RPG Life Sciences (RPGLIF)

ICICI Direct

CMP: ₹2,660 | Target ₹ 3,205 (20%) | Target Period: 12 months | **BUY**

September 4, 2026

Restructuring of API Business to extend strategic focus ...

About the stock RPG Life Sciences RPGLS (part of RPG Group) is a pharmaceutical company that operates in the domestic and international markets in the branded formulations, global generics and synthetic APIs space. The company produces a wide range of products such as tablets, liquids, and powders.

- Company has 3 APIs and Formulations Manufacturing Units located at Ankleshwar, Gujarat and Navi Mumbai, Maharashtra. Additionally, the company has recently acquired two API units - Actis Generics and Raghava Life Sciences.

Investment Rationale:

- **Long term API strategy unfolds with fresh investment and acquisitions:** The company, in an important development, has secured a strategic investment of ₹243 crore from domestic healthcare PE player InvAscent for a 40% stake in its demerged API business, implying a valuation of ~₹607.5 crore. Additionally, InvAscent and RPG Life Sciences have committed to infuse ~₹700 crore to drive organic and inorganic expansion. To strengthen its API portfolio, the company has acquired Actis Generics for ₹80 crore, adding a business with ~₹48 crore FY25 revenues and a complementary expertise in high-value, low-volume, complex chemistry APIs, a segment characterized by lower competition and limited price erosion. The company has also added experienced leadership team for the API division. Additionally, the company recently acquired API and intermediates business from Raghava Life Sciences for up to ₹135 crore. The deal adds ~300 KL capacity at an EU-GMP/WHO-GMP approved Hyderabad facility, along with 22 commercialised APIs and 7 pipeline products, along with access to marquee customer relationships.
- **Scaling capacity to support growth –** The combined API business is poised for major upheaval in the coming months. RPG's base API unit at Navi Mumbai is back to the pre-fire incidence level, with refurbishment and adjustments. At Actis, which witnessed price erosion in one product, the plan is to replace the same with a new product. The acquisition of Raghava Life Sciences, with peak potential revenues of ~₹200 crore (from current level of ~₹19 crore), takes combined API capacity to ~505 KL. Management targets ~25% growth in the API business, supported by niche, high-value products such as Rivaroxaban, Apixaban and Lacosamide. Higher captive consumption from expanded capacities should further support utilisation and margins. Over the long term, management aspires to scale API revenues to ~₹1,000 crore. We believe these initiatives position APIs as a key medium-term growth driver, with a potential for further value unlocking. The development signifies management's equal focus on API business, in line with the domestic formulations. We expect some more deals in the API space in the near future.

Rating and Target Price: We maintain BUY with a target of ₹3205/ share based on 34x FY28E EPS, incorporating Actis Generics and Raghava Life Sciences. Premium valuation (in line with Pharma MNCs) is justified as it remains a compelling play in the domestic formulations business with a backward integration model besides separate API focus.

RPG LIFE SCIENCES LIMITED

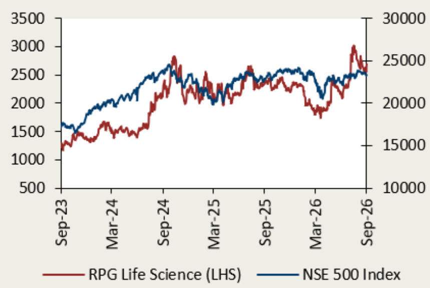
Particulars

Particular	₹ crore
Market Capitalization	₹ 4399 crore
Total Debt (FY26)	₹ 20 crore
Cash & Invests (FY26)	₹ 150 crore
EV	₹ 4269 crore
52-week H/L (₹)	3082/1731
Equity capital (₹)	₹ 13 crore
Face value (₹)	₹ 8

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	72.95%	72.95%	72.95%	72.95%
FII	1.11%	1.00%	0.87%	0.95%
DII	6.70%	7.04%	7.45%	8.65%
Other	19.24%	19.01%	18.73%	17.42%

Price Chart



Key risks

- Higher than expected competition in top brands
- Delay in integration of new API businesses

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Particulars (₹ Crore)	FY23	FY24	FY25	FY26	CAGR FY23-26 (%)	FY27E	FY28E	CAGR FY26-28E (%)
Revenues	512.8	582.1	653.4	707.5	11%	858.2	1004.2	19%
EBITDA	102.7	128.2	159.7	147.1	13%	191.6	248.9	30%
EBITDA Margins (%)	20.0	22.0	24.4	20.8		22.3	24.8	
Net Profit	67.6	87.7	183.2	107.4	17%	132.7	165.8	24%
EPS (Adjusted)	40.9	53.0	60.9	67.3		77.1	94.2	
PE (x)	65.0	50.2	24.0	38.2		34.5	28.2	
EV to EBITDA (x)	42.0	33.5	26.6	28.4		21.4	16.1	
RoCE (%)	29.1	31.0	28.1	23.7		18.5	20.4	
RoE (%)	22.0	23.4	19.0	18.4		13.4	14.5	

Source: Company, ICICI Direct Research

Conference Call Highlights

- With the addition of Actis (Vizag) and Raghava Life Sciences (Hyderabad), RPG Active Pharma's API capacity has increased from ~110 KL to ~505 KL, with employee strength rising to >500, R&D team to 53 scientists and customer base to >250.
- Raghava brings ~300 KL installed capacity, 29 molecules (22 commercialized), WHO/EU-GMP approvals, dedicated R&D infrastructure and established customer relationships.
- Management sees ~₹200 crore revenue potential at full utilization versus current revenue of ~₹19 crore from Raghava Life Sciences.
- Management does not expect significant incremental capex at Raghava, with the existing infrastructure considered adequate for growth.
- Near-term focus will be on capacity utilization, commercialization, product-mix optimization and operating efficiencies. Management expects Raghava to cross ₹100 crore revenue in ~2 years.
- Management is targeting ~25% CAGR over the next 3–4 years, while the longer-term aspiration is to reach ₹1,000 crore API revenue in 5–6 years supported by organic growth, acquisitions, new products and international expansion.
- The ₹700 crore commitment is primarily earmarked for acquisitions, with a portion available for capacity expansion and R&D. The company expects to deploy the funds largely within the next 12–18 months.
- RPG's future acquisitions will target difficult-to-manufacture, multi-step molecules with niche positioning.
- The decline in Actis revenue from ~₹70 crore to ₹48 crore was attributed to price erosion in a key intermediate, which has since been replaced by a higher-margin product. Management sees no structural weakness in the underlying asset and expects revenue to improve through new products, capacity sharing, customer synergies and expansion into higher-margin European markets.
- Existing API EBITDA margins are in the mid-20% range, with some initial pressure from acquisitions; management expects margins to normalize back to the mid-20s on a sustainable basis.
- Raghava is currently predominantly domestic, with only ~15–20% of operations international. Management expects to leverage RPG's customer relationships and regulatory capabilities to increase international penetration, particularly in Europe.
- The API carve-out is intended to increase management bandwidth for the formulation business. Domestic formulations have grown ~16% currently versus ~12% historically, with management targeting ~1.5x market growth.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Total Operating Income	**653.4**	**707.5**	**858.2**	**1,004.2**
Growth (%)	12.3	8.3	21.3	17.0
Raw Material Expenses	214.0	252.1	296.2	333.9
Gross Profit	439.4	455.4	562.0	670.4
Gross Profit Margins (%)	67.2	64.4	65.5	66.8
Employee Expenses	126.1	141.5	169.0	199.3
Other Expenditure	153.6	166.9	201.4	222.2
Total Operating Expenditure	493.8	560.4	666.6	755.3
EBITDA	**159.7**	**147.1**	**191.6**	**248.9**
Growth (%)	24.6	-7.9	30.2	29.9
Interest	0.6	0.9	2.5	2.5
Depreciation	21.4	21.5	30.3	44.3
Other Income	12.7	25.6	20.6	22.1
PBT before except. Ite	150.3	150.3	179.4	224.1
Exceptional Items	82.6	3.9	0.0	0.0
PBT after Except. Items	232.9	146.4	179.4	224.1
Total Tax	49.6	39.0	46.7	58.4
PAT before MI	183.2	107.4	132.7	165.8
PAT	**183.2**	**107.4**	**132.7**	**165.8**
Growth (%)	109.0	-41.4	23.6	24.9
EPS (Adjusted)	**60.9**	**67.3**	**77.1**	**94.2**
Other income as % of (Cash+inves.)	8%	11%	7%	5%

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	180.1	117.0	127.5	155.8
Add: Depreciation & Amortization	21.4	21.5	30.3	44.3
Net Increase in CA	-29.5	-60.5	-52.9	-51.5
Net Increase in CL	14.0	31.8	21.8	21.2
Others	-108.2	-53.3	2.5	0.6
CF from Operating acti.	**77.9**	**56.5**	**129.3**	**170.5**
Investments	-123.0	118.3	0.0	0.0
(Purchase)/Sale of Fixed Assets	73.4	-65.4	-265.0	-50.0
Others	7.7	32.9	-0.1	-0.1
CF from Investing acti.	**-41.8**	**85.8**	**-265.1**	**-50.1**
(inc)/Dec in Loan	0.0	20.0	0.0	0.0
Dividend & Dividend tax	-26.5	-39.7	-25.5	-31.1
Other	-0.6	-0.8	240.5	-0.6
CF from Financing acti.	**-27.1**	**-20.5**	**215.0**	**-31.7**
Net Cash Flow	**9.0**	**121.8**	**79.2**	**88.7**
Cash and Cash Equivalent	19.7	28.7	150.5	229.7
Cash	28.7	150.5	229.7	318.4
Free Cash Flow	**151.3**	**-8.9**	**-135.7**	**120.5**

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Equity Capital	13.2	13.2	13.2	13.2
Reserve and Surplus	517.3	592.1	937.2	1,061.9
Total funds	530.5	605.4	950.4	1,075.1
Total Debt	0.0	20.0	20.0	20.0
Deferred Tax Liability	0.0	3.1	3.1	3.2
Long-Term Provisions	4.5	7.4	7.4	7.4
Other Non-Current Liabilities	2.9	3.4	3.4	3.4
Source of Funds	**538.0**	**639.3**	**984.4**	**1,109.2**
Gross Block - Fixed Assets	254.8	301.0	566.0	616.0
Accumulated Depreciation	83.0	104.5	134.8	179.1
Net Block	171.8	196.5	431.3	436.9
Capital WIP	16.1	23.3	23.3	23.3
Fixed Assets	187.9	219.8	454.5	460.2
Investments	126.9	84.9	84.9	84.9
Other Non-Cur.Assets	0.9	7.4	7.6	7.7
Inventory	93.0	123.8	150.2	175.8
Debtors	86.8	116.7	141.5	165.6
Other Current Assets	132.5	89.9	91.7	93.5
Cash	28.7	150.5	229.7	318.4
Total Current Assets	340.9	480.9	613.1	753.3
Creditors	79.4	97.3	118.0	138.0
Provisions	16.1	29.1	29.7	30.3
Other Current Liabilities	24.3	27.5	28.1	28.7
Total Current Liabilities	119.8	153.9	175.7	197.0
Net Current Assets	221.1	327.0	437.3	556.3
Application of Funds	**536.8**	**639.1**	**984.4**	**1,109.2**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	110.8	69.6	77.1	94.2
Cash EPS	46.3	43.7	61.7	75.4
BV per share	320.8	366.0	574.7	650.1
Cash per Share	17.4	91.0	138.9	192.5
Dividend per share	14.5	23.6	15.4	18.8
Operating Ratios (%)				
Gross Profit Margins	67.2	64.4	65.5	66.8
EBITDA margins	24.4	20.8	22.3	24.8
PAT Margins	15.4	15.7	14.9	15.5
Cash Conversion Cycle	56.1	73.9	73.9	73.9
Asset Turnover	2.6	2.4	1.5	1.6
EBITDA conversion Rate	48.8	38.4	67.5	68.5
Return Ratios (%)				
RoE	19.0	18.4	13.4	14.5
RoCE	28.1	23.7	18.5	20.4
RoIC	37.7	32.9	24.9	29.9
Valuation Ratios (x)				
P/E	24.0	38.2	34.5	28.2
EV / EBITDA	26.6	28.4	21.4	16.1
EV / Net Sales	6.5	5.9	4.8	4.0
Market Cap / Sales	6.7	6.2	5.1	4.4
Price to Book Value	8.3	7.3	4.6	4.1
Solvency Ratios				
Debt / EBITDA	0.0	0.1	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.6	2.1	2.2	2.2
Quick Ratio	1.8	1.3	1.3	1.3
Inventory days	51.9	63.9	63.9	63.9
Debtor days	48.5	60.2	60.2	60.2
Creditor days	44.3	50.2	50.2	50.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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