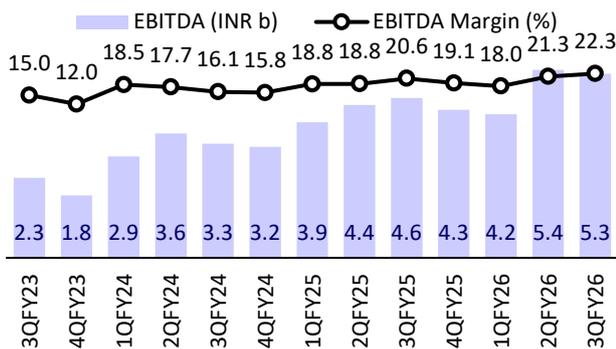
Source: Company, MOFSL

Exhibit 6: API sales remained stable YoY



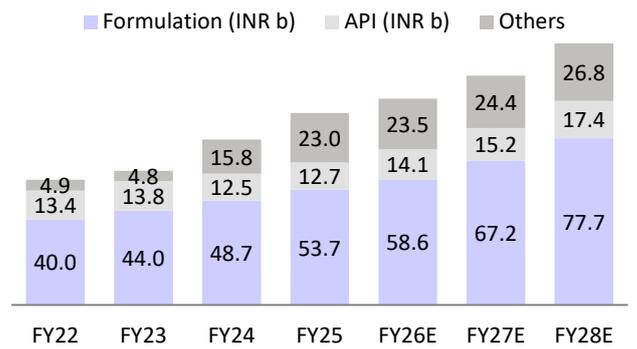
Source: Company, MOFSL

Exhibit 7: EBITDA margin expanded 170bp YoY in 3QFY26



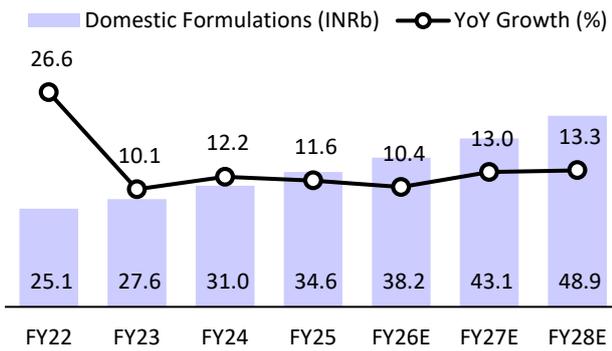
Source: Company, MOFSL

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



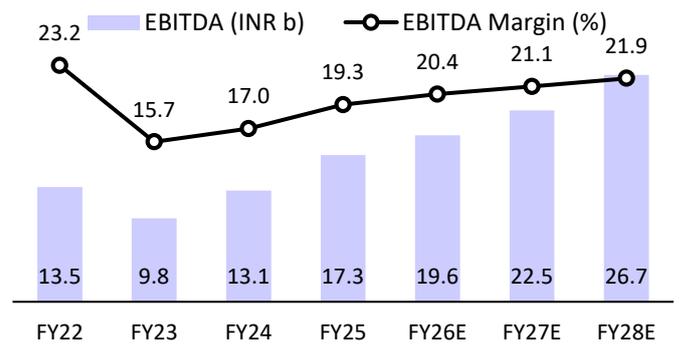
Note: Others include Subsidiaries; Source: Company, MOFSL

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



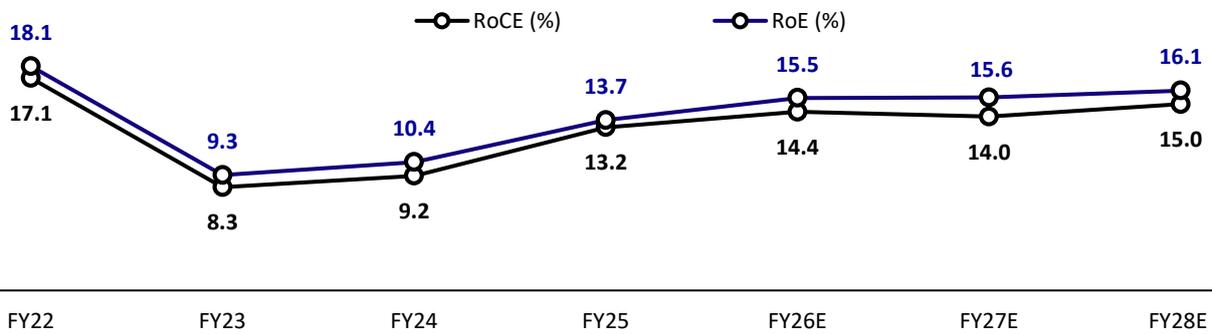
Source: Company, MOFSL

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	96,161	1,06,787	1,21,934
Change (%)	7.6	7.3	23.2	16.0	7.6	11.1	14.2
EBITDA	13,509	9,812	13,076	17,271	19,569	22,532	26,704
Change (%)	-12.5	-27.4	33.3	32.1	13.3	15.1	18.5
Margin (%)	23.2	15.7	17.0	19.3	20.4	21.1	21.9
Depreciation	2,324	2,616	3,572	3,978	4,118	4,325	4,523
EBIT	11,184	7,197	9,503	13,293	15,451	18,207	22,180
Int. and Finance Charges	77	455	1,383	849	728	559	530
Other Income - Rec.	666	1,151	1,075	928	1,117	1,350	1,459
PBT before EO Expense	11,773	7,892	9,195	13,372	15,840	18,998	23,109
EO Expense/(Income)	416	314	769	2,051	406	0	0
PBT after EO Expense	11,357	7,579	8,426	11,321	15,434	18,998	23,109
Tax	2,248	2,532	3,135	3,436	3,799	5,775	7,141
Tax Rate (%)	19.1	32.1	34.1	25.7	24.0	30.4	30.9
Reported PAT	9,110	5,047	5,291	7,885	11,633	13,222	15,968
Less: Minority Interest	269	-206	984	499	379	40	350
Net Profit	8,841	5,253	4,307	7,387	11,254	13,182	15,618
Adj PAT	9,218	5,275	6,304	9,127	11,533	13,182	15,618
Adj PAT growth (%)	-18.1	-42.8	19.5	44.8	26.4	14.3	18.5

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	78,798	90,003	1,03,279
Net Worth	54,920	58,420	63,322	69,485	79,051	90,257	1,03,532
Deferred liabilities	1506	1856	3062	2781	2781	3160	3623
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	1,08,998	1,19,900	1,33,024
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	27,756	32,081	36,604
Net Fixed Assets	24,175	27,514	45,535	42,668	42,550	41,225	40,202
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	66,504	81,970	98,856
Inventory	18,580	17,434	24,713	25,604	28,453	32,475	37,749
Account Receivables	9,108	9,890	16,865	18,738	20,549	23,405	27,393
Cash and Bank Balance	6,407	18,532	2,968	3,442	6,472	13,842	19,728
Loans & Advances	5,143	5,194	8,840	10,969	11,029	12,247	13,985
Curr. Liability & Prov.	11,147	10,473	16,364	17,247	16,071	19,309	22,048
Account Payables	9,704	8,923	13,050	13,592	14,227	17,262	19,710
Provisions	1,443	1,550	3,314	3,655	1,844	2,048	2,338
Net Current Assets	28,091	40,577	37,022	41,506	50,433	62,660	76,807
Appl. of Funds	65,222	75,755	94,607	1,00,189	1,08,998	1,19,900	1,33,024

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	45.5	52.0	61.6
Cash EPS	44.0	31.0	31.1	44.8	60.6	69.0	79.4
BV/Share	216.5	230.3	249.6	273.9	311.6	355.8	408.1
DPS	8.1	4.0	4.0	4.0	5.0	8.1	8.1
Payout (%)	22.2	19.4	16.2	11.2	11.1	15.5	13.1
Valuation (x)							
P/E	41.3	72.1	60.4	41.7	33.0	28.9	24.4
P/BV	6.9	6.5	6.0	5.5	4.8	4.2	3.7
EV/Sales	6.6	6.1	5.0	4.3	4.0	3.6	3.1
EV/EBITDA	28.3	38.9	29.2	22.1	19.5	17.0	14.3
Dividend Yield (%)	0.5	0.3	0.3	0.3	0.3	0.5	0.5
Return Ratios (%)							
RoE	18.1	9.3	10.4	13.7	15.5	15.6	16.1
RoCE	17.1	8.3	9.2	13.2	14.4	14.0	15.0
RoIC	21.1	10.2	9.7	12.3	14.0	14.4	16.4
Working Capital Ratios							
Fixed Asset Turnover (x)	2.6	2.4	2.1	2.0	2.3	2.5	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	21.2	32.6	41.8
Debt/Equity	0.0	-0.1	0.2	0.1	0.1	0.0	-0.1

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Oper. Profit/(Loss) before Tax	13,509	9,812	13,076	17,271	19,569	22,532	26,704
Interest/Dividends Recd.	666	1,151	1,075	928	1,117	1,350	1,459
Direct Taxes Paid	-2,058	-2,181	-1,928	-3,718	-3,799	-5,395	-6,679
(Inc)/Dec in WC	-2,652	-361	-12,009	-4,010	-5,896	-4,858	-8,261
CF from Operations	9,464	8,421	213	10,471	10,990	13,629	13,223
Others							
EO Expense / (Income)	416	314	769	2,051	406	0	0
CF from Oper. incl EO Exp.	9,048	8,107	-556	8,421	10,584	13,629	13,223
(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	6,584	10,629	9,723
(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	-728	-559	-530
Dividend Paid	-2,030	-1,015	-1,015	-1,015	-1,269	-2,030	-2,030
Others	306	-532	719	-831	1,139	1,478	1,168
CF from Fin. Activity	4,863	4,681	11,065	-2,993	-1,616	-1,793	-2,006
Inc/Dec of Cash	2,238	12,126	-15,470	351	4,968	8,835	7,717
Add: Beginning Balance	4,795	7,033	19,159	2,969	3,442	6,472	13,842
Forex/ Business acquisition	0	0	0	0	0	0	0
Closing Balance	7,033	19,159	3,690	3,319	8,410	15,308	21,559
Bank balances / Mutual fund (gain)/ loss	-627	-627	-721	123	1,938	1,466	1,831
Closing Balance	6,407	18,533	2,969	3,442	6,472	13,842	19,728

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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