

Indoco Remedies (IRL)

Pharmaceuticals | NBIE conference update

HOLD
CMP: Rs280 | Target Price (TP): Rs310 | Upside: 11%
August 25, 2025

Production ramp-up lifts revenues and margins

Key Points

- We hosted the management of Indoco Remedies, represented by Ms. Aditi Panandikar, Managing Director, and Mr. Pramod Ghorpade, CFO, to gain insights into the current business outlook.
- Supply constraints are set to ease by 2QFY26, with USFDA clearance enabling FY27 to be the first full year of uninterrupted operations—positioning Indoco Remedies for margin recovery (13-15%) and broad-based growth across geographies.
- We remain structurally positive on Indoco Remedies, supported by its strong domestic franchise and differentiated portfolio in regulated markets. With the Master Manufacturing Plan expected to be fully commissioned in 2HFY26, operational efficiencies should gradually improve. However, based on the management's EBITDA guidance, we are revising our estimates downward due to higher expenses. Factoring in the revised estimates, we now arrive at a TP of Rs310 (based on 11x EV/EBITDA on Jun-27E) and maintain our HOLD rating.

Domestic Regulatory and Capacity Outlook: Goa Plant 2 remediation on track for USFDA inspection before Dec-25; clearance expected to revive Europe to the earlier Rs3bn run-rate, while US recovery hinges on the injectables/ophthalmics pipeline.

Margin and Growth Trajectory: Supply constraints expected to ease by 2QFY26; with USFDA clearance, FY27 should be the first full year without disruptions, supporting margin recovery to 13-15% and broad-based geographic growth.

Outlook: Revenue/EBITDA are expected to clock CAGR of 12.6%/~84% over FY25-FY27E, mainly on the back of resolution of the Goa facilities, which is expected by 3QFY26-end and a rebound in growth in other markets, including India. The PAT is expected to reach to Rs951mn by FY27E. ROCE/ROE are expected to remain decent at 10%/8.5% by FY27-end.

Valuation: We are valuing the company at 11x Jul-27E EV/EBITDA and maintain our HOLD rating on IRL, resulting in a target price (TP) of Rs310.

Est Change	Downward
TP Change	Downward
Rating Change	Maintain

Company Data and Valuation Summary

Reuters:	INRM.BO
Bloomberg:	INDR IN Equity
Mkt Cap (Rsbn/US\$mn):	25.8 / 294.8
52 Wk H / L (Rs):	388 / 190
ADTV-3M (mn) (Rs/US\$):	28.9 / 0.3
Stock performance (%) 1M/6M/1yr:	(10.0)/19.4/(22.5)
Nifty 50 performance (%) 1M/6M/1yr:	(0.9) / 0.5 / 0.2

Shareholding	2QFY25	3QFY25	4QFY25
Promoters	58.8	58.8	58.9
DII	18.2	18.9	18.8
FII	1.7	1.3	1.2
Others	21.3	21.1	21.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25	FY26E	FY27E
Net Sales	18,173	16,649	18,117	21,110.1
Growth YoY %	9	(8)	9	17
Gross margin %	69	70	70	71.0
EBITDA	2,443	993	1,465	3,341.4
EBITDA margin %	13	6	8	15.8
Adj PAT	985	(738)	(515)	993.2
Growth YoY %	(31)	(175)	(30)	(293)
Adj EPS (Rs)	11	(8)	(6)	10.8
RoCE	8	(1)	1	8.5
RoE	9	(7)	(5)	10.0
RoIC	8	(1)	1	7.9
P/E	26	(35)	(50)	25.9
EV/EBITDA	13	36	24	10.8
P/BV	2	3	3	2.5

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Conference Call Highlights

Key Challenges in recent period:

- Goa Plant 2 (sterile injectables and ophthalmics) under USFDA warning letter; remediation costs and low returns from site.
- Revamp of solid oral units with automation and increased batch sizes led to strategic shutdowns; most work completed except on one site.
- OTC diversification (toothpaste brands) led to higher advertising spend during transition from OTX to OTC.

Regulatory and capacity updates:

- Remediation expected to be ready for USFDA inspection before Dec-25; FDA response timelines vary.
- Once cleared, Europe business can quickly return to the earlier Rs3bn run-rate; US recovery dependent on injectables and ophthalmics pipeline via FPP front-end.
- Adequate capacity across sites; no major growth capex planned; only maintenance capex. Two additional sterile lines to be installed by 2026.

Master Manufacturing Plan (MMP):

- Phase 1: Capacity expansion completed; lower per-unit overheads already visible.
- Phase 2: Cost reductions from fewer people and process efficiencies to follow.
- Phase 3: Full site utilization expected within a quarter, driving optimal returns.

Geography mix:

- UK: ~70% CMO business; front-end partner in place.
- Germany: Almost fully own dossiers with distribution partners.
- US: Primarily through FPP front-end; CMO limited to specific products.
- Long-term relationships with partners maintained despite supply challenges.

Debt and capex:

- Repayment schedule: Rs680mn in FY26, Rs1.4bn in FY27, Rs2.8bn over FY28-29.
- No significant capex over the next 3-4 years; MMP completed; capacity sufficient across sites.

R&D focus:

- Business case evaluation includes IRR, market size, competition, and payback (target 2-2.5 years).
- Focus on US\$40-100mn market products with limited competition.

OTC business:

- Transition of toothpaste brands to OTC; distribution now covers almost all chemists where main competitor is present.
- 6,000-7,000 grocers added; target to reach 70% of planned grocers this year.
- Modern trade presence small; no supply constraints from the Auric site.

Margins and growth outlook:

- Historical EBITDA margin: Peak 21% (COVID period), normal 17-18%, currently lower due to challenges.
- Target to return to 13-15% within two years.
- Emerging market margins comparable to India in aggregate; bullish on French West Africa.
- With supply constraints easing in 2QFY26 and USFDA clearance, FY27 is expected to be the first full year without major supply issues, supporting revenue growth across geographies.

Chronic business strategy:

- Chronic contributes <10% of India revenue; strategy focused on mass specialists and GPs rather than super-specialists.
- Aim to grow share in chronic without aggressive push into highly competitive specialist segments.

CMO and EU opportunities:

- Limited appetite to expand the pure CMO business; preference to use capacity for own front-end growth and select long-term CMO relationships (e.g., Perigo).

Exhibit 1: Revised estimates

(Rsmn)	New estimates		Old estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	18,117	21,110	18,117	21,110	0.0	0.0
EBITDA	1,465	3,341	1,465	3,466	-0.0	-3.6
Margin (%)	8.1	15.8	8.1	16.4	(2) bps	(57) bps
PAT	-558	951	-558	1,046	-0.1	-9.1
Margin (%)	-3.1	4.5	-3.1	5.0	2 bps	(49) bps
EPS (Rs)	-5.6	10.8	-5.6	11.8	-0.1	-8.7

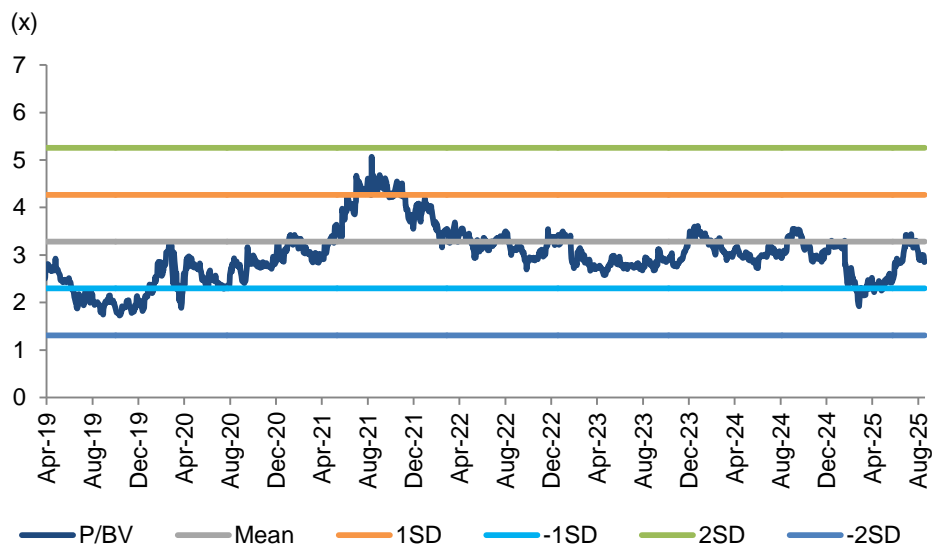
Source: Nirmal Bang Institutional Equities Research

Valuation and Outlook

IRL's revenue is expected to clock 12.6% CAGR over FY25-FY27E, mainly on the back of growth in the DM export formulations business and new launches in the domestic market, along with growth in EMs. We are building in 54% CC CAGR over FY25-FY27E for the US market on the back of a low base. The domestic formulations business is expected to clock 10% CAGR over FY25-FY27E to Rs10.1bn mainly on account of increased focus on new launches and the chronic segment. EBITDA margin is expected to be ~16%. Net profit is expected to reach Rs951mn by FY27-end.

The company is currently trading at 24x/10.8x EV/EBITDA on FY26E/FY27E. ROE/ROCE will remain decent at 10%/8.5% by FY27E. We like IRL due to the high contribution from the domestic market and the robust complex products portfolio for the US market. The company anticipates full commissioning of its master manufacturing plant in 2HFY26, which should further enhance operational efficiency. We value the company on an EV/EBITDA basis, as it is less affected by differences in capital structure, non-cash charges, and varying tax regimes, making it a more consistent metric for peer comparison. Applying an 11x EV/EBITDA multiple on our Jun-27 estimates, we arrive at a target price (TP) of Rs310 and maintain our HOLD rating.

Exhibit 2: One-year rolling forward P/B chart



Source: Company, BSE, Bloomberg, Nirmal Bang Institutional Equities Research

Financial statements

Exhibit 3: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	16,686	18,173	16,649	18,117	21,110
Growth YoY %	8.3	8.9	-8.4	8.8	16.5
Gross profit	11,473	12,581	11,667	12,682	14,988
Gross margin %	68.8	69.2	70.1	70.0	71.0
Staff costs	3,226	3,619	3,941	4,177	4,428
% of sales	19.3	19.9	23.7	23.1	21.0
Other expenses	5,386	6,519	6,734	7,040	7,219
% of sales	32.3	35.9	40.4	38.9	34.2
EBITDA	2,862	2,443	993	1,465	3,341
Growth YoY %	-12.6	-14.6	-59.4	47.6	128.1
EBITDA margin %	17.1	13.4	6.0	8.1	15.8
Depreciation	706	919	1,138	1,302	1,465
EBIT	2,155	1,524	-146	163	1,876
Interest	250	380	662	877	932
Other income	23	98	55	91	317
PBT (bei)	1,929	1,243	-754	-624	1,261
PBT	1,929	1,358	-744	-634	1,251
ETR	26	29	-5	12	24
PAT	1,423	970	-780	-558	951
Adj PAT	1,423	985	-738	-515	993
Growth YoY %	-8.1	-30.8	-174.9	-30.1	-292.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	184	184	185	185	185
Reserves	10,098	10,915	10,036	9,372	10,218
Net worth	10,283	11,099	10,221	9,558	10,403
Long term debt	1,710	3,034	4,448	2,990	3,430
Short term debt	1,435	3,517	5,332	7,332	7,532
Total debt	3,145	6,551	9,780	10,322	10,962
Net debt	3,012	6,308	9,610	9,778	10,284
Other non-current liabilities	619	708	667	732	796
Total Equity & Liabilities	16,582	21,447	24,299	23,631	25,588
Gross block	11,520	14,213	15,817	18,429	21,042
Accumulated depreciation	5,568	6,487	7,475	8,627	9,942
Net Block	5,952	7,726	8,342	9,802	11,100
CWIP	554	1,029	2,761	1,029	1,029
Intangible and others	1,243	1,880	1,922	1,880	1,880
Other non-current assets	737	1,251	1,246	1,246	1,246
Investments	15	15	15	15	15
Trade receivables	3,509	4,062	3,524	4,050	4,719
Inventories	3,260	3,531	4,194	3,432	3,865
Cash & Cash Equivalents	133	243	171	544	679
Other current assets	1,179	1,711	2,125	1,633	1,056
Total current assets	8,096	9,561	10,028	9,673	10,333
Trade payables	1,235	2,417	2,081	2,349	2,646
Other current liabilities	1,301	672	1,550	670	781
Total current liabilities	3,970	6,606	8,964	10,351	10,959
Total Assets	16,582	21,447	24,299	23,630	25,588

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PBT	1,929	1,358	(744)	(634)	1,251
Depreciation	706	919	1,138	1,302	1,465
Interest	250	380	662	877	932
Other adjustments	2,295	2,322	181	(377)	1,068
Change in Working capital	380	358	(593)	(993)	(815)
Tax paid	506	373	(6)	(118)	258
Operating cash flow	1,475	1,066	277	811	2,024
Capex	(1,478)	(3,168)	(3,336)	(880)	(2,613)
Free cash flow	(3)	(2,101)	(3,059)	(69)	(588)
Other investing activities	(590)	(1,115)	(60)	(17)	167
Investing cash flow	(2,068)	(4,283)	(3,397)	(897)	(2,446)
Issuance of share capital	(39)	(20)	7	0	0
Movement of Debt	703	3,406	3,229	541	641
Dividend paid (incl DDT)	(148)	(148)	(148)	(148)	(148)
Other financing activities	12	88	(41)	65	64
Financing cash flow	528	3,327	3,047	459	557
Net change in cash flow	(64)	110	(72)	373	135
Opening C&CE	198	133	243	171	544
Closing C&CE	133	243	171	544	679

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key ratios

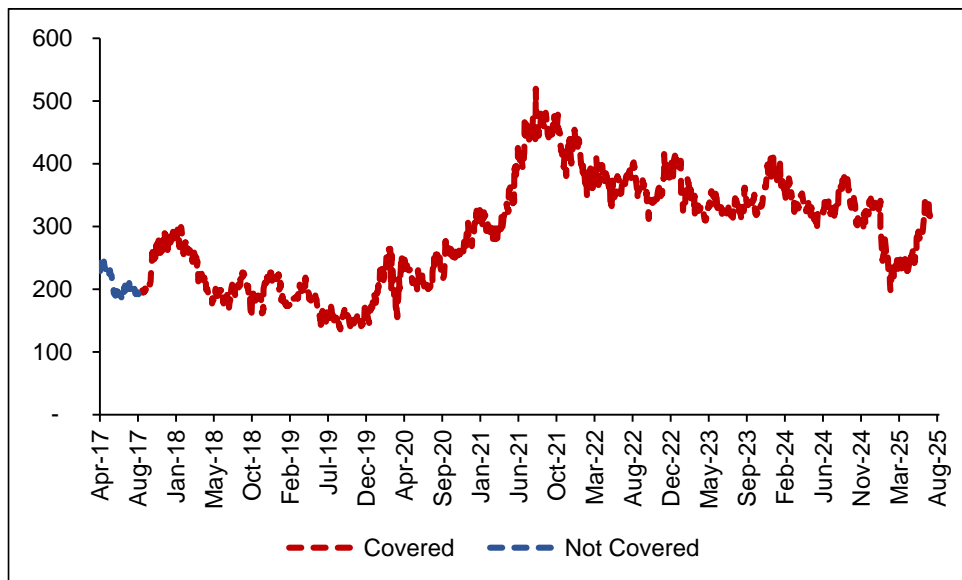
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	15.4	10.7	(8.0)	(5.6)	10.8
Book value	111.6	120.4	110.9	103.7	112.9
DPS	1.9	1.9	1.9	1.9	1.6
Valuation (x)					
P/Sales	1.5	1.4	1.5	1.4	1.2
EV/EBITDA	10.1	13.1	35.6	24.3	10.8
P/E	18.1	26.2	(34.9)	(50.0)	25.9
P/BV	2.5	2.3	2.5	2.7	2.5
Return ratios (%)					
RoCE	15.3	8.3	(0.7)	0.8	8.5
RoCE (pre-tax)	15.3	8.3	(0.7)	0.8	8.5
RoE	14.7	9.2	(6.9)	(5.2)	10.0
RoIC	14.3	7.9	(1.0)	0.9	7.9
Profitability ratios (%)					
Gross margin	68.8	69.2	70.1	70.0	71.0
EBITDA margin	17.1	13.4	6.0	8.1	15.8
PAT margin	8.5	5.4	(4.4)	(2.8)	4.7
Liquidity ratios (%)					
Current ratio	2.0	1.4	1.1	0.9	0.9
Quick ratio	1.2	0.9	0.7	0.6	0.6
Solvency ratio (%)					
Net Debt to Equity ratio	0.3	0.6	1.0	1.1	1.1
Turnover ratios					
Fixed asset turnover ratio (x)	3.0	2.7	2.1	2.0	2.0
Debtor days	70.9	76.0	83.2	76.3	75.8
Inventory days	222.8	221.6	283.0	256.0	217.5
Creditor days	89.9	119.2	164.8	148.8	148.9
Net Working capital days	203.8	178.5	201.3	183.6	144.4

Source: Company, Nirmal Bang Institutional Equities Research

Rating Track

Date	Rating	Market price (Rs)	Target price (Rs)
5 September 2017	Buy	194	250
8 November 2017	Buy	256	295
29 January 2018	Hold	296	315
31 May 2018	Buy	200	301
14 August 2018	Buy	196	301
14 November 2018	Buy	179	273
5 April 2019	Buy	208	289
30 May 2019	Buy	187	290
14 August 2019	Buy	151	290
23 September 2019	Buy	158	300
31 October 2019	Buy	159	239
24 January 2020	Buy	234	239
27 March 2020	Buy	181	224
23 April 2020	Hold	235	224
25 June 2020	Hold	210	231
12 August 2020	Buy	260	303
22 September 2020	Buy	262	322
9 November 2020	Buy	255	322
7 January 2021	Hold	322	346
10 February 2021	Hold	314	344
26 May 2021	Buy	338	401
12 August 2021	Hold	441	432
26 September 2021	Hold	461	470
11 October 2021	Hold	446	470
3 November 2021	Hold	457	468
22 December 2021	Hold	412	468
3 February 2022	Buy	398	464
21 February 2022	Buy	381	483
22 February 2022	Buy	382	483
18 May 2022	Buy	353	517
10 August 2022	Buy	396	509
29 September 2022	Buy	312	424
21 November 2022	Buy	347	452
25 January 2023	Buy	362	432
16 March 2023	Buy	320	427
23 May 2023	Hold	339	380
25 July 2023	Hold	323	352
20 October 2023	Hold	323	352
24 January 2024	Hold	369	363
17 May 2024	Hold	320	344
25 July 2024	Hold	321	344
22 January 2025	Hold	341	336
02 May 2025	Hold	233	244
26 May 2025	Hold	244	238
25 July 2025	Hold	322	339
25 August 2025	Hold	280	310

Rating Track Graph



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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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