HDFC securities | 25 YEARS
Powering India's Investments

Pick of the Week

Ipca Laboratories Ltd.

January 18, 2026

PRIME RESEARCH
Empowering decisions

Ipca Laboratories Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 1510	Buy in Rs 1500-1535 band and add on dips in Rs 1350-1359 band	Rs 1647	Rs 1780	2-3 quarters

HDFC Scrip Code	IPCAEQNR
BSE Code	524494
NSE Code	IPCALAB
Bloomberg	IPCA IN
CMP Jan 16, 2026	1510
Equity Capital (Rs Cr)	25.4
Face Value (Rs)	1
Equity Share O/S (Cr)	25.4
Market Cap (Rs Cr)	38,310
Book Value (Rs)	293
Avg. 52 Wk Volumes	368350
52 Week High	1600.5
52 Week Low	1169

Share holding Pattern % (Dec, 2025)	
Promoters	44.7
Institutions	47.9
Non Institutions	7.4
Total	100.0

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
Kushal Rughani
kushal.rughani@hdfcsec.com

Our Take:

Ipca Laboratories is one of the leading players in Indian Pharmaceutical Market with market share of 2.2%. Its key therapeutic segments include Pain Management, Cardiac, Anti-Infective and Anti-Diabetic etc. Company derived 41% of its revenue from domestic formulations while 20% from International formulations, ~15% from APIs and 24% from Subsidiaries (mainly Unichem Labs) in H1FY26. In the exports, key regions include UK, US, Africa, Asia and Australia. Over the last few years, the company had faced regulatory issues from US FDA with 2 formulations and one API plant under US FDA import alert due to data integrity issues since year 2015. Despite US FDA issues remaining unresolved, Ipca has managed to post healthy performance over the last 3 years. It can be attributed to strong growth from domestic business, export of APIs and UK business. Domestic formulation sales grew at 13-14% CAGR over last 5 years, and formed 39% of total sales in FY25. Strong brand equity, continued growth from its top brands across chronic and acute therapies and new launches are key growth drivers for the domestic formulations segment. International formulation and API business moderated in the last 3 years, India growth has been strong despite a structural decline in anti-malarial business. Domestic formulation is the key driver of its sales growth, fueled by outperformance in pain management/dermatology/cardiac and supported by better MR productivity.

Ipca is making efforts to augment its export prospects through new launches and also working to drive synergies from Unichem acquisition. After a muted performance in the US generics business over the last 6-7 years due to compliance issues, Ipca is geared up to revive its US business through improving US FDA compliance, new launches over the next 18 months, and synergies from the Unichem acquisition. We factor in better operational efficiency, a revival in US business, synergies from the Unichem acquisition, and well-established DF business. As of Jun-2025, the company had filed 45 ANDAs while 33 products hold final approval from US FDA. In FY24, Ipca received clearance from the US FDA for its three facilities had been under import alert (IA) (Silvassa facility, Ratlam facility and Indore SEZ facility). Before achieving the US FDA clearance (pending issues), India and other export markets had been the primary growth drivers for the company. With the clearance from the US FDA, Ipca along with Unichem Labs would start generating meaningful revenue contribution from its US business from FY27. Ipca Laboratories brand-building strength is poised to drive outperformance against IPM growth. We are positive on the stock on the back of several key factors, i) Strong branded portfolio and new product launches to support sustained sales growth. Additionally, the company's strong positioning in acute and chronic therapies (CVS, anti-diabetics, CNS, and urology) to enable it to outperform IPM growth. ii) synergies from Unichem's acquisition are set to revitalise overall export business, leveraging Unichem's US network for new launches and Ipca's EU network for Unichem's 80+ registered products. iii) Continued growth of the API business with Ipca's leadership in sartans API and scale-up of new and Unichem's API plant to strengthen the company's market position. iv) Strong focus on India business combined with Unichem synergies to ensure steady margin improvement and drive strong earnings growth over the next few years.

Valuation & Recommendation:

Domestic formulation business reported strong growth in the last 3 years on the back of strong growth from its top-brands. Given the company has resolved issues with regulatory authorities and new filing to start in the medium term, we expect international formulation segment to witness healthy growth in the coming years. We estimate 11% revenue CAGR led by 12% growth from domestic formulations business and 10% CAGR from exports formulations over FY25-28E. We expect 250bps expansion in EBITDA margin over FY25-28E. We forecast 16%/20% CAGR in EBITDA and Adj. net profit on healthy revenue growth and strong margin over the same period. We expect ~12% sales CAGR in the domestic formulations segment, over FY25-28E, driven by steady expansion in chronic therapies, new launches, and increased prescription coverage.

The synergy benefits (cost optimisation, change in sourcing of input materials, scale-up in sales) would improve the margin profile for Unichem business. We are positive on Ipca Labs on the back of: i) strong growth in domestic formulation across therapeutic areas, ii) cost competitive and consistent quality driving better business prospects in API segment, iii) strong B/S and return ratios and iv) better traction in the international markets and v) synergy benefits from Unichem acquisition. Ipca has raised its EBITDA guidance by ~100bps, with a strong Q2FY26, better product mix and turnaround in Unichem's business after closure of manufacturing unit in Ireland. We feel investors can buy the stock in the band of Rs 1500-1535 and add more on dips to Rs 1350-1359 (21x FY28E EPS) for base case target of Rs 1647 (25.5x FY28E EPS) and bull case target price of Rs 1780 (27.5x FY28E EPS) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	2557	2355	8.6	2309	10.7	6,244	7,705	8,940	9,939	11,082	12,280
EBITDA	545	442	23.4	416	30.9	926	1321	1726	2006	2329	2667
Depreciation	103	100	3.0	100	3.3	262	357	398	415	444	470
Other Income	28	26	6.1	33	-14.7	126	125	93	107	129	154
Interest Cost	20	23	-13.3	19	5.9	46	138	85	73	62	49
Tax	108	99	8.8	96	12.3	253	314	344	392	489	575
RPAT	283	230	23.1	233	21.2	471	548	738	1138	1397	1638
Adj. PAT						471	548	910	1186	1397	1638
EPS (Rs)						18.6	21.6	29.1	44.9	55.0	64.5
RoE (%)						8.3	9.0	11.1	15.2	16.2	16.4
P/E (x)						81.0	69.6	51.7	33.5	27.3	23.3
EV/EBITDA (x)						41.7	29.2	22.4	19.3	16.6	14.5

(Source: Company, HDFC sec)

Q2FY26 Result Update

Overall numbers were strong in the quarter. Revenue for the quarter grew 8.6% YoY at Rs 2557cr. Operating margin improved 210bps YoY at 20.9%. Net profit was up 23% YoY at Rs 282.6cr. PBT before exceptional items increased 30.5% YoY at Rs 449.8cr. Company reported exceptional loss of Rs 58.3cr in the quarter.

India formulation sales grew ~8% YoY at Rs 1019cr. API sales grew 28% YoY at Rs 408cr. International formulations business reported a decline of 9% YoY at Rs 493cr. Revenue from subsidiaries stood at Rs 626cr as against Rs 544cr, a year ago. EPS for the quarter stood at Rs 11.14 and it stood at Rs 20.33 for H1FY26.

Company expects (1) India business to see 10-11% growth in FY26; (2) export formulation to see 8-9% growth H2FY26, led by traction in the EU and UK businesses, scale-up in the US business, and growth recovery in branded generics; (3) API business to see 14-15% growth in FY26 (grew 21% in H1FY26); (4) consolidated margin to improve by 100bps in H2FY26 over H1FY26 (H1FY26 at 20.1%), implying overall margin at ~20.6% in FY26; and (5) R&D at 4% of sales in FY26 and ongoing filing, clinical studies, and biosimilar trials to be led to R&D inch-up to ~4.5% in FY27E. The company expects Unichem to see steady growth and sustain 10-11% margin in FY26, while expecting growth to pick momentum from FY27/28, led by product commercialization across EU and RoW markets (registration process started and approval may take 10-12 months).

Q2FY26 Concall Highlights

Chronic share increased by 100bps YoY to about 35% in DF segment in 2Q. Ipca's chronic therapy grew 14.2% YoY vs. industry YoY growth of 10.2%. Acute therapy grew 8.2% YoY vs. industry YoY growth of 6.2% in Q2FY26.

The company continued to expand its presence in the chronic therapy segment, which now contributes ~35% of domestic revenue (vs. 34% last year), growing 14.2% YoY compared with 11% IPM growth in the same category. The field force remains steady at ~7,000 medical representatives (MRs), with annual additions of 400-500 reps. The focus also remains on productivity enhancement and deeper brand penetration.

GLP-1 – IPCA didn't have sufficient R&D, but is in process to set-up a biotech facility. Management indicated they won't be there in current phase of product, but will be ready for next phase, as they are already synthesizing clones. It will also look for opportunities to buy products from other manufactures and sell in the market.

About 400–500 MRs can be added annually; with no more expansion than this is expected over the next 2–3 years. Currently, there are 7,000 MRs. Two cardiac divisions were added in FY26, with one more planned in cosmeto-dermatology, and a division added in Flexicare to expand presence in pain management.

Exports Business

Export formulations revenue remained broadly stable YoY at Rs 943 crore in 1HFY26, as slower offtake in certain generic markets offset growth in other segments. Within the overall portfolio, generic exports grew 5% YoY to Rs 536 crore, while branded exports also increased 5% YoY to Rs 268 crore during the period. Institutional business recorded a decline of 19% YoY to Rs 138 crore reflecting lower tender volumes and shipment delays in select markets. The company is focusing on leveraging cross-sourcing synergies between Ipca and Unichem. Ipca will supply API to Unichem, while Unichem's formulation facilities will be used for select Ipca products. This collaboration is expected to improve cost efficiency and diversify the product pipeline over the medium term. Subsidiary sales increased 11% YoY to Rs 1188 crore, primarily supported by Unichem's performance, which contributed meaningfully to overall growth. Management indicated that commercial benefits from Unichem's dossier filings and integration initiatives are likely to materialize over the next 12 to 18 months, creating a gradual tailwind for export revenue.

Generics Formulation: 8-9% growth is expected in H2FY26E. H1FY26 was impacted due to higher inventories. Overall, European business continues to do well. Europe: Excluding one specific product, sales performed well and margins were not impacted. Efforts are going on to strengthen the European footprint, including participation in tenders.

API segment

API segment grew 21% YoY in 1HFY26 to Rs 734 crore, driven by strong export performance and robust demand from Europe and Latin America. Company continues to leverage its backward integration capabilities and is focusing on the development of 5-6 new APIs that will support future formulation filings, including products targeted for the US market. API business remains a key margin contributor and strategic differentiator for Ipca, ensuring cost efficiency, reliable supply, and backward integration benefits for both internal formulations and external customers.

We expect API revenue to grow at 10% CAGR over FY25-28E, supported by new product launches, sustained export momentum, and a shift toward higher-value complex APIs.

Unichem Labs

Price erosion: Going forward, two–three new products will be added with US business expected to grow 8-10%. Market share losses in two segments could be recovered, though increased competition may pressure prices.

EBITDA Margin guidance: 16-19% EBITDA margin possible over the next 24 months. US contributes ~70% of Unichem's business. Growing the business in the other regions may take some time due to the long process of product registration, marketing and increase in the market share. Efforts to extend Unichem's products into multiple markets are ongoing; 12 dossiers have been filed across Europe and other international markets. Regulatory approvals are expected to take 12 to 18 months post-filing.

Qualification applications for sourcing APIs from Ipca have been filed. Major API supply is expected to commence from FY27.

Closure of the European manufacturing facility in Ireland is expected to reduce annual expenditure of EUR 3.5-4 million. Operations have been shifted to the Baddi facility, which has all required regulatory approvals and customer registrations.

Unichem's biotech work has been stopped. Some formulation development will be done by Ipca and some by Unichem based on synergies and capabilities.

Unichem to be run as a separate company. Procurement is an area where significant advantage is coming due to integration. Bigger benefits will come when Unichem products are put in Europe, Australia, South Africa, Canada, New Zealand etc.

Well-diversified product portfolio and market leadership in pain management

Ipca Laboratories is one of the leading pharmaceutical company that produces branded and generic formulations (> 350), APIs and intermediates (80+) for various therapies. The company is well-placed in the domestic formulations market (~39% of total sales in FY25). Top five therapies such as pain management, cardiovascular, anti-diabetic, dermatology, and anti-infective accounted for around 80% of domestic formulation sales in FY25. Exports formulations business accounted for 20% of overall revenue in FY25. Ipca along with its subsidiaries sells its products in Europe, the US, Africa, Russia/Commonwealth of Independent States (CIS), Asia, Americas, and Australasia. API and intermediates contributed 14% to Ipca's revenue in FY25 while subsidiaries accounted for 25%. The company has 15 API and 11 formulations manufacturing facilities across the globe. The company has strong backward integration into the manufacturing of several APIs for its captive consumptions in the formulations manufacturing works in order to offset the price erosion risk in regulated markets. US FDA cleared Ipca's one API facility and two formulation facilities in FY24. With the acquisition of Unichem Lab in August 2023, Ipca has been able to market its products in the US and Brazil. This acquisition would also aid synergy through cross selling the portfolio.

Ipca has market share of 2% in IPM and it continues to be one of the most important and focused markets for the company both in terms of sales and profitability. The company has been building its acute and chronic portfolio in fast-growing therapies through consistent product launches, field force addition and investments in marketing initiatives to scale-up brands. This is due to Ipca's strong brand recall, large and established brands, consistent product launches and a wide physician coverage and prescription base, supported by a well-entrenched distribution network.

Formulations continue to contribute larger portion of revenue at 70% with balance contributed by APIs and Intermediates. Pain management constitutes ~50% of its domestic formulation sales while cardiac & anti-diabetic constitute the maximum share of around ~22% of its exports. Company has 17,000 permanent employees (including 920 overseas employees) as on March, 2025.

Chronic therapies contributed about 35% to the domestic formulation sales in FY25 while the rest came from acute therapies. The company has been building its acute and chronic portfolio in fast-growing therapies through consistent product launches, field force addition and investments in marketing initiatives to scale-up brands.

Domestic Formulation Business

Ipca has improved its rank to 16th in FY25 from 21st in FY19 in the Indian Pharma market (IPM) with its market share jumping to ~2.2% as of FY25 (from ~1.5% in FY19). This was largely led by outperformance in the acute segment (by 1.8x) and strong scale-up in the chronic segment (outperformed IPM by 1.4x) in therapies like CVS, anti-neoplast, CNS and anti-diabetics, given strong brand-building capabilities, marketing division expansion (23 in FY25 from 15 in FY19).

Given the highest share of acute therapies in the DF market (60-65% of DF sales) and chronic therapies (35-40% of DF sales), Ipca has outperformed IPM consistently over the last 3-4 years led by strong brand equity, efficient management of seasonality, increase in MR productivity and market share gain.

Although the pharma industry has been witnessing a decline in Pain therapy, Ipca has outperformed IPM by ~600bps over MAT 2021-2025, led by strong execution and growth in its key brands, including Zerodol and combination. Ipca is focusing on improving MR productivity, new launches and market share gain in existing and new launches.

Company has a portfolio of about 165 brands (21 marketing divisions). Over the last decade, Ipca has outperformed the Indian pharma market (IPM). Domestic business to continue to perform better than IPM over the next three-to-four years. Furthermore, the domestic formulation business (40% of sales) remains one of the main focus areas for the company for both sales and profit growth. In FY25, Ipca delivered healthy growth of 12% (~12% in FY24, 10% in FY23 and 26% in FY22), led by growth in the top therapies, price growth and new launches.

The company has been building its acute and chronic portfolio in fast-growing therapies through consistent product launches, field force addition and investments in marketing initiatives to scale-up brands. Ipca has a field force team of over 6500, serving more than 2,00,000 doctors across India. Ipca has strong brand recall, large and established brands, consistent product launches and a wide physician coverage and prescription base, supported by a well-entrenched distribution network. However, the pricing cap on Ipca's key drugs could impact its domestic formulation business.

Strong brand equity led to consistent outperformance against IPM over FY19-25. Despite having ~20% of its portfolio under the National List of Essential Medicines (NLEM), Ipca has consistently outperformed IPM since FY19. This can be attributed to strong brand recall, effective management of seasonality, a rise in volume, decluttering the MRs for enhanced brand focus, and improved productivity.

Supported by new product launches and market share gains, we expect the DF segment to grow at ~12% CAGR over FY25-28E.

Top brands growing faster than IPM

Ipca's focus on creating mega-brand franchisees for the last two decades vs. introducing new products/molecules in the Indian market has played out well for the company. This is evident from its success in creating market leadership in the rheumatoid arthritis segment with its

top brands such as Zerodol and HCQS in the last few years. Zerodol-SP is used in pain management related to inflammation relief, swelling and aids faster recovery of inflamed or injured tissues. It has registered a ~22% CAGR over the past four years, surpassing the growth of therapy as well as molecule, indicating strong brand equity and enhanced productivity of the specialized division. Further, Zerodol-SP is superior to Zerodol-P, owing to the introduction of Serrapeptase molecule, resulting in a reduction of inflammation and edema (swelling) and promoting faster tissue repair compared to Zerodol-P.

CTD brand has seen moderate growth of ~8% over the last four years and has underperformed the cardiac therapy. CTD is used for reducing fluid and salt in the body to lower blood pressure. While CTD-T is a combination drug of Chlortalidone + Telmisartan, it provides a stronger and more comprehensive control of high blood pressure by targeting both fluid reduction and blood vessel relaxation. This has resulted in faster growth for CTD-T at 18% CAGR over last 4 years.

Zerodol has been consistently expanding at 18% CAGR (barring FY24), and has now achieved Rs 1000cr sales mark. Ipca's other key brands such as Folitrax, Pacimol, Tofacitinib TFCT-NIB and Lactagard too have grown in double-digits, all supported by decent volume growth, thereby gaining market share in respective sub-therapies. It will continue to focus on replicating its brand-building capabilities to create more mega brands in select categories such as CVS (CTD-T brand has entered in the top 300 brands in IPM), CNS, Derma, Gastro, and Urology.

IPM Update

As per IQVIA, Indian Pharma Market (IPM) recorded strong growth for Dec-25 at 15% YoY (vs. 8.6% in Nov-25). Growth was led by CVS, anti-diabetic, CNS, and oncology segments, while growth in anti-infective, gastro, respiratory, and pain grew at par or marginal below compared to IPM growth.

For Q3FY26, IPM registered a growth of 11.8% YoY. Ipca Labs registered 13% growth for the quarter in the IPM. Lupin, Sun Pharma, Zydus Life recorded around 14% growth. Cipla and Dr. Reddy's registered 12% growth during Q3FY26. Alkem Labs reported 9% growth and Emcure reported ~7% growth in the quarter.

Ipca Labs, Dr. Reddy's Labs and Torrent Pharma registered 15% growth while Sun Pharma registered 19% growth. Eris Life, Zydus Life, Lupin recorded ~16% growth for Dec-2025.

In-licensing of Diulcus to strengthen dermatology business in India

In Aug-2024, Ipca had entered a partnership with NovaLead and launched its patented drug brand Diulcus (Esmolol Hydrochloride) in India. Diulcus tropical gel 15 mg strength is indicated for the treatment of Diabetic Foot Ulcer (DFU). As part of the licensing agreement, IPCA has agreed to pay Rs 13 crore upfront as a licensing fee to NovaLead, and royalty payment on sales as well as other milestone-linked payments.

Ipca expects to gain a competitive advantage over existing brands for DFU treatment, including Xoban (Ajanta), Cadomer (J.B. Chem), Cadress (Cipla), and Addex (Franco) in the drug segment, as well as Diulcus (IPCA) and Plermin (Dr. Reddy's) in the gel segment.

With the rising prevalence of diabetes in India, where 100 mn individuals are currently diagnosed and another 136 mn are affected by pre-diabetes, diabetic foot ulcers (DFUs) have become a significant complication. Company anticipates a strong scale-up over the next 3 years and aims to achieve an annual sales run rate of ~Rs 100 crore.

Scale-up in the US and EU generics business

Ipca's three manufacturing facilities, which were under import alert, got US FDA's clearance last year. This provides an opportunity for Ipca to rebuild the US business by re-launching its US products. Ipca has about 45 ANDAs, of which about 30 already have final approval. Management plans to launch approved products in a phased manner over the next two years.

While Unichem's margin are dilutive for Ipca, management is confident of Unichem's revenue to see 15% CAGR and margin to touching 12-14% in three years. Ipca also expects to integrate its US marketing arm Bayshore with Unichem, which should result in improved profitability in the US operations.

Ipca's North America (NA) business grew at ~8% CAGR over FY19-25, due to regulatory issues at its three sites. After the clearance of the site and the synergic benefits of Unichem, we expect a faster revival in business. The regulatory compliance at Ipca/Unichem sites and ongoing product development exercise should start showing commercial benefits in the next 9-12 months.

As of Jun-2025, the company had filed 45 ANDAs while 33 products hold final approval from US FDA.

On the compliance front, Ipca had a rough history with the US FDA. Over the past eight years, Ratlam and Silvassa plants were under the import alert. However, after the recent inspection completed in Jun-23/Apr-23 for Dhar/Ratlam/Silvassa, the facilities are in compliance with the regulatory norms. Unichem has a sound compliance record. Since 2009, it has witnessed 28 US FDA inspections, with an outcome of either NAI/VAI. With the acquisition of Unichem business, Ipca is trying to revive the US business through its US FDA compliant facilities.

The company expects to launch 5-6 products from the Unichem portfolio and 5 launches from Ipca's portfolio. Ipca's plant clearance by the US FDA would support scaling up the filing process and normalizing API supplies from the Ratlam plant over the next 1-2 years. This coupled with improvement in utilisation for Unichem's plant at Goa (~20% utilization; for the US market) and Baddi plant (30-35% utilisation; for ex-US market) to support the growth and margin over the next few years.

Regulatory Compliance Update

In FY24, Ipca received clearance from the US FDA for its three facilities had been under import alert (IA) (Silvassa facility, Ratlam facility and Indore SEZ facility). Before achieving the US FDA clearance (pending issues), India and other export markets had been the primary growth drivers for the company. With the clearance from the US FDA, Ipca along with Unichem Labs would start generating meaningful revenue contribution from its US business from FY27. As of Sep-2025, none of the company's manufacturing sites have outstanding regulatory or

compliance issues with any other regulatory agency. We note that non-compliance or data integrity issues with any manufacturing facility might affect new product approvals from several regulatory agencies or could lead to the shutdown of the facility.

In Dec-2025, The company said that US FDA had conducted the inspection of the Active Pharmaceutical Ingredients (APIs) manufacturing facility at Tarapur (Palghar, Maharashtra). At the conclusion of the inspection, US FDA has issued a Form 483 with three observations. The Company will submit its comprehensive response on these observations to the US FDA within the stipulated time.

API Business

Ipca Labs is one the largest suppliers of APIs worldwide with manufacturing leadership in 12 APIs globally. It is one of the largest manufacturers of APIs - Atenolol (anti-hypertensive), Chloroquine Phosphate (anti-malarial), Furosemide (diuretic), Hydroxychloroquine Sulphate (NSAID), Metoprolol Succinate (anti-hypertensive), Metoprolol Tartrate (anti-hypertensive). API business contributed 15% to consolidated revenue in H1FY26. The business, however, has struggled since FY21 due to: i) high global API capacity; ii) its dependence on the sartan portfolio; iii) lower realisations in APIs due to decline in KSM prices. These issues have persisted even in FY24 and FY25. Company registered strong growth in exports API business during H1FY26 and guided for strong growth in the medium term.

To revive growth in the API business, Ipca has taken the following measures: Launch API projects, mainly in the regulated markets for growth opportunities. It would launch products in Brazil and the US, leveraging Unichem's front-end. Growth of its sartan business driven by cost competitiveness and recent process innovation benefits. Company has commissioned its greenfield API manufacturing facility at Dewas. It expects to transfer products from Ratlam to Dewas as well as launch 5-6 new products from this facility over the next 6-9 months. Overall, the API business is likely to register 8-10% growth in the next 3 years.

Company has a portfolio of 55 DMFs filed with the US FDA, 60+ Certificates of Suitability (COS) in Europe and multiple dossiers in RoW markets. The company has nine API dedicated plants spread across India and two plants outside India - one in the UK (Onyx Scientific) and another in the US (Pisgah Labs). The company has leadership position in few of the key molecules such as sartans (Losartan – one of largest capacity globally, Telmisartan, Valsartan), Apixaban, Rivaroxaban, Hydroxychloroquine, Metoprolol succinate, etc.

Unichem Laboratories

Unichem Laboratories benefits from the backing of its parent, Ipca Labs. Prior to its acquisition, ULL was managed by Dr. Prakash Amrut Mody. In August 2023, Ipca acquired a 52.65% stake in ULL, making it a subsidiary. The integration into IPCA provides ULL with strategic advantages, operational synergies, and access to Ipca's established distribution network.

Ipca Labs has a strong API franchise with backward integration that would enable ULL to scale up its global generic portfolio and increase its market share with cost efficiency and competitiveness. ULL has benefited from the operational synergies with IPCA, which helped it optimise

its input costs through centralised raw material procurement and lower logistics costs. As Ipca has presence across 45 countries with close to 1,200 personnel working on the field in branded formulations, ULL will be able to expand to new geographies, especially in the rest of the world (RoW) markets, aiding its revenue growth in the medium term.

Following the sale of its domestic formulations business in FY17, the company focused on scaling up its international formulations business, especially in the US, which has been growing at a healthy rate over the past few years. ULL's extensive experience in APIs and formulations as well as its cost advantage from backward integration is a positive factor. Accordingly, the company has invested in capacity expansion of its API facilities, and it continues to enhance its capacities in API, which is expected to augment growth in the medium term. During the year, the company had completed the capacity expansion of Phase I of API plant at Pithampur of approximately 210 KL with an investment of nearly Rs 200 crores which would be used mainly for captive purposes.

Unichem has maintained a disciplined focus on expanding its portfolio in the US market, with an emphasis on therapeutic areas like CNS, Cardiovascular, Anti-infective, and Gastro-Intestinal. The sustained efforts of R&D over the years resulted into 84 ANDA (71 approved) filings and 79 USDMFs, 30 CEPs, 3 JDMFs, 5 China DMFs among others across various markets and therapeutic categories. During the year, Unichem had filed 2 ANDAs, 1 US DMF, 3 CEPs, 2 CADIFA and initiated new API development for API marketing purposes.

R&D efforts are strategically focused on cost rationalisation, and capacity enhancement for filing commercial ANDAs & DMFs in existing markets as well as for new markets. Company had received 4 ANDA approvals, and launched 4 products in the largest generic market of USA and 2 launches in South Africa during FY25. It had submitted 2 ANDAs and 11 dossiers in emerging markets and it expects an increase in the number of filings and approvals in time to come.

Unichem derived ~77% of revenue from generic formulations, ~15% from branded formulations and the balance from APIs. The company has formulations manufacturing facilities in Goa, Baddi (Himachal Pradesh), and Ghaziabad (Uttar Pradesh), while its API manufacturing facilities are in Pithampur (Madhya Pradesh), Roha, and Kolhapur (Maharashtra).

The company derives most of its revenues (~75% in FY25) from generic formulation sales, which are characterised by stiff competition, especially for its exports to the US market, from numerous contract manufacturers, multinational companies as well as established Indian pharmaceutical brands. The intense competition keeps revenue growth and margins under check.

Like its peers in the pharmaceutical industry, ULL's operations remain exposed to the regulatory risks, including scrutiny by regulatory agencies like US FDA. Timely product launches in various regulated and semi-regulated markets, along with a stable socio-political environment, remain critical for its revenue growth.

Key Risks

- Failure to ramp-up acquired portfolio: The company has acquired Unichem business and continues to scout for M&A deals. Failure to ramp-up or if not able to achieve targeted synergies could impact overall performance.
- Inclusion in NLEM: At present, ~20% of the domestic revenue is under NLEM. In case, sales could be impacted if additional products were to be included. Adverse pricing regulations by the National Pharmaceutical Pricing Authority (NPPA) in India on prices of key products could impact revenue and margins.
- Vulnerability in business due to currency movements, regulatory changes and geopolitical events across countries. Any large movements in ZAR (South African currency) or USD may also impact overall profitability.
- Elevated price erosion in the US generic business could hurt US revenue though pricing pressure has moderated and is currently in high single digit.
- Company sells its products in more than 100 markets across the world. Company is required to comply with various laws, rules and regulations and operate under the strict regulatory environment in India and abroad, considering the nature of business.
- Earlier, the company had faced issues for its export oriented plants from US FDA and consequently its Europe and US sales remained almost stagnant in the last 3-4 years.

Company Background

Ipca Laboratories is a global pharmaceutical company, was established in 1949. It has presence across formulations, API & Intermediates in domestic market and exports. Company has come a long way from being an antimalarial player to a player offering a list of other therapeutic products It manufactures over 350 formulations and 80 APIs for various therapeutic segments and with a diverse presence across geographies including India, Africa, Asia, Australia, Europe and the US. It is one of the world's largest manufacturers and suppliers of over a dozen APIs with a fully integrated business model. The company is operating its business in over 120 countries across six continents. Company derived 39% sales from domestic formulations, 20% from international formulations 14% from API and 25% from its subsidiaries in FY25.

Company has 18 manufacturing facilities for API and formulations in India. They have accreditations from agencies such as UK's Medicine and Healthcare Products Regulatory Agency (MHRA), World Health Organization (WHO), European Directorate for the Quality of Medicines (EDQM), India's Central Drugs Standard Control Organization along with several country wise regulatory approvals. Company has R&D centers at Mumbai, Ratlam, Athal (Silvassa) and Ranu (Vadodara) which are duly recognized by the Government of India, Ministry of Science and Technology, Department of Scientific & Industrial Research (DSIR). R&D expenditure during the year was at Rs 162 crore (~2.2% of sales). The backward integration into manufacturing of several APIs for Ipca's own use in formulations manufacturing also helps in cost efficiency.

In Sep-2025, Ipca Labs and BioSimilar Sciences PR LLC (BSS) announced a definitive Technology Transfer and Joint Development Agreement that will shift late-stage development, clinical manufacture, and commercial supply of a next generation anti-cancer/anti-inflammatory monoclonal antibody biosimilar being developed by Ipca to BioSimilar Sciences PR LLC (BSS) 2 lakh square feet sterile campus in Aguadilla, Puerto Rico. First BSS biosimilar launch likely in CY27; new molecule targets FDA approval in CY28. This is an exclusive license agreement for US & Canada while non-exclusive agreement for few Latin America countries.

Formulation Facilities

Location	Dosage Form	Inspections / Approvals by Agencies of
Athal (Dadra & Nagar Haveli)	Tablets & Capsules	Australia, Bahrain, Cambodia, Canada, Colombia, EU, GCC/GHC, Ghana, India, Kenya, Malawi, Oman, Russia, Tanzania, Uganda, UK, Ukraine, WHO, Yemen
Ratlam (Madhya Pradesh)	Tablets, Liquids, Dry Syrup, Injectables & Ointments	Belarus, Colombia, Ghana, India, Nigeria, Peru, Russia, South Africa, Tanzania, Uganda, Ukraine, WHO, Yemen, Zimbabwe
Kandla (Gujarat)	Betalactum-Tablets, Capsules & Dry Syrups	**Approved:** Australia, Colombia, Croatia, GCC, Kenya, Philippines, Russia, South Africa, UK, Yemen, Zimbabwe **Approved / Under Renewal:** Ivory Coast, Tanzania
Silvassa (Dadra & Nagar Haveli)	Tablets & Capsules	Australia, Canada, India, UK, USA
Dehradun (Uttarakhand)	Tablets & Cephalosporin Injectables	**Unit - I:** India **Unit - II:** India, Ghana, Tanzania
Indore (SEZ) (Madhya Pradesh)	Tablets & Capsules	Australia, Canada, South Africa, UK, USA, WHO GMP, WHO
Sikkim	Tablets & Capsules	WHO
Tarapur, Palghar (Maharashtra)	Tablets	Kenya, WHO

API Facilities

Location	Inspections / Approvals by Agencies of
Ratlam (Madhya Pradesh)	Australia, Brazil, Canada, EDQM, EU, India, Japan, Korea, Mexico, Russia, Slovenia, USA, WHO
Indore (Madhya Pradesh)	India, EU, WHO
Dewas (Madhya Pradesh)	India
Ankleshwar (Gujarat)	EU, India, Japan, Mexico
Nandesari (Gujarat)	EU, India
Aurangabad (Maharashtra)	EU, India, MFDS, Russia, TGA, USA, Japan
Mahad (Maharashtra)	State FDA
Ranu (Taluka Padra) (Gujarat)	EU, India, Mexico
Tarapur , Boisar (Maharashtra)	EU, India, USA

Biosimilar Pipeline

Molecules: Anti-cancer and Anti-inflammatory mAbs

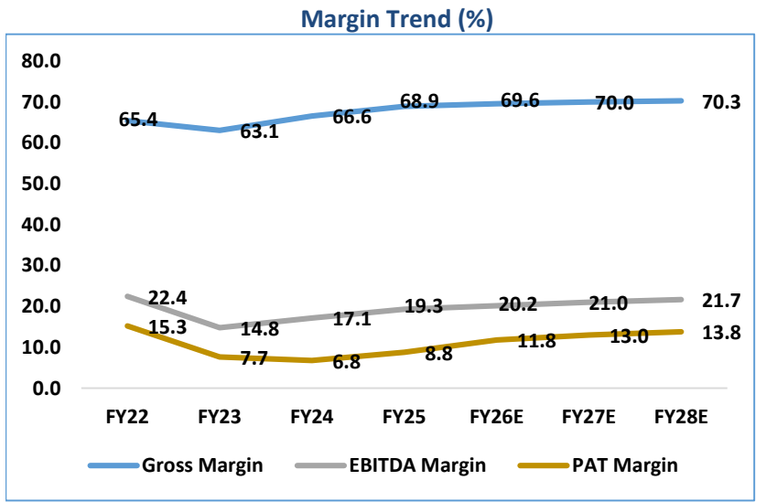
Stage of Development

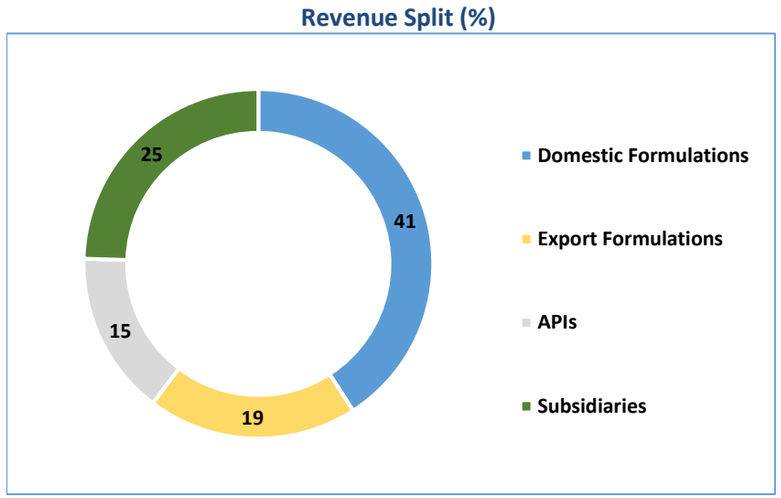
Molecules	Development	Pre-clinical	Clinical Trials	MAA / Launch
				UK / HC / IN / EU
mAb1	→	→	2025-26	2026-27
mAb2	→	→	2025-26	2026-27
mAb3	→	→	2026-27	2027-28
mAb4	2024-25 →	2025-26 →	2027-28	2028-29
mAb5	2024-25 →	2025-26 →	2027-28	2028-29
mAb6	2024-25 →	2026-27 →	-	-
mAb7	2025-26 →	-	-	-

- 7 Monoclonal antibodies (mAbs) at various stages of the development
- Target markets India, UK,HC, EU, ROW followed by USA
- Sought EMA and MHRA-UK Scientific Advice for mAb1 & mAb2
- Dossier submitted for mAb2 to USFDA for Scientific Advice
- Signed Out-licensing agreement for a potential mAb Technology (upto 50L) with Omexa Formulary
- Open for the Collaboration and Out-licensing of the Technology / Molecule (DS/DP)

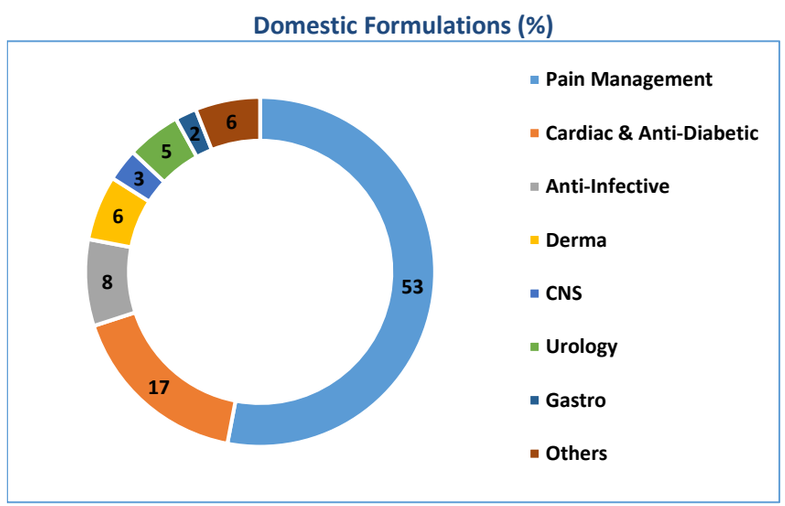
(Source: Company, HDFC sec)

Ipca Laboratories Ltd.





(Source: Company, HDFC sec)



Ipca Laboratories Ltd.

HDFC securities | 25 YEARS
Powering India's Investments

Financials (Consolidated)

Income Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Total Income	**7705**	**8940**	**9939**	**11082**	**12280**
Growth (%)	12.8	13.8	11.2	11.5	10.8
Operating Expenses	6384	7214	7933	8753	9613
EBITDA	**1321**	**1726**	**2006**	**2329**	**2667**
Growth (%)	42.6	30.7	16.2	16.1	14.5
EBITDA Margin (%)	17.1	19.3	20.2	21.0	21.7
Depreciation	357	398	415	444	470
EBIT	964	1328	1591	1885	2197
Other Income	125	93	107	129	154
Interest expenses	138	85	73	62	49
PBT	836	1129	1566	1934	2274
Tax	314	344	392	489	575
RPAT	**548**	**738**	**1138**	**1397**	**1638**
Growth (%)	16.3	34.7	54.2	22.7	17.3
Adj. PAT	**548**	**910**	**1186**	**1397**	**1638**
EPS	21.6	29.1	44.9	55.0	64.5

Balance Sheet

As at March	FY24	FY25	FY26E	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	25.4	25.4	25.4	25.4	25.4
Reserves	6307	6923	7966	9215	10693
Shareholders' Funds	**6332**	**6948**	**7991**	**9241**	**10719**
Long Term Debt	580	543	445	361	292
Net Deferred Taxes	306	278	275	264	257
Long Term Provisions & Others	128	147	152	157	162
Minority Interest	1395	1440	1440	1440	1440
Total Source of Funds	**8742**	**9357**	**10304**	**11463**	**12870**
APPLICATION OF FUNDS					
Net Block (incl. CWIP)	4663	4685	4951	5036	5018
Goodwill & Intangible Assets	233	203	203	203	203
Non-current Investments	662	586	621	661	705
Total Non Current Assets	**5558**	**5474**	**5775**	**5901**	**5925**
Current Investments	558	763	843	919	1021
Inventories	2471	2560	2723	3057	3388
Trade Receivables	1687	1874	2042	2232	2473
Short term Loans & Advances	9	43	57	82	108
Cash & Equivalents	297	344	569	982	1639
Other Current Assets	518	685	760	836	952
Total Current Assets	**5540**	**6269**	**6994**	**8108**	**9579**
Short-Term Borrowings	807	759	652	515	397
Trade Payables	776	846	955	1064	1162
Other Current Liab & Provisions	528	513	559	626	690
Short-Term Provisions	245	269	299	341	385
Total Current Liabilities	**2355**	**2386**	**2465**	**2546**	**2634**
Net Current Assets	3184	3883	4529	5562	6945
Total Application of Funds	**8742**	**9357**	**10304**	**11463**	**12870**

(Source: Company, HDFC sec)

Ipca Laboratories Ltd.

HDFC securities | 25 YEARS
Powering India's Investments

Cash Flow Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	836	1,129	1,566	1,934	2,274
Non-operating & EO items	-125	-93	-107	-129	-154
Interest Expenses	138	85	73	62	49
Depreciation	357	398	415	444	470
Working Capital Change	34	164	-422	-621	-727
Tax Paid	-296	-361	-392	-489	-575
OPERATING CASH FLOW (a)	**945**	**1,321**	**1,134**	**1,202**	**1,337**
Capex	-1,953	-775	-680	-530	-450
Free Cash Flow	-1,008	546	454	672	887
Investments	536	-187	-38	-42	-47
Non-operating income	125	93	107	129	154
INVESTING CASH FLOW (b)	**-1,292**	**-869**	**-611**	**-443**	**-343**
Debt Issuance / (Repaid)	-433	-141	-93	-88	-68
Interest Expenses	-138	-85	-73	-62	-49
FCFE	-1,579	320	288	522	771
Share Issuance/MI	70	0	0	0	0
Dividend	-51	-102	-132	-195	-221
FINANCING CASH FLOW (c)	**-552**	**-283**	**-298**	**-345**	**-337**
NET CASH FLOW (a+b+c)	**-900**	**169**	**224**	**413**	**657**

Key Ratios

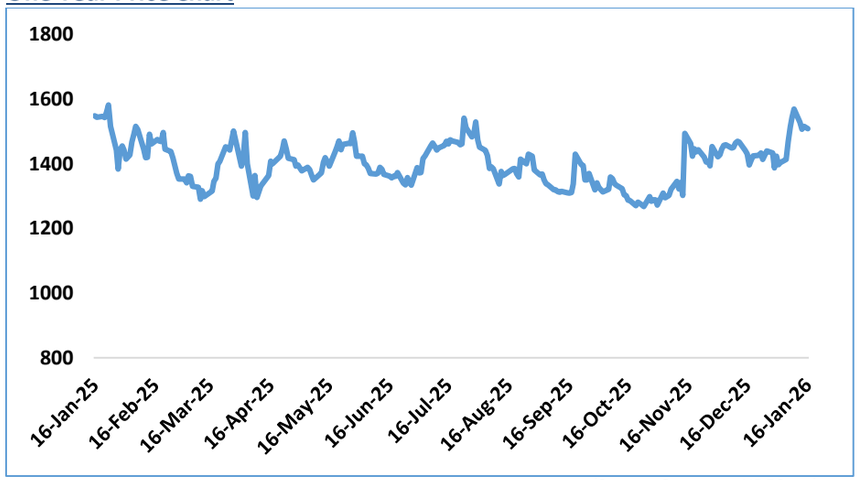
	FY24	FY25	FY26E	FY27E	FY28E
Profitability (%)					
Gross Margin	66.6	68.9	69.6	70.0	70.3
EBITDA Margin	17.1	19.3	20.2	21.0	21.7
EBIT Margin	12.5	14.9	16.0	17.0	17.9
APAT Margin	6.8	8.8	11.8	13.0	13.8
RoE	9.0	11.1	15.2	16.2	16.4
RoCE	11.0	14.2	15.4	16.4	17.0
Solvency Ratio (x)					
Net Debt/EBITDA	0.4	0.1	-0.2	-0.4	-0.7
D/E	0.2	0.2	0.1	0.1	0.1
Net D/E	0	0	0	0	0
PER SHARE DATA (Rs)					
EPS	21.6	29.1	44.9	55.0	64.5
CEPS	35.7	44.8	61.2	72.6	83.1
BV	250	274	315	364	422
Dividend	4.0	4.0	5.0	7.5	8.5
Turnover Ratios (days)					
Debtor days	80	77	75	74	74
Inventory days	100	103	100	101	101
Creditors days	65	64	66	67	67
VALUATION (x)					
P/E	69.6	51.7	33.5	27.3	23.3
P/BV	6.0	5.5	4.8	4.1	3.6
EV/EBITDA	29.2	22.4	19.3	16.6	14.5
EV / Revenue	5.0	4.3	3.9	3.5	3.1
Dividend Payout (%)	18.5	13.8	11.1	13.6	13.2

(Source: Company, HDFC sec)

Ipca Laboratories Ltd.

HDFC securities | 25 YEARS
Powering India's Investments

One Year Price Chart



(Source: Company, HDFC sec)

Kushal Mahendra Rughani

Digitally signed by Kushal Mahendra Rughani
Date: 2026.01.18 13:34:10 +05'30'

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

Disclosure:

I, **(Kushal Rughani),** Research Analyst, **(MBA),** author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. "This report may have been refined using AI tools to enhance clarity and readability." Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400
HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193