

Rubicon Research

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR1,006 TP: INR1,160 (+15%) Buy

Another quarter, another beat: The compounder delivers

R&D productivity, Arinna, and the US brand fuel the next leg of growth

Bloomberg	RUBICON IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	166 / 1.7
52-Week Range (INR)	1020 / 571
1, 6, 12 Rel. Per (%)	6/63/-
12M Avg Val (INR M)	377

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	17.5	22.9	27.2
EBITDA	4.0	4.9	6.2
Adjusted PAT	2.5	3.2	4.2
EBITDA Margin (%)	22.8	21.6	22.9
Cons. Adj EPS (INR)	14.9	19.2	25.3
EPS Growth (%)	83.6	28.4	32.0
BV/Share (INR)	78.1	95.0	117.4

Ratios

Net D-E	-0.1	-0.1	-0.1
RoE (%)	27.0	22.2	23.9
RoCE (%)	26.6	24.8	27.2
Payout (%)	11.8	11.8	11.8

Valuations

P/E (x)	67.2	52.3	39.6
EV/EBITDA (x)	41.3	33.4	26.2
Div. Yield (%)	0.1	0.2	0.3
FCF Yield (%)	-0.1	0.5	1.4
EV/Sales (x)	9.4	7.2	6.0

Shareholding Pattern (%)

As On	Mar-26	Dec-25
Promoter	59.9	60.0
DII	10.0	9.5
FII	7.5	8.0
Others	22.6	22.6

FII includes depository receipts

- Rubicon Research (Rubicon) delivered another outstanding quarter, beating revenue, EBITDA, and PAT estimates by 4%, 11%, and 15%, respectively. Growth was well-diversified, driven by healthy momentum from recent launches alongside sustained traction in the existing portfolio.
- Commercialization quality was strong, with 92% of approved products generating revenue, while pricing stability was aided by Rubicon's differentiated product focus. Specialty products maintained a steady contribution of 32.8% to gross profit, reaffirming the structural shift in portfolio mix.
- On R&D productivity, Rubicon exited FY26 at 5.9x, which was measured as incremental revenue in FY26 over R&D spending across FY22, FY23, and 1QFY24. Management remains confident of sustaining 5x+ productivity going forward, reflecting the compounding returns from its innovation pipeline.
- Working capital efficiency improved meaningfully, with net working capital days declining from 137 in FY25 to 126 in FY26 — a noteworthy achievement considering the deliberately elevated inventory levels maintained to capture near-term demand opportunities.
- For Arinna Lifesciences integration, management has outlined a phased approach. Phase 1 and 2 will prioritize revenue scale-up with a target of outperforming IPM growth by FY28, while Phase 3 will shift focus towards profitability improvement.
- We marginally raise our earnings for FY27/FY28. Rubicon has delivered an exceptional 54% revenue CAGR over FY22–26, with gross profit compounding at 50% over the same period. The company has transformed from an EBITDA loss of INR392m in FY22 to INR4b in FY26 — a testament to the consistent and disciplined R&D investment cycle. The outlook remains equally compelling, with multiple growth levers in place: differentiated products within the US generics space, prescription-led brand building in the US market, and domestic formulation scale-up through Arinna. We expect earnings to compound at 30% over FY26–28.
- Given the strong track record, robust earnings compounding outlook, and superior return ratios, we expand our P/E multiple to 45x (from 37x previously), arriving at our revised TP of INR1,160. **Reiterate BUY.**

Operating leverage boosts EBITDA and PAT despite higher outsourcing

- Rubicon's 4QFY26 revenue grew 43.5% YoY to INR5.1b (our est: INR4.9b).
- Gross margin contracted 170bp YoY to 67.1%, mainly due to higher outsourcing.
- However, the EBITDA margin expanded 290bp YoY to 23.1% (our est: 21.6%), due to better operating leverage (employee expense/other expenses down 250bp/210bp YoY as % of sales).
- Interestingly, R&D expense increased 150bp YoY as a % of sales to 11.6% for the quarter (INR594m on an absolute basis).
- EBITDA grew 63.8% YoY to INR1.2b (our est: INR1.1b).

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- PAT grew 112% YoY to INR768m (our estimate: INR670m).
- Rubicon's revenue/EBITDA/PAT grew 37%/52%/84% YoY to INR17.5b/INR4b/INR2.5b in FY26.

Highlights from the management commentary

- Rubicon is witnessing broad-based demand across the portfolio for products that have been in the market for a few years now, as well as the recently launched products.
- Management guided a 22-23% EBITDA margin for FY27, factoring in the Pithampur-related opex, ESOP expenses, and Arinna-related expenses, as well as any RM cost/logistics cost escalation.
- While net working capital (NWC) days have reduced from 137 to 126, management indicated NWC days to be in this range (~126) to ensure adequate inventory levels for existing products and upcoming launches.
- Products are filed from the site acquired from Alkem, and Rubicon awaits USFDA inspection. Ramp-up of production from 1QCY27 is on track as guided earlier.
- Strategically, the acquisition of Arinna Life is the extension of go-to-market and not the shift of focus to an alternate geography.
- Rubicon is targeting outperforming IPM growth for the Arinna business by FY28.

Quarterly result snapshot

Y/E March	FY25				FY26				FY25	FY26	FY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est.
Gross Sales	3,167	2,960	3,134	3,581	3,525	4,120	4,755	5,139	12,843	17,540	4,933	4%
YoY Change (%)				NA	11.3	39.2	51.7	43.5	50.4	36.6	37.7	
EBITDA	602	617	699	725	791	943	1,081	1,187	2,643	4,002	1,067	11%
YoY Change (%)					31.4	52.9	54.7	63.8		51.5	47	
Margins (%)	19.0	20.8	22.3	20.2	22.4	22.9	22.7	23.1	20.6	22.8	21.6	
Depreciation	94	81	94	97	96	119	116	123	366	453	136	
Interest	101	70	78	119	106	114	98	104	368	422	30	
Other Income	4	27	5	1	6	7	38	26	36	77	18	
PBT	412	492	532	511	596	717	906	987	1,945	3,205	920	
Tax	156	147	151	148	163	179	178	219	602	738	250	
Rate (%)	37.9	29.9	28.4	29.0	27.3	24.9	19.6	22.2	30.9	23.0	27.2	
Reported PAT	256	345	381	362	433	539	728	768	1,344	2,467	670	
Adj PAT	256	345	381	362	433	539	728	768	1,344	2,467	670	15%
YoY Change (%)	NA	NA	NA	NA	69.4	56.2	91.2	111.8	47.6	83.6	84.8	
Margins (%)	8.1	11.6	12.1	10.1	12.3	13.1	15.3	14.9	10.5	14.1	13.6	
EPS (INR)	1.5	2.1	2.3	2.2	2.6	3.3	4.4	4.7	8.1	14.9	4.1	15%

Key Performance Indicators

Cost Break-up	FY25				FY26				FY25	FY26
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
RM Cost (% of Sales)	27.1	26.7	31.5	31.2	29.2	30.7	33.1	32.9	29.2	31.7
Staff Cost (% of Sales)	15.6	17.3	17.2	15.8	16.5	15.4	14.0	13.3	16.4	14.6
Other Cost (% of Sales)	38.3	35.1	29.0	32.8	31.8	31.0	30.2	30.7	33.8	30.9
Gross Margins(%)	72.9	73.3	68.5	68.8	70.8	69.3	66.9	67.1	70.8	68.3
EBITDA Margins(%)	19.0	20.8	22.3	20.2	22.4	22.9	22.7	23.1	20.6	22.8
PBT Margins(%)	13.0	16.6	17.0	14.3	16.9	17.4	19.0	19.2	15.1	18.3
PAT Margins(%)	8.1	11.6	12.1	10.1	12.3	13.1	15.3	14.9	10.5	14.1



Highlights from the management commentary

- Rubicon indicated the capex spend is disciplined and calibrated based on the product economics and visibility of the business.
- Considering the superior demand for the products, there has been higher outsourcing of manufacturing, dragging the GM to some extent in 4QFY26.
- 24 products are under USFDA review at the end of FY26.
- Out of the total tax payout of INR1b for FY26, INR501m was paid in 4QFY26. Despite this, the CFO was healthy at INR656m in 4QFY26.
- Rubicon is expected to incur capex of INR3b across various sites over the next two years.
- Rubicon pre-tax ROACE of 36% (annualized) is after considering the Pithampur-related operational expenses.
- As of Mar'26, the company has utilized INR3.24b (~68%) out of the total INR4.71b IPO proceeds, primarily toward debt repayment/prepayment (INR2.65b) and inorganic growth initiatives/general corporate purposes (INR590m), with INR1.5b remaining unutilized.

Deeper pipeline, wider reach – Rubicon’s dual growth engine

US – building a differentiated product pipeline; superior execution drives growth

- Rubicon delivered strong FY26 revenue growth of 37% YoY to INR17.5b. In cc terms, we estimate it delivered 31% YoY growth in revenue for FY26, reflecting healthy growth momentum across the portfolio. Nearly 98% of revenue remains USD-denominated.
- Growth remained diversified, with contribution from top-5 products moderating to 39% in 4QFY26 vs. 56% in FY23, indicating improving portfolio diversification and reduced concentration dependence.
- Rubicon had 84 approvals to date (12 in FY26), and 24 products remained under USFDA review.
- Commercial execution continued to remain robust with ~92% commercialization rate for approved products, reflecting a strong ability to monetize approvals efficiently.
- Specialty portfolio contribution continued to improve meaningfully, with specialty products contributing ~32% of gross profit in FY26 vs. 13% in FY23, highlighting a successful transition toward differentiated opportunities.
- Rubicon maintained stable pricing trends, aided by increasing focus on specialty products, drug-device combinations, and limited-competition products.
- R&D investments remained elevated at INR1.9b in FY26 (~11% of sales), while R&D productivity improved materially with incremental revenue generated on lagged R&D spend increasing to 5.9x in FY26 versus 3.3x in FY24.
- The company continued scaling its nasal spray and drug-device combination portfolio with five approved nasal spray products and additional opportunities under development, strengthening its differentiated pipeline.
- Capacity expansion initiatives progressed during FY26 with qualification and filing completed for the acquired Pithampur facility, which is expected to support future growth and reduce outsourcing dependence from 1QCY27.

India – R&D leverage through the Arinna platform

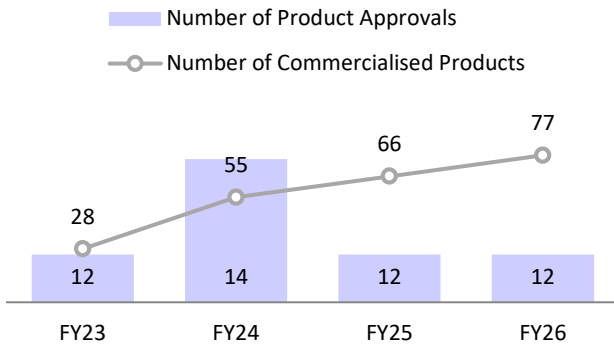
- Rubicon strengthened its India formulations presence through the acquisition of Arinna Lifesciences, a CNS-focused branded formulations company with 60 brands, ~160 sales representatives, 4,000 active prescribers, and distribution reach across 5,000+ pharmacies.

Reiterate BUY

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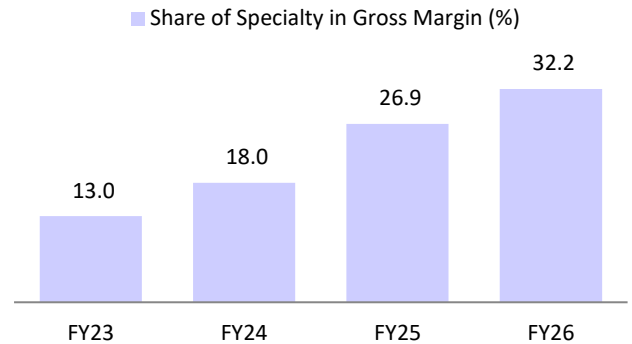
Story in charts

Exhibit 1: 12 approvals in FY26; 77 commercialized until FY26



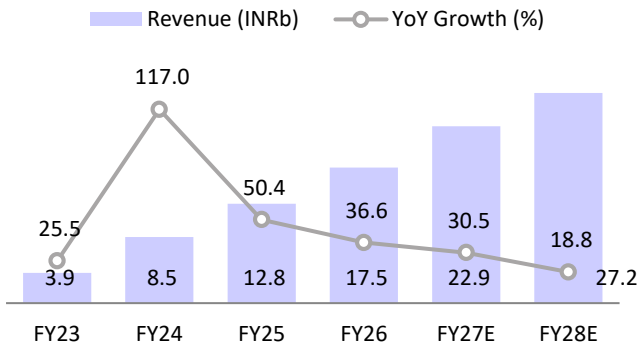
Source: MOFSL, Company

Exhibit 2: The share of specialty products improved to 32.2% of gross profit



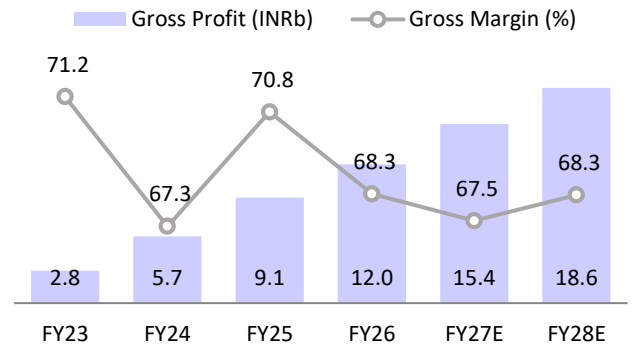
Source: MOFSL, Company

Exhibit 3: Revenue to post ~25% CAGR over FY26-28



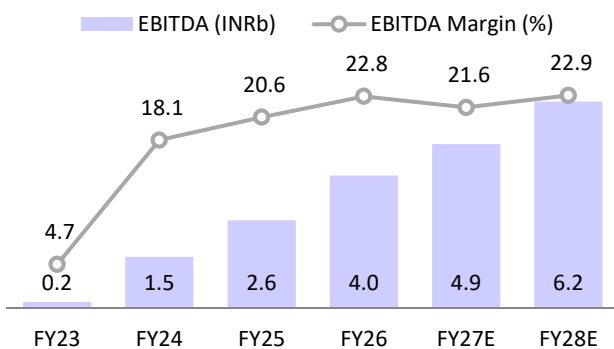
Source: MOFSL, Company

Exhibit 4: Gross margin to gradually recover by FY28



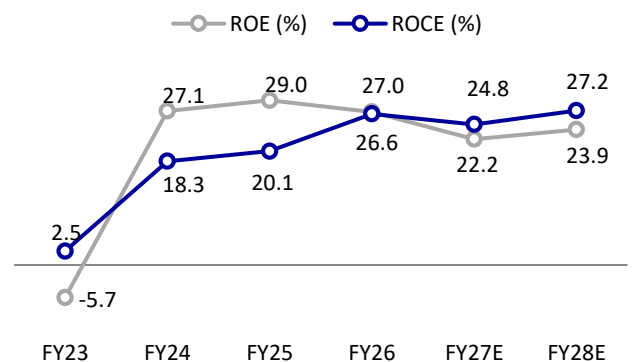
Source: MOFSL, Company

Exhibit 5: Expect EBITDA CAGR of 25% over FY26-28



Source: MOFSL, Company

Exhibit 6: RoCE to improve with better utilization of assets



Source: MOFSL, Company

Financials and valuations

Income statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	3,136	3,935	8,539	12,843	17,540	22,888	27,192
Change (%)	-0.4	25.5	117.0	50.4	36.6	30.5	18.8
Total Expenditure	3,528	3,750	6,993	10,200	13,537	17,939	20,960
% of Sales	112.5	95.3	81.9	79.4	77.2	78.4	77.1
EBITDA	-392	185	1,546	2,643	4,002	4,948	6,232
Margin (%)	-12.5	4.7	18.1	20.6	22.8	21.6	22.9
Depreciation	340	361	390	366	453	636	730
EBIT	-732	-176	1,156	2,277	3,550	4,312	5,501
Int. and Finance Charges	97	190	313	368	422	331	276
Other Income	169	255	185	36	77	92	163
PBT after EO Exp.	-661	-110	1,029	1,945	3,205	4,073	5,389
Tax Rate (%)	-1.5	-52.8	11.5	30.9	23.0	22.2	22.4
Reported PAT	-671	-169	911	1,344	2,467	3,169	4,182
Adjusted PAT	-671	-169	911	1,344	2,467	3,169	4,182
Change (%)	NA	NA	NA	47.6	83.6	28.4	32.0
Margin (%)	-21.4	-4.3	10.7	10.5	14.1	13.8	15.4

Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	51	51	152	154	165	165	165
Total Reserves	3,003	2,813	3,698	5,256	12,723	15,520	19,210
Net Worth	3,054	2,864	3,850	5,410	12,888	15,685	19,375
Total Loans	1,800	3,197	4,245	4,176	3,110	2,310	2,210
Deferred Tax Liabilities	39	15	-9	-18	-130	-130	-130
Capital Employed	4,893	6,075	8,086	9,568	15,868	17,865	21,455
Gross Block	3,143	3,568	4,404	4,924	7,364	8,539	9,723
Less: Accum. Deprn.	1,235	1,596	1,845	2,131	2,583	3,220	3,950
Net Fixed Assets	1,908	1,972	2,559	2,793	4,781	5,319	5,773
Goodwill on Consolidation	22	22	513	476	539	539	539
Capital WIP	26	245	97	69	406	481	571
Total Investments	71	77	80	74	358	358	358
Curr. Assets, Loans&Adv.	3,617	5,181	7,837	11,084	17,054	20,493	25,218
Inventory	896	1,672	3,005	5,216	7,290	9,594	11,473
Account Receivables	1,396	2,250	3,015	3,238	5,087	6,459	7,450
Cash and Bank Balance	526	589	584	1,162	3,460	2,853	4,409
Loans and Advances	800	670	1,233	1,468	1,217	1,588	1,886
Curr. Liability & Prov.	752	1,422	3,000	4,928	7,269	9,325	11,005
Account Payables	570	969	1,767	2,391	3,775	4,766	5,587
Other Current Liabilities	147	282	660	1,122	1,016	1,325	1,574
Provisions	35	171	573	1,415	2,479	3,234	3,843
Net Current Assets	2,865	3,759	4,837	6,156	9,785	11,168	14,214
Appl. of Funds	4,892	6,075	8,086	9,568	15,868	17,865	21,455

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	-4.1	-1.0	5.5	8.1	14.9	19.2	25.3
Cash EPS	-2.2	1.3	8.5	11.1	17.7	23.0	29.8
BV/Share	20.1	18.8	25.3	35.1	78.1	95.0	117.4
DPS	0.0	0.0	0.0	0.0	1.5	1.9	2.5
Payout (%)	0.0	0.0	0.0	0.0	11.8	11.8	11.8
Valuation (x)							
P/E	-247.0	-981.5	182.0	123.4	67.2	52.3	39.6
EV/Sales	16.6	13.6	18.3	12.3	9.4	7.2	6.0
EV/EBITDA	-133.0	289.4	101.1	59.7	41.3	33.4	26.2
Return Ratios (%)							
RoE	-19.8	-5.7	27.1	29.0	27.0	22.2	23.9
RoCE	-14.2	2.5	18.3	20.1	26.6	24.8	27.2
RoIC	-18.8	-5.7	16.4	20.2	27.5	26.0	28.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.0	1.1	1.9	2.6	2.4	2.7	2.8
Inventory (Days)	104	155	128	148	152	153	154
Debtor (Days)	162	209	129	92	106	103	100
Creditor (Days)	66	90	76	68	79	76	75
Leverage Ratio (x)							
Current Ratio	4.8	3.6	2.6	2.2	2.3	2.2	2.3
Interest Cover Ratio	-7.5	-0.9	3.7	6.2	8.4	13.0	20.0
Net Debt/Equity	0.4	0.9	0.9	0.5	-0.1	-0.1	-0.1

Cash Flow statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	-662	-110	1,029	1,945	3,205	4,073	5,389
Depreciation	340	361	390	366	453	636	730
Interest & Finance Charges	97	190	313	368	422	331	276
Direct Taxes Paid	-85	-18	-181	-387	-1,085	-904	-1,207
(Inc)/Dec in WC	-156	-1,081	-1,351	-900	-1,146	-1,990	-1,489
CF from Operations	-465	-660	199	1,391	1,849	2,145	3,699
Others	-162	-88	11	200	202	-92	-163
CF from Operating incl EO	-627	-747	210	1,592	2,050	2,054	3,536
(Inc)/Dec in FA	-545	-444	-560	-678	-2,289	-1,249	-1,275
Free Cash Flow	-1,172	-1,192	-350	914	-238	804	2,261
(Pur)/Sale of Investments	143	0	0	0	0	0	0
CF from Investments	-549	-338	-685	-648	-4,097	-1,158	-1,112
Issue of Shares	0	0	0	81	4,832	0	0
Inc/(Dec) in Debt	729	1,405	736	-148	-1,633	-800	-100
Interest Paid	-93	-174	-298	-328	-365	-331	-276
CF from Fin. Activity	631	1,228	436	-398	2,831	-1,503	-867
Inc/Dec of Cash	-546	142	-40	545	784	-607	1,557
Opening Balance	842	526	589	584	1,163	3,460	2,853
Closing Balance	526	589	584	1,163	3,460	2,853	4,409

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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