Innova Captab (INNCAP)

CMP: ₹1030 | Target ₹ 1240 (20%) | Target Period: 12 months

BUY

November 17, 2026

Improving capacity utilisation of Jammu plant at the fore...

About the stock: Established in 2006, Innova Captab Limited, is an integrated pharmaceutical company engaged in Contract Development and Manufacturing Organization (CDMO) services and Branded Generics. It's manufacturing capabilities encompass tablets, capsules, liquid orals, ointments, dry syrups and dry powder injectables; and along with advanced formats such as BFS-based Parenterals.

- It has 9 manufacturing blocks and 5 manufacturing units in India with diversified portfolio of ~4200 products and a presence across 60+ countries
- FY26 Revenue contribution – CDMO services: 69% and Branded Generics: 31%

Result Performance & Investment Rationale:

- **Q2FY27 - Strong revenue growth and margin expansion:** Innova Captab registered a revenue growth of ~30% YoY to ₹496 crore driven by 32% YoY growth in Branded Generics to ₹151 crore and 18% growth in CDMO business to ₹345 crore. Gross profit grew ~20% YoY but GPM contracted 278 bps due to higher raw material costs. Despite this, the absolute EBITDA grew ~35% YoY to ~₹70 crore with margins of 14.1% up 46 bps YoY. PAT grew ~44% to ₹42.4 crore with 8.5% PAT margins up 79 bps YoY.
- **Long term prospects remain robust:** For the quarter, the strong performance in the CDMO business was supported by client traction & continued business momentum while strength in Branded generics was due to expanding market reach, deeper penetration across existing markets and continued traction across the portfolio. The company has commissioned its Jammu facility for Domestic CDMO services and branded generics in January 2025 with a capex of ~₹450+ crore. The plant's capacity utilisation was ~5–10% in FY26 and it generated revenues of ~₹300 crore. It is expected to ramp up to 40–50% over the next 2–3 years. At the peak utilization of 55-60%, the Jammu facility can generate annualized revenues of ₹1,230-1,500 crore and an asset turnover ratio of approximately 2.5-3x.
- The government's Schedule M manufacturing norms which are in sync with the WHO standards in terms of quality, safety, hygiene and documentation, have become mandatory from 1st January 2026 (no further extensions). Over 60% of India's ~8,500 registered small and medium pharmaceutical units could be compelled to cease operations due to non-compliance with revised Schedule M rules. These units together account for an estimated ₹75,000 crore of turnover (~1/3rd of overall market). With the impending implementation of schedule M by the government, we expect significant number of smaller pharma players who do not adhere to the standards to vacate the manufacturing space and create tailwinds for domestic CDMOs like Innova Captab.

Rating and Target Price: We value Innova Captab at **₹1240** based on **28x** FY28E EPS of ₹ 44.4.

Particulars

Particular	
Market Capitalisation	₹ 5892 crore
Debt (FY26)	₹ 344 crore
Cash (FY26)	₹ 3.2 crore
EV	₹ 6232 crore
52-week H/L	1354/608
Equity capital	₹ 57 crore
Face value	₹ 10

Shareholding pattern

(in %)	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	50.9	50.9	50.9	50.9
FII	0.1	0.2	0.3	0.9
DIIs	20.2	20.1	19.9	19.2
Others	28.8	28.7	28.8	29.1

Price Chart



Key risks

(i) Pricing pressure in APIs.

(ii) Slower ramp-up in Jammu facility.

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Key Financial Summary

Particulars	FY23	FY24	FY25	FY26	CAGR FY23-26 (%)	FY27E	FY28E	CAGR FY26-28E (%)
Revenues	926.4	1081.3	1243.7	1630.0	20.7	2047.0	2437.0	22.3
EBITDA	114.2	154.5	186.2	242.9	28.6	320.5	393.7	27.3
EBITDA Margins (%)	12.3	14.3	15.0	14.9		15.7	16.2	
Net Profit	68.5	94.3	128.3	140.9	27.2	198.9	253.8	34.2
EPS (Adjusted)	12.0	16.5	22.4	24.6		34.8	44.4	
PE (x)	86.0	62.4	45.9	41.8		29.6	23.2	
EV to EBITDA (x)	53.7	39.7	33.4	25.7		19.4	15.5	
RoCE (%)	21.3	14.1	13.2	14.0		18.0	19.7	
RoE (%)	24.8	11.3	13.4	12.9		17.0	17.9	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 Earnings call highlights

CDMO Business

- Management reiterated its guidance of 20% volume growth over the coming years, supported by expansion across domestic, regulated and ROW markets, addition of new manufacturing sections and capacity expansion at Jammu.
- Export business witnessed relatively higher margin pressure due to delays in passing on increased API costs to customers. Export contracts and longer purchase order cycles result in a lag in price revisions compared with domestic customers.
- API cost increases are passed on to customers through contractual arrangements, although the recovery happens prospectively on a PO-to-PO basis. Management indicated that the pass-through timeline depends on customer PO cycles and API price movements, with no retrospective recovery.
- Management expects EBITDA margins to remain within the previously indicated range of ±2%, depending on market conditions and pricing stability. Operational efficiencies, cost optimization and revenue growth are expected to support margin improvement over time.

Branded Generics

- For Branded Generics, the management remains focused on expanding its presence in existing markets and gradually entering newer domestic and international geographies, supported by broader product offerings and stronger distribution reach.

Jammu Plant

- Jammu facility generated revenue of ₹105 crore in Q2FY27, taking its annualized revenue run rate to approximately ₹420-450 crore, with capacity utilization at 22-24%.
- Management expects Jammu revenue to reach ₹450-500+ crore in FY27, with quarterly revenue of ₹125-150 crore expected over the next two quarters, supported by onboarding of new customers and ramp-up of existing customers.
- The company has completed audits with key marquee customers and is progressing with their onboarding. Certain customers require longer gestation periods due to stability studies and other regulatory requirements.
- Jammu contributed EBITDA of approximately ₹2-2.25 crore during Q2 FY27, reflecting the initial stage of facility ramp-up.
- At 90-100% utilization, the facility has a revenue potential of approximately ₹2,000 crore. However, management indicated that a more achievable utilization level of 60-65% would translate into revenue of ₹1,230-1,500 crore and an asset turnover ratio of approximately 2.5-3x.
- Management highlighted that higher investments in automation, sophisticated imported European equipment and regulatory-compliant infrastructure have resulted in lower asset turnover compared with older facilities, while improving quality assurance and operational excellence.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)/ (₹ crore)	FY25	FY26	FY27E	FY28E
Total Operating Income	**1,243.7**	**1,630.0**	**2,047.0**	**2,437.0**
Growth (%)	15.0	31.1	25.6	19.1
Raw Material Expenses	814.1	1,052.8	1,322.1	1,574.0
Gross Profit	429.6	577.2	724.9	863.0
Gross Profit Margins (%)	34.5	35.4	35.4	35.4
Employee Expenses	116.8	167.2	210.0	250.0
Other Expenditure	126.6	167.1	194.5	219.3
Total Operating Expenditure	1,057.5	1,387.1	1,726.6	2,043.3
EBITDA	**186.2**	**242.9**	**320.5**	**393.7**
Growth (%)	20.5	30.5	31.9	22.9
Interest	2.4	16.9	17.4	16.4
Depreciation	24.8	45.2	46.6	49.3
Other Income	12.1	7.4	9.3	11.1
PBT before Exceptional Items	171.0	188.3	265.7	339.1
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	171.0	188.3	265.7	339.1
Total Tax	42.8	47.4	66.8	85.3
PAT before MI	**128.3**	**140.9**	**198.9**	**253.8**
PAT	128.3	140.9	198.9	253.8
Growth (%)	35.9	9.9	41.1	27.6
EPS (Adjusted)	**22.4**	**24.6**	**34.8**	**44.4**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)/ (₹ crore)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	128.3	140.9	198.9	253.8
Add: Depreciation & Amortization	24.8	45.2	46.6	49.3
Net Increase in Current Assets	-112.1	-198.3	-215.6	-159.5
Net Increase in Current Liabilities	25.8	107.0	56.3	65.8
Others	-2.9	21.7	17.4	16.4
CF from Operating activities	**63.8**	**116.5**	**103.6**	**225.8**
Investments	0.0	0.0	0.0	0.0
(Purchase)/Sale of Fixed Assets	-178.5	-4.6	-39.0	-80.0
Others	27.0	-102.5	76.7	0.8
CF from Investing activities	**-151.5**	**-107.1**	**37.7**	**-79.2**
(inc)/Dec in Loan	93.0	5.6	10.7	-20.0
Dividend & Dividend tax	0.0	0.0	0.0	0.0
Other	-1.5	-27.3	-17.3	-16.3
CF from Financing activities	**91.5**	**-21.7**	**-6.6**	**-36.3**
Net Cash Flow	3.8	-12.3	11.7	110.2
Cash and Cash Equivalent	**11.7**	**15.5**	**3.2**	**14.9**
Cash	15.5	3.2	14.9	125.1
Free Cash Flow	**-114.7**	**111.9**	**64.7**	**145.8**

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	57.2	57.2	57.2	57.2
Reserve and Surplus	903.1	1,034.5	1,110.3	1,364.2
Total Shareholders funds	960.3	1,091.7	1,167.6	1,421.4
Total Debt	338.1	343.7	354.4	334.4
Deferred Tax Liability	13.2	24.3	38.4	39.1
Long-Term Provisions	9.9	11.9	13.6	13.6
Other Non Current Liabilities	0.0	0.0	0.0	0.0
Source of Funds	**1,321.5**	**1,471.6**	**1,573.9**	**1,808.6**
Gross Block - Fixed Assets	885.7	897.4	942.5	1,002.5
Accumulated Depreciation	72.6	72.6	119.2	168.5
Net Block	813.2	824.8	823.3	834.0
Capital WIP	22.5	15.5	9.3	29.3
Fixed Assets	835.7	840.3	832.7	863.4
Goodwill	16.7	16.7	16.7	16.7
Deferred Tax Assets	12.2	1.4	2.1	2.1
Other non-Current Assets	17.0	94.2	32.6	32.6
Inventory	208.0	283.3	316.9	377.2
Debtors	331.6	437.3	490.2	583.6
Other Current Assets	140.5	157.9	287.0	292.8
Cash	15.5	3.2	14.9	125.1
Total Current Assets	695.7	881.7	1,109.0	1,378.7
Creditors	201.8	318.6	336.7	400.8
Provisions	4.2	3.5	3.8	3.8
Other Current Liabilities	49.7	40.6	78.7	80.3
Total Current Liabilities	255.7	362.8	419.1	484.9
Net Current Assets	439.9	518.9	689.9	893.8
Application of Funds	**1,321.5**	**1,471.5**	**1,573.9**	**1,808.6**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	22.4	24.6	34.8	44.4
Cash EPS	22.4	22.5	34.8	44.4
BV per share	167.9	190.9	204.1	248.5
Cash per Share	2.7	0.6	2.6	21.9
Dividend per share	0.0	2.1	0.0	0.0
Operating Ratios (%)				
Gross Profit Margins	34.5	35.4	35.4	35.4
EBITDA margins	15.0	14.9	15.7	16.2
PAT Margins	10.3	8.6	9.7	10.4
Cash Conversion Cycle	99.1	90.0	83.9	83.9
Asset Turnover	1.4	1.8	2.2	2.4
EBITDA conversion Rate	34.3	48.0	32.3	57.4
Return Ratios (%)				
RoE	13.4	12.9	17.0	17.9
RoCE	13.2	14.0	18.0	19.7
RoIC	12.7	13.6	17.7	20.8
Valuation Ratios (x)				
P/E	45.9	41.8	29.6	23.2
EV / EBITDA	33.4	25.7	19.4	15.5
EV / Net Sales	5.0	3.8	3.0	2.5
Market Cap / Sales	4.7	3.6	2.9	2.4
Price to Book Value	6.1	5.4	5.0	4.1
Solvency Ratios				
Debt / EBITDA	1.8	1.4	1.1	0.8
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	2.7	2.4	2.6	2.6
Quick Ratio	1.8	1.6	1.9	1.8
Inventory days	61	63	56	56
Debtor days	97	98	87	87
Creditor days	59	71	60	60

Source: Company, ICICI Direct Research

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