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BUY
TP: Rs 1,656 | ▲ 19%

EMCURE PHARMA | Pharmaceuticals | 05 December 2025

Margin increment to increase return ratios

- **We hosted Mr. Vikas Thapar (President) and Mr. Piyush Nahar (IR Head) virtually. The duo expressed enthusiasm over Poviztra brand**
- **Management expects margins to continue rising for the next 1-2 years, driven by no MR hiring and increasing productivity**
- **Expect Sales/EBITDA/PAT to grow at a CAGR of 12%,18% and 23% from FY26-28E. Continue to ascribe a PE of 24x on Dec'27 roll forward basis**

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Intends to ramp up Chronic portfolio in domestic region – Emcure's flagship brand Orofer xt, which is used for iron deficiency classified under Gynaecology, falls under the acute segment. The company ranks 13th in the IPM. Therapeutically, it ranked 9th in the Cardia segment, however, post the integration of Sanofi's Cardiac portfolio (~Rs 5bn sales), Emcure ranks 4th in the Cardiac segment. The company recently acquired Sanofi's Diabetes portfolio (~Rs 1.7bn sales) to get access to the Diabetes therapy. The in-licensed Sanofi's portfolio as well as the newly in-licensed Novo's portfolio to likely enable expanding presence in the Chronic segment (38% as on 2QFY26) and have a rub-off effect on the base portfolio.

Poviztra to garner wider acceptance – Management expressed confidence in a wider acceptance of Semaglutide over Tirzepetide, given that Sema is approved for three indications (Weight loss, Cardio and MASH indication). The innovator aims to increase market share as the competition is expected to intensify post LOE (Mar'26), thus introducing the 2nd brand of Semaglutide. Pharma MNCs anticipate the Obesity category to be an opportunity for 20 years; hence partly, the innovator would shape the market and partly Emcure's 5400 MRs are likely to deepen penetration in the domestic region.

Non-ARV pie in ROW segment to grow bigger – Currently, within the ROW region, ARV- Non-ARV is 50-50. Non-ARV segment has a healthy pipeline of differentiated products in the complex injectables and biosimilars with a TAM of USD2bn.The key launch being Amphotericin B with TAM of USD 300mn and 2 player market for the next two years, hoping to easily achieve market share of ~20% plus.

Pan Europe Amphotericin B launch to drive Europe growth – Emcure launched Amphotericin B injectable in the UK and Italy and intends to launch in Pan Europe as well. The company expects it to be a two-player market in Europe too with TAM of USD 300 mn. Emcure anticipates to garner 20% market share in Europe too as the product is less competitive. There are also a couple of complex injectables like Ferric Carboxy Maltose and Doxorubicin which has a TAM of USD 1bn sales. Emcure's Manx portfolio has given access to 120+ MA, doubles the current portfolio in UK and has a strong product pipeline of 55+ products.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EMCURE IN/Rs 1,396
Market cap	US$ 2.9bn
Free float	22%
3M ADV	US$ 3.0mn
52wk high/low	Rs 1,520/Rs 889
Promoter/FPI/DII	78%/3%/3%

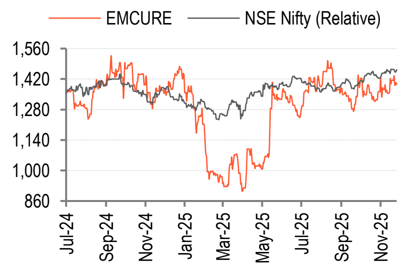
Source: NSE | Price as of 5 Dec 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	78,960	89,193	100,725
EBITDA (Rs mn)	14,689	17,306	20,290
Adj. net profit (Rs mn)	6,917	9,101	11,044
Adj. EPS (Rs)	36.5	48.0	58.3
Consensus EPS (Rs)	36.7	49.4	59.7
Adj. ROAE (%)	18.7	20.8	25.4
Adj. P/E (x)	38.2	29.1	24.0
EV/EBITDA (x)	16.6	14.4	12.2
Adj. EPS growth (%)	30.1	31.6	21.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Canada growth to be driven by new launches

Emcure's Canada presence is amongst the top 10 with strong product pipeline of USD 50+ products. Pipeline products include 8 near-term products where Emcure is the first generic. We believe key pipeline products like Amantadine Capsules, Sulfamethoxazole, Nortriptyline capsules, Treosulfan injection, Treprostinil injection, Amphotericin B and Semaglutide injection to clock sales worth USD 8-10 mn each.

EBITDA margin increase to be driven by higher productivity – Currently, Emcure's MR productivity is reported at Rs 6.7mn p.a., as on FY25. Management has hinted towards freezing of MR hiring in the near term. Hence, we expect MR productivity to increase to Rs 8.5-9mn by FY27E due to the rub-off effect post a wider acceptance of Poviztra and healthy traction in the Sanofi's portfolio in the IPM. Thus, we expect EBITDA Margin to increase to 20.1% and 21.5% in FY26E and FY27E.

Outlook & Valuations – Emcure's all geographies are expected to witness double-digit growth, driven by less competitive new product launches. The company continues to scout for new in-licensing opportunity as they believe it percolates on the bottom line and in turn, increases return ratios, despite being margin-dilutive. Overall, we believe the company's sales/EBITDA/PAT to grow at 12%, 18% and 23% CAGR from FY26-28E. We maintain BUY on the stock. At CMP, the stock is trading at 20x on Dec'27 PE. We continue to ascribe a PE of 24x in line with its mean on Dec'27 roll forward basis to arrive at TP of Rs 1,656 (earlier Rs 1,643).

Key takeaways from the call

Outlook

- Expect to see full-year benefits of Sanofi's Diabetes portfolio from 3QFY26.
- Expect margin increment to sustain for the next 1-2 years, led by better productivity and complex product launches.
- Intends to continue working on in-license deals as done previously (Sanofi & Novo).
- Intends to launch Amphoteracin B injectable in Pan Europe.
- Expects Lenacapavir to be a game changer in the HIV space because this is the first molecule that can be prescribed prophylactically (Rx for prevention).
- Expects Canada region to grow in mid-teens, driven by new product launches and anticipates steep growth in the next 5 years.
- The mix between India and Non-India to largely stay the same over the next three years, unless they did some large ticket size M&A.
- Expect MR productivity to easily increase up to 7.5-8mn p.a. for the next 2-3 years as have no plans to raise the no. of MRs.
- Intends to incur Capex of Rs 3.5-4bn; where half would be attributed towards maintenance Capex.
- Expect ROCE profile to keep moving upwards due to no high capex and steady margin increment.

Pipeline products

- Expects to launch Poviztra, the second brand of Wegovy.
- Working on the 2nd indication for Bevacizumab and is the 1st company to work on the 2nd indication for Opthalmic use. Intends to first launch in India, followed by ROW (Non-ARV segment).
- Working on Oncology products, including ADC over the medium to long term.
- In the India region, newly ventured into clinical derma and intends to venture into cosmetic dermatology.

Domestic Business (46% of sales)

- Due to differentiated R&D capabilities, 14 of the top 20 brands are ranked as top 3 in their respective therapeutic segments.
- Have strong presence in the Gyanecology therapy and holds 2nd and 13th ranks on a consolidated basis in India.
- 7 brands of more than Rs 500mn have increased to 31+.

- 50% of sales are derived from the Complex portfolio.
- Productivity levels were above 6 before adding ~250 MRs from Sanofi, thereafter reduced to 5.7 mn in 2024 and have climbed back to Rs 6.6.

In-licensed deals

- Received exclusive distribution rights for Sanofi's anti- diabetic portfolio in the Indian market.

In-licensed brands are PAT accretive from day 1 leading to better ROE

- In-licensed portfolio could be margin-dilutive, but at PBT level, they are positive from day 1. Even with lower margin, there's no depreciation, no interest, less inventory holding period resulting in lesser working capital cycle days. Hence, most of the sales flows through the PBT and PAT levels.

ROW

ARV segment

- One of the five companies that were given semi-exclusive license by Gilead for Lenacapavir.
- Have good visibility in the ARV orderbook to maintain current growth rate and expect higher right to win as competitors are de-ephasizing their focus in the ARV segment.

Non-ARV segment

- Have operations spanning across 70+ countries with 30% of the revenues coming from differentiated products.
- Filing of Amphoteracin B injectable in the ROW market.

Europe

- The company has undergone central filing for Liposomal Amphotericin B injectable. Hence, country-specific labels and approvals are pending. Currently launched in the UK and Italy and the company intends to launch in France and Germany in H2FY26E.

Canada

- Emcure ranks 6-7th in the Canadian region, but compared to Apotex (CAD 1.6bn), Sandoz (CAD 1.3bn), Teva (CAD 968 mn) and Pharmacience (CAD 793 mn), Emcure (CAD 236 mn) has a significant room to grow.

Reason for 30% CAGR growth in last two years

- Emcure sells in French speaking Canadian market through Mantra label vs the rest of Canada through the Marcan's label.

- Excluding the French-speaking Canadian market, the rest of Canada behaves a lot like the US market where they sell medicines through McKesson, Costco's and Shoppers Drug Mart.
- Acquired lot of injectable products to sell to institutional clients and Group Purchasing Organisation (GPO).
- In Quebec, there's a law that every single pharmacy must be owned and operated by a licensed pharmacist. Hence, a retail outlet like Costco cannot buy every pharmacy and run it as a large corporate entity, because they would still need to have a licensed pharmacist with the ownership of each particular store. That is how Emcure benefits as they have their own sales representatives (~50) calling on all small and home pharmacies and develop relationship and help them run the stores better. This model is not easy to replicate.
- Emcure has two entities - Marcan and Mantra - which have become its wholly owned subsidiaries, followed by computer back R&D and manufacturing, and many other licensing from the CMOs is what is driving great success for Canada.

Segment-wise margin profile

- Segment-wise margin chronology – India, Canada, Europe and ROW. ROW non-ARV clocks higher margin, though gets diluted due to the ARV segment.
- Expect margins to reach low to mid-20s range in the next five years.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**66,583**	**78,960**	**89,193**	**100,725**	**112,107**
EBITDA	12,297	14,689	17,306	20,290	24,156
Depreciation	3,124	3,841	4,029	4,414	4,799
EBIT	9,173	10,847	13,277	15,876	19,357
Net interest inc./(exp.)	(2,371)	(1,758)	(1,293)	(1,296)	(1,195)
Other inc./(exp.)	570	728	527	528	564
Exceptional items	0	0	0	0	0
EBT	7,372	9,817	12,511	15,108	18,726
Income taxes	1,997	2,639	3,149	3,803	4,713
Extraordinary items	(99)	(104)	0	0	0
Min. int./Inc. from assoc.	294	261	261	261	261
Reported net profit	**4,982**	**6,813**	**9,101**	**11,044**	**13,751**
Adjustments	(99)	(104)	0	0	0
Adjusted net profit	**5,081**	**6,917**	**9,101**	**11,044**	**13,751**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	13,094	14,796	17,106	19,317	22,114
Other current liabilities	2,529	3,013	4,460	5,036	5,605
Provisions	1,882	1,682	1,900	2,145	2,387
Debt funds	29,340	16,421	18,063	18,966	15,173
Other liabilities	0	0	0	0	0
Equity capital	1,812	1,895	1,895	1,895	1,895
Reserves & surplus	29,406	44,521	43,298	44,022	47,460
Shareholders' fund	31,218	46,416	45,192	45,917	49,355
Total liab. and equities	**78,062**	**82,327**	**86,720**	**91,382**	**94,635**
Cash and cash eq.	2,324	1,653	1,337	1,254	1,528
Accounts receivables	18,588	20,022	22,237	24,836	27,643
Inventories	15,251	19,318	21,748	24,284	27,028
Other current assets	5,881	6,639	7,135	7,554	6,166
Investments	3,181	954	1,049	1,154	1,269
Net fixed assets	22,649	23,031	22,502	21,588	20,289
CWIP	1,323	1,241	1,241	1,241	1,241
Intangible assets	8,865	9,470	9,470	9,470	9,470
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**78,062**	**82,327**	**86,720**	**91,382**	**94,635**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**10,987**	**8,140**	**13,255**	**14,234**	**19,192**
Capital expenditures	(3,070)	(4,070)	(3,500)	(3,500)	(3,500)
Change in investments	(2,931)	2,227	(95)	(105)	(115)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(6,001)**	**(1,843)**	**(3,595)**	**(3,605)**	**(3,615)**
Equities issued/Others	3	83	0	0	0
Debt raised/repaid	2,696	(12,919)	1,642	903	(3,793)
Interest expenses	(2,371)	(1,758)	(1,293)	(1,296)	(1,195)
Dividends paid	(9,963)	(10,422)	(10,422)	(10,422)	(10,422)
Other financing cash flows	(3,001)	16,031	0	0	0
Cash flow from financing	**(12,637)**	**(8,984)**	**(10,073)**	**(10,814)**	**(15,410)**
Chg in cash & cash eq.	**(7,651)**	**(2,687)**	**(413)**	**(186)**	**166**
Closing cash & cash eq.	**(3,068)**	**(363)**	**1,240**	**1,151**	**1,420**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	28.0	36.5	49.3	59.8	72.8
Adjusted EPS	28.0	36.5	48.0	58.3	72.6
Dividend per share	55.0	55.0	55.0	55.0	55.0
Book value per share	751.0	1,131.1	1,097.5	1,113.3	1,198.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.6	3.1	2.8	2.5	2.2
EV/EBITDA	19.5	16.6	14.4	12.2	10.3
Adjusted P/E	49.8	38.2	29.1	24.0	19.2
P/BV	1.9	1.2	1.3	1.3	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	68.9	70.5	72.7	73.1	73.4
Interest burden (PBT/EBIT)	80.4	90.5	94.2	95.2	96.7
EBIT margin (EBIT/Revenue)	13.8	13.7	14.9	15.8	17.3
Asset turnover (Rev./Avg TA)	29.3	32.0	35.4	39.3	43.3
Leverage (Avg TA/Avg Equity)	2.1	1.7	1.4	1.5	1.4
Adjusted ROAE	18.6	18.7	20.8	25.4	30.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	11.2	18.6	13.0	12.9	11.3
EBITDA	4.1	19.4	17.8	17.2	19.1
Adjusted EPS	(5.7)	30.1	31.6	21.4	24.5
Profitability & Return ratios (%)					
EBITDA margin	18.5	18.6	19.4	20.1	21.5
EBIT margin	13.8	13.7	14.9	15.8	17.3
Adjusted profit margin	7.6	8.8	10.2	11.0	12.3
Adjusted ROAE	18.6	18.7	20.8	25.4	30.3
ROCE	17.1	18.8	21.9	25.6	30.8
Working capital days (days)					
Receivables	102	93	91	90	90
Inventory	84	89	89	88	88
Payables	72	68	70	70	72
Ratios (x)					
Gross asset turnover	2.0	2.3	2.3	2.4	2.5
Current ratio	2.4	2.4	2.2	2.2	2.1
Net interest coverage ratio	3.9	6.2	10.3	12.2	16.2
Adjusted debt/equity	0.9	0.3	0.4	0.4	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Note: Recommendation structure changed with effect from 21 June 2021

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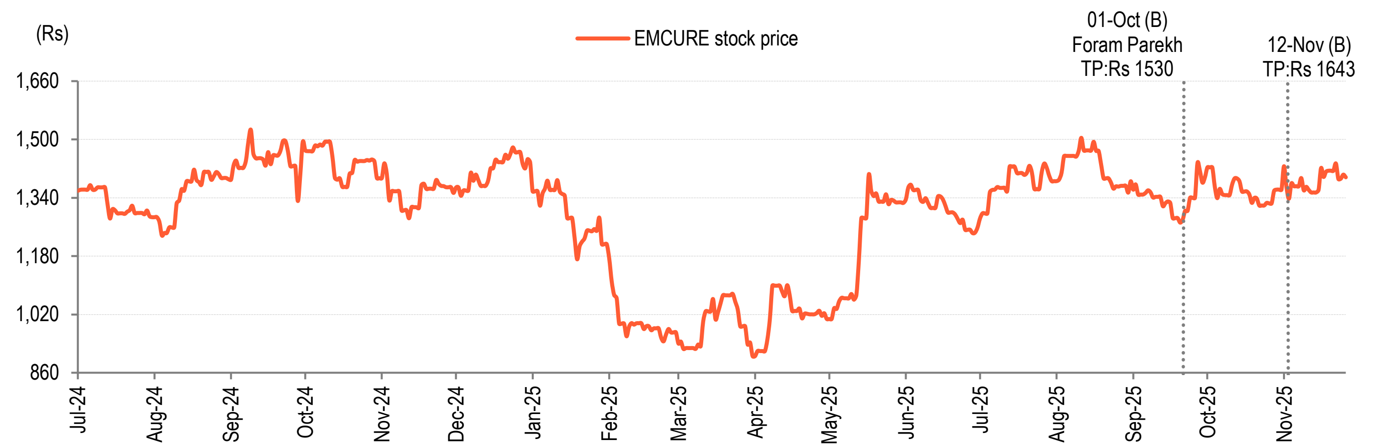

B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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