

CMP: ₹ 465

Target: ₹ 605 (30%)

Target Period: 12 months

BUY

February 19, 2026

Small size, big strides...

About the company- Sakar Healthcare Limited (SHL) is a Gujarat based pharma company which is engaged into contract manufacturing of typical pharmaceutical products which later diversified into own manufacturing. Only few years ago it has started focusing on Oncology as dedicated and strategic business unit with vertically integrated capabilities. It exports to more than 60 countries.

- SHL owns two facilities- a manufacturing unit in Changodar for oral liquids, tablets, injectables, dry powder & inhaler and one more unit in Bavla for Oncology Products.
- FY25 Revenues Mix – 55% Own Brand Exports; 41% CDMO/CMO; 4% Loan Licensing.

Investment Rationale

- Oncology to be the key growth driver** - One of the key differentiators for SHL is the vertically integrated model for Oncology products. Oncology APIs are complex to develop and a very few players have the capabilities to develop them. As of 9MFY26, SHL has received Marketing Authorisations for 11 products globally including 6 in Europe (Bosnia and Bulgaria) and it has a target of 250-300 MAs globally by FY27 across 48 countries (emerging markets). The Oncology facility has the peak potential of ~₹1000 crore worth of revenues by operating 3 shifts with ~80% utilization (currently at 8%) by FY30 without any incremental capex. We expect the Oncology business to grow at a CAGR of ~118% to ₹ 350 crore between FY25-FY28E.
- Return ratios, cashflows to improve significantly** - RoCE is languishing at ~8% due to lower capacity utilisation of the Oncology plant at Bavla. Now that all the growth capex being captured and minimal maintenance capex going further, we expect return ratios to improve substantially, piggybacking on growth velocity. With better EBITDA margins (~30%+) from the Oncology products we expect SHL to deliver strong operating cashflows in the future.
- Non-Oncology to support with a normal growth**- SHL has the capability to manufacture oral liquids, tablets, injectables, dry powder & inhaler spanning across 24 therapies. It has existing CMO/CDMO contracts with Indian Pharma players like Zydus Lifesciences, Emcure Pharma, Glenmark Pharma, Cipla, Ipca Labs, Abbott India etc. for domestic and deemed exports. While it also exports Sakarin /Heparin (blood thinners) and Cephalosporin (anti-infective) drugs along many others around the globe. Non-oncology manufacturing capacity already operates at ~75% capacity utilisation. We expect this business to grow at a steady pace of~7% CAGR during FY25-FY28E to ₹178 crore to be supported by its existing CMO/CDMO contracts with Indian Pharma players.

Rating and Target Price

- We value SHL at ₹605 based on 15x FY28E EPS of ₹ 40.4

**Particulars**

Particular	Amount
Market Capitalisation	₹ 1032 crore
Debt (FY25)	₹ 75 crore
Cash (FY25)	₹ 0.3 crore
EV	₹ 1107 crore
52 week H/L (₹)	505/210
Equity capital	₹ 22
Face value	₹ 10

Shareholding pattern (%)

Particulars	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	53.58	52.86	52.86	52.86
FII	13.61	13.41	13.31	13.05
DII	10.97	11.25	11.43	11.36
Others	21.84	22.48	22.4	22.73

Price Chart**Key risks**

- Delay in commercialisation of Marketing Authorised products.
- Pricing pressure in Oncology drugs.

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Key Financial Summary

Particulars	FY23	FY24	FY25	CAGR	FY26E	FY27E	FY28E	CAGR
				FY23-25 (%)				FY25-28E (%)
Revenues	133.4	153.4	177.6	15.4	258.6	368.2	528.2	43.8
EBITDA	33.1	38.3	49.6	22.4	65.3	97.5	142.7	42.2
EBITDA Margins (%)	24.9	25.0	28.0		25.2	26.5	27.0	
Net Profit	12.8	11.6	17.5	17.1	33.5	60.2	89.6	72.3
EPS (Adjusted)	5.8	5.2	7.9		15.1	27.1	40.4	
PE (x)	80.8	88.7	59.0		30.8	17.1	11.5	
EV to EBITDA (x)	34.5	28.7	22.3		16.9	10.7	6.8	
RoCE (%)	7.7	6.8	8.0		11.3	17.6	24.5	
RoE (%)	7.4	4.4	6.1		11.1	16.6	19.8	

Source: Company, ICICI Direct Research

Sakar Healthcare - Background

Incorporated in March, 2004, SHL is a Gujarat based pharma company that started as an oral liquids contract manufacturer for MNCs and later on diversified into manufacturing Liquid Orals, Cephalosporin Tablets, Capsules, Dry Powder Syrup, Dry Powder Injections, Liquid Injectables (SVP) in Ampoules and Vials & Lyophilized Injections and Oral Solid Dosages. The company is involved in contract manufacturing for leading brands in the domestic market as well as direct sales on principal-to-principal basis in the domestic and export markets.

It was listed as an SME in October 2017 and later in January 2019 migrated from SME platform to the mainboard NSE.

Besides other therapies, the company bolsters vertically integrated capabilities in Oncology manufacturing to produce both APIs and finished dosage formulations.

In terms of therapies, SHL manufactures and markets pharmaceutical formulations relating to analgesics, anthelmintics, anti-coagulants, anti-malarial, anti-spasmodics, anti-anaemics, antibiotics, anti-emetics, anti-histamines bronchodilators, corticosteroids, cough and cold preparations, multivitamins etc. SHL has a reach in 60+ countries through its global distribution model.

Exhibit 1: Manufacturing capacities at Changodar Facility

Unit Type	Container	Container size	Capacity	Unit Type	Container	Container size	Capacity
Liquid/Lyophilised Injectable Unit	Ampoules	1 ml & 2ml	18000	Oral Solid Unit	Granulation	-	500 kgs/shift
		3 ml	16000		Blending	-	1000 kgs/shift
		5 ml	14000		Compression	-	1200000/shift
	Vials	2 ml	18000		Filling	-	1200000/shift
		5 ml & 10 ml	15000		ALU-ALU pac	-	1200000/shift
		20 ml & 30 ml	12000		ALU-ALU pac	-	600000/shift
		Lyophilised Vials	10 ml		Dry Syrup	-	25000/shift
			22000				
Unit Type	Container	Container Size	Capacity	Unit Type	Container	Container size	Capacity
Cephalosporin Injectable unit (Dry Powder)	-	250 mg	14400 per hour	Oral Liquid Unit	-	10 ml	75000 bottles/shift
	-	500 mg	14400 per hour		-	30 ml	75000 bottles/shift
	-	1 gm/ 2 gm	11500 per hour		-	60 ml	50000 bottles/shift
	-	3 gm/ 5 gm	8500 per hour		-	100 ml	60000 bottles/shift
					-	200 ml	30000 bottles/shift

Source: Company data, ICICI Direct Research

In 2020, SHL received EU GMP approval for its Liquid & Lyophilisation injection unit post which exports to the European region began.

In a major investment push, Swiss based HBM Healthcare Investments, a leading healthcare private equity firm invested ₹14.85 crore in SHL and these funds were used to expand and scale its Oncology manufacturing operations.

In 2021, SHL forayed into Oncology by setting-up a greenfield backward integrated unit covering 39,121 m² at Bavla, Gujarat. In 2022-23, the company commenced oncology production post receiving WHO GMP certification. This cytotoxic plant is vertically integrated with API and manufactures oral solids (tablets, capsules) and injections (liquid, Lyophilised).

Exhibit 2: Manufacturing capacities at Bavla Facility

Unit Type	Process	Container Size	Capacity
Liquid/Lyophilised Injectable Unit (Oncology)	Cytotoxic Injections	2 ml to 10 ml	7200 Capacity/hour
	Cytotoxic Injections	20 ml /30 ml	3000 capacity/hour
	Lyophilized Product	10 ml	22000 capacity/cycle
Unit Type	Process	Capacity	
Oral Solid Unit (Oncology)	Bulk Drug	6.5-120 kg/shift	
	Tablet	324000 tablets/shift	
	Capsule filling	96000 capsules/shift	
	Blister Packing	324000 tablets/shift	
	Bottle Packing	324000 tablets/shift	

Source: Company data, ICICI Direct Research

New additions in the Leadership Team

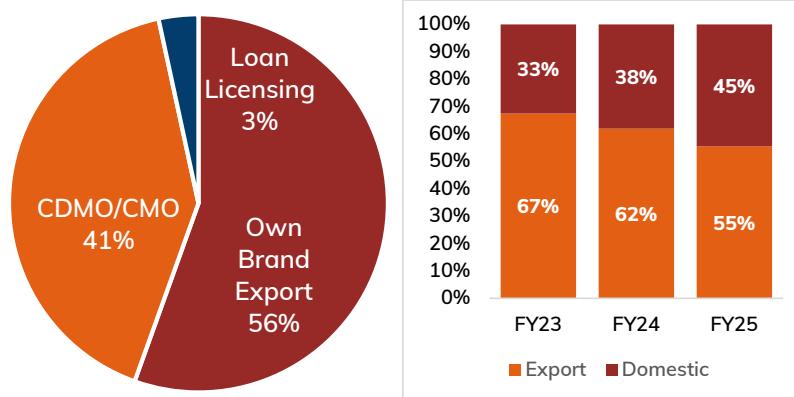
In June 2025, SHL appointed Mr. Sudhir Ghule as the Chief Operating Officer and Mr. Nimesh Suthar, SVP-International Business.

Mr. Sudhir Ghule brings more than thirty years of varied experience from top companies such as Zydus Lifesciences, Cipla, Sun Pharma and Lupin. He has an expertise in pharmaceutical plant operations and has effectively led technical and quality teams across large clusters of manufacturing sites, managing sizeable workforces while driving simplification, automation and digitalization initiatives. He played a key role in developing and deploying technical capabilities that enabled his teams to pass rigorous regulatory audits repeatedly, including those from the USFDA, MHRA and TGA.

Mr. Nimesh Suthar is an Industry veteran with over 25 years of experience in the pharmaceutical industry, including 8 years in the domestic market and 17 years in international business. Before Sakar, he was associated with Baxter, Dr. Reddy's Laboratories, Claris Lifesciences and Troikaa Pharmaceuticals. His experience includes strategic market development with deep cross-cultural insights, regulatory navigation, and partnership building in global pharmaceutical markets covering diverse geographies, including covering both regulated and emerging markets.

These new hires would help SHL streamline its operations and support the growth trajectory of exports business.

Exhibit 3: Revenue Breakup FY25 (L) and Export and Domestic trend (R)



Source: Company data, ICICI Direct Research

At present the company primarily operates in three verticals -

- **CDMO Services**- it provides services from product development to large scale manufacturing for Indian pharma companies (Zydus Lifesciences, Intas, Emcure Pharma, Glenmark Pharma, Ipca Labs, Indoco Remedies etc).
- **Own brand exports** - exports of own branded formulations to over 60 countries across branded and generic markets.
- **Loan Licensing**– to develop, manufacture and sell high value synthetic APIs in the general therapeutic category. SHL charges a conversion/processing fees for this business activity.

Exhibit 4: Top 5 export drugs (in ₹ crore as per FY25)

Drug Product Name	Category	FY23	FY24	FY25	2-yr CAGR
Sakarin/Heparin	Anti-Coagulant	25.4	33.2	38.0	22%
Ceftriaxone	Antibiotic	6.9	10.3	16.2	54%
Cefixime	Antibiotic	3.1	4.8	6.1	40%
Dexamethasone	Immunosuppressant	4.6	8.8	5.9	13%
Cefuroxime	Antibiotic	1.1	1.9	3.5	77%
Total Exports		88.3	100.8	102.4	8%

Source: Eximpedia, ICICI Direct Research

Process from approaching customers to receiving marketing authorisations

- Dossier based Model flow

Lead generation (Business Development / partners / contacts) → Partner discussion & evaluation → Product selection & negotiation → Agreement / contract signing →

Dossier sharing → Partner dossier review → Gap documents / additional data → Dossier sequencing / format conversion → Regulatory slot booking → Dossier submission → Regulatory queries (if raised) → Company responses → Marketing Authorization (MA) approval

Once Marketing authorization is received → Artwork/design finalization → Serialization integration (country-specific) → Partner purchase orders received → Commercial/specification alignment → API procurement/manufacturing (≈90-day lead time)

- CMO / CDMO Supply Model (Partner Holds MA)

Lead generation / existing MA holder engagement → Product identification (already registered by partner) → Commercial negotiation → Supply / manufacturing agreement → (No dossier development/submission required) → Artwork & packaging alignment → Serialization requirements → Purchase Order → Manufacturing batches → QC / QA → QP release / partner market testing → Export documentation & customs clearance → Shipment → Commercial supply

Exhibit 5: Oncology Dossier List Oral Solid Dosages

Sr.	OSD Product list	Strength
1	Imatinib Tablets	400mg ,100mg
2	Gefitinib Tablet	250mg
3	Erlotinib Tablet	150mg, 100mg
4	Abiraterone Tablets	500mg, 250mg
5	Lenalidomide Capsule	25mg, 2.5mg, 5mg, 10mg, 15mg, 20mg
6	Anastrazole Tablet	1mg
7	Letrozole Tablet	2.5mg
8	Tamoxifen Tablet	20mg, 10mg
9	Sunitinib Capsule	50mg, 25mg, 12.5mg
10	Capecitabine Tablet #	500mg
11	Hydroxyurea Capsule	500mg, 250mg
12	Methotrexate Tablet	2.5mg, 5mg, 7.5mg, 10mg, 15mg
13	Dasatinib Tablet**	20mg, 50mg, 70mg, 80mg, 100mg
14	Temozolamide Capsule**	100mg, 250mg
15	Enzalutamide Capsule**	40mg
16	Mercaptopurine Tablet	50mg

BE Completed-Bold

Applied for NOC to conduct BE Study

**Ready to Conduct BE Study

Source: Sakar presentation, ICICI Direct Research

The Export lead time from receiving a Market Authorisation to revenue typically ranges between 90–150 days, driven by serialization, artwork and API procurement. In the mean while existing exports are underway to UK, Mauritius, Lebanon, Algeria and African markets. The Management expects ₹450+ crore revenue potential from signed oncology supply agreements in the medium term.

Exhibit 6: Oncology Dossier List Injectables

Sr.	Injection Product list	Strength
1	Docetaxel Injection	80mg/4ml, 20mg/ml, 160mg/8ml
2	Gemcitabine Injection*	200mg/vial, 1gm/vial
3	Gemcitabine for Injection	1000mg/26.3ml
4	Irinotecan Injection	100mg/5ml, 40mg/2ml
5	Carboplatin Injection	450mg/45ml, 150mg/15ml, 50mg/5ml, 600mg/60ml
6	Oxaliplatin Injection	50mg/10ml, 100mg/20ml
7	Doxorubicin for Injection*	50mg/vial
8	Paclitaxel Injection	30mg/5 ml, 100mg/16.7ml, 300mg/50ml, 260mg/43.33ml
9	Pemetrexed for Injection*	500mg/vial, 100mg/vial
10	Bortezomib for Injection*	3.5mg/vial
11	Methotrexate Injection!	50mg/2ml
12	Cytarabine Injection!	100mg/1ml, 500mg/5ml, 2gm/20ml, 1gm/10ml
13	Cisplatin Injection!	100mg/100ml, 50mg/50ml, 25mg/25ml, 10mg/10ml
14	Mitomycin for Injection*!	2mg/vial, 10mg/vial, 40mg/vial
15	Azacitidine Injection*!	100mg/vial
16	Doxorubicin Solution for Injection!	10mg/5ml, 50mg/25ml

* Lyophilised Injection

! Under Stability Study

Source: Sakar presentation, ICICI Direct Research

Investment Rationale

Oncology to be the key growth driver

Given its small size, Oncology foray was a significant decision given the high entry barriers based on complexity involved in product development and stringent manufacturing requirements.

The Oncology formulation unit started commercial operations from October 2021 and the API unit from July 2022, while the injectable unit commenced operations from April 2023.

Oncology business is expected to benefit from product registrations in EU and LATAM markets besides a contract manufacturing agreement with Accord Healthcare Limited signed in February 2025.

As of 9MFY26, revenues from the Oncology specialty accounted for ~39% of the overall revenues of which Domestic CMO and Exports were roughly 50-50. The management is expecting Oncology business to grow multi-fold in the long term. Management's confidence stems from the marketing authorisations pipeline to ramp-up exports to EU and RoW markets.

As of 9MFY26, SHL has received Marketing Authorisations for 11 products globally including 6 in Europe (Bosnia and Bulgaria) and it has a target of 250–300 MAs globally in the coming 2 years across 48 countries. SHL has a total of 292+ Product registrations for Marketing Authorisation, 300+ Dossiers filed, having 25+ therapies and developed 55 oncology molecules with 32 dossiers ready for launch.

Exhibit 7: SHL's 11 Marketing Authorisations

Sr. No.	Drug Product	Region	Country	Category
1	Carboplatin	EU	Bulgaria	Ovarian, Lung Cancer & Other Solid Tumors
2	Carboplatin	LATAM	Bulgaria	Ovarian, Lung Cancer & Other Solid Tumors
3	Docetaxel Injection	EU	Bosnia	Breast, Non-small cell lung and Prostate cancers
4	Docetaxel Injection	EU	Bulgaria	Breast, Non-small cell lung and Prostate cancers
5	Irinotecan liquid injections	EU	Bulgaria	Colorectal cancer
6	Gemcitabine Lyophilised Injection	EU	Bulgaria	Ovarian, breast, non-small cell lung, and pancreatic cancers
7	Gemcitabine Lyophilised Injection	South East Asia		Ovarian, breast, non-small cell lung, and pancreatic cancers
8	Tamoxifen Tablets	EU	Bulgaria	Hormone receptor-positive breast cancer
9	Abiraterone	South East Asia		Advanced prostate cancer
10	Imatinib	South East Asia		Various cancers and blood related disorders
11	Capacetabin tablets	South East Asia		Breast, Colon and Stomach (Gastric) cancers

Source: Company data, ICICI Direct Research

Marketing Authorisation is the official permission to sell a medicine in the European Economic Area, ensuring it's safe, effective, and of high quality before being available to patients. It's granted after a thorough EMA scientific assessment of a comprehensive Marketing Authorisation Application, allowing marketing across the EU via a single approval. Moving from one country to another wise via a decentralised procedure becomes easier.

SHL has 3 scientists concentrating on development of these oncology drugs. They have 20-25 years of experience particularly with the cyto-toxics or the oncology range. SHL is expected to incur ₹5-7 crore of R&D expense in FY26E.

Exhibit 8: Oncology Dossier List Oral liquids

Sr.	Oral Liquid Product List	Strength
1	Capecitabine Oral Suspension	200mg/ml
2	Dasatinib Oral Suspension	40mg/ml
3	Enzalutamide Oral Solution	32mg/ml
4	Erlotinib Oral Suspension	20mg/ml
5	Hydroxycarbamide Oral Suspension	100mg/ml
6	Imatinib Oral Solution	400mg/5ml
7	Lenalidomide Oral Suspension	25mg/5ml
8	Mercaptopurine Oral Suspension	20mg/ml
9	Methotrexate Oral Solution	2mg/ml
10	Sunitinib Oral Suspension	10mg/ml
11	Tamoxifen Citrate Oral Solution	20mg/10ml
12	Temozolomide Oral Suspension	30mg/ml

Source: Sakar presentation, ICICI Direct Research

Duration from the Lead generation to receiving Marketing Authorisation depends on various factors including who has filed the dossier and can range from 12-24 months.

Following are the broad steps depending on SHL filing the dossier or partner filing the dossier.

As of 9MFY26, Oncology capacity utilization is around 24% with single shift operations and meaningful operating leverage is expected to pan-out as scale improves. First commercial oncology exports from the approved MAs to the Europe are expected by the end Q4FY26 or start of Q1FY27, starting with Bulgaria.

Exhibit 9: SHL in-house developed products

Sr.	Product Developed in-house, PV Planned	Strength
1	Doxorubicin HCl Liposome Injection	2mg/ml
2	Bendamustine for Injection Lyophilised	25mg/vial, 100mg/vial
3	Sorafenib Tablet	200mg
4	Lapatinib Tablet	250mg
5	Palbociclib Tablet	75mg, 100mg, 125mg
6	Cyclophosphamide Tablet	50mg
7	Everolimus Tablet	5mg, 10mg
8	Pazopanib Tablet	200mg, 400mg
9	Exemestane Tablet	25mg
10	Bicalutamide Tablet	50mg

Source: Sakar presentation, ICICI Direct Research

One of the key differentiators for SHL is its' backward integration for the Oncology products. Oncology APIs are complex to develop and a very few players have the capabilities to develop them.

SHL has an API capacity of 13 metric tonne per year and currently ~21 APIs are being developed to aid its backward integration that will help boost its' EBITDA margins. There could be incremental revenues to the guided figures as SHL also sells some APIs outside after its' captive consumption.

Exhibit 10: Oncology APIs being developed / under approval stage by SHL

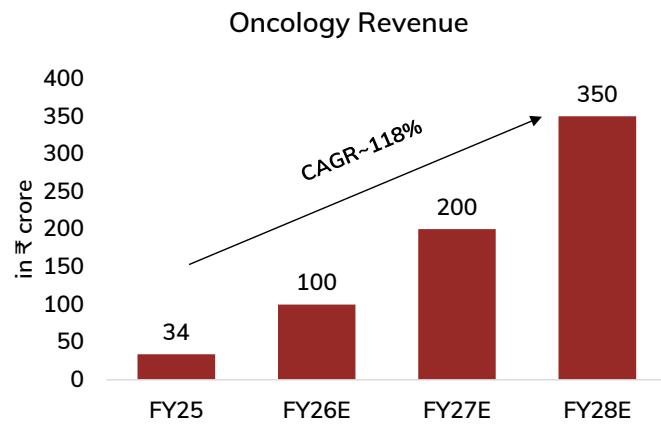
Sr.	Products	CAS No.	Specification	CEP	Written Confirmation	DMF
1	Gefitinib	184475-35-2	EP/IP	Submitted	Available	Available
2	Imatinib Mesylate	152459-95-5	EP/IP	Submitted	Available	Available
3	Cytarabine	147-94-4	EP/IP	Submitted		Available
4	Gemcitabine HCl	122111-03-9	EP/IP	Submitted	Available	Available
5	Letrozole	112809-51-5	EP/IP	Planned Q4Y2026	Available	Available
6	Anastrozole	120511-73-1	USP/EP/IP	Planned Q4Y2026	Available	Available
7	Sorafenib	284461-73-0	EP/IP	Planned Q42026	Available	Available
8	Abiraterone Acetate	154229-18-2	USP/IP		Available	Available
9	Azacitidine	320-67-2	IP		Available	Available
10	Bicalutamide	90357-06-5	EP		Available	Available
11	Bortezomib	179324-69-7	IH		Available	Available
12	Busulfan	55-98-1	USP/IP			Available
13	Capecitabine	154361-50-9	USP/IP		Available	Available
14	Cyclophosphamide	50-18-0	EP/IP		Available	Available
15	Dasatinib	302962-49-8	IH			Available
16	Erlotinib	183321-74-6	IP		Available	Available
17	Oxaliplatin	61825-94-3	USP/IP			Available
18	Carboplatin	41575-94-4	USP/EP/IP			Available
19	Carmustine	154-93-8	EP			Available
20	Temozolamide	85622-93-1	EP/IP		Available	Available
21	Irinotecan HCl Trihydrate	136572-09-3	EP/IP		Available	

Source: Sakar presentation, ICICI Direct Research

The Oncology facility potential revenues are estimated at ~₹1000 crore with operating 3 shifts with ~80% utilization. In the Long-term, SHL has the aspiration to scale oncology revenues meaningfully by FY30, without incremental capex. Accord/Intas portfolio of 10 products that will be manufactured by SHL has a market potential of ₹50-100 crore depending on the go to market strategy of Accord in Europe.

We expect the Oncology business to grow at a CAGR of ~118% between FY25-FY28E driven by the factors mentioned above.

Exhibit 11: Oncology business revenue trend...



Source: Company, ICICI Direct Research

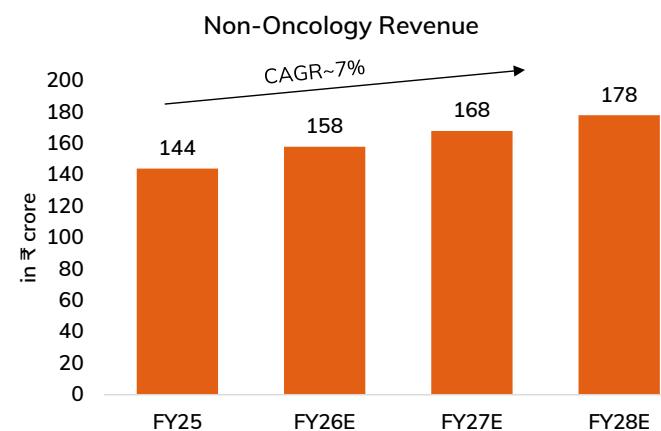
Non-Oncology business to support the overall growth

As of 9MFY26, the non-oncology pie of the business accounts for ~61% of the overall turnover. In terms of therapies, SHL manufactures and markets pharmaceutical formulations relating to analgesics, anthelmintics, anti-coagulants, anti-malarial, anti-spasmodics, anti-anaemics, antibiotics, anti-emetics, anti-histamines bronchodilators, corticosteroids, cough and cold preparations, multivitamins etc. Majority of the non-oncology exports consist of blood thinners like Heparin/Sakarin and Cephalosporin related drugs (i.e Cefixime, Ceftriaxone etc.) The Changodar unit has the capabilities to manufacture both Liquid/Lyophilised Injectable (Vials and Ampoules); Cephalosporin – Oral Solids (tablets, capsules, dry syrups & sachets) along with dry powder injectables; and oral liquid syrups & suspensions. Capacity utilisation for this plant is at its maturity stage of ~75%. The management expects ~₹60-80 lakhs of quarterly repair and maintenance capex for this plant.

This part of the business also faces headwinds like price erosion, low entry barriers and higher competition.

We expect this business to grow steadily with ~7% CAGR till FY28 owing to its existing CMO/CDMO contracts with Indian Pharma players like Zydus Lifesciences, Emcure Pharma, Glenmark Pharma, Cipla, Ipcra Labs, Abbott India etc.

Exhibit 12: Non-Oncology revenue trend...

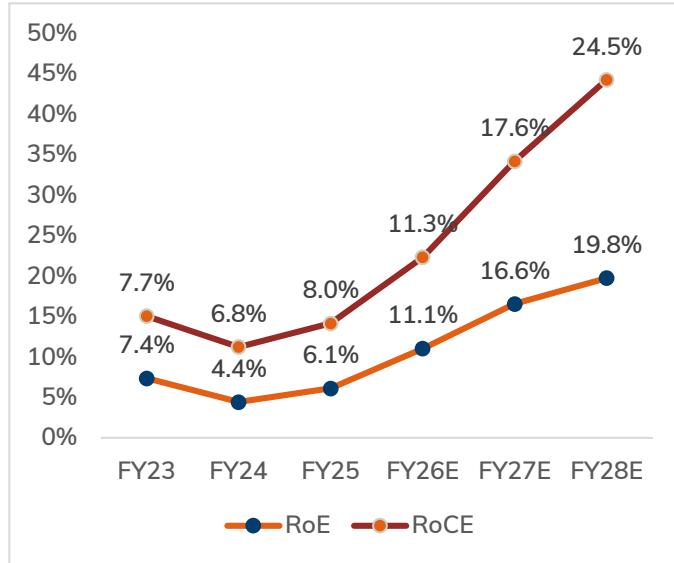


Source: Company, ICICI Direct Research

Return ratios to move on an upward trajectory

SHL currently has a debt of around ~₹75 crore for a gross block of ~₹380 crore. FY25 RoCE level was languishing at ~8% due to lower capacity utilisation of the Oncology plant at Bavla. Now that all the growth capex being captured and minimal maintenance capex going further, we expect return ratios to improve substantially, piggybacking on growth velocity. With better EBITDA margins (~30%+) from the Oncology products we expect SHL to deliver strong operating cashflows in the future.

Exhibit 13: RoCE and RoE to significantly improve...



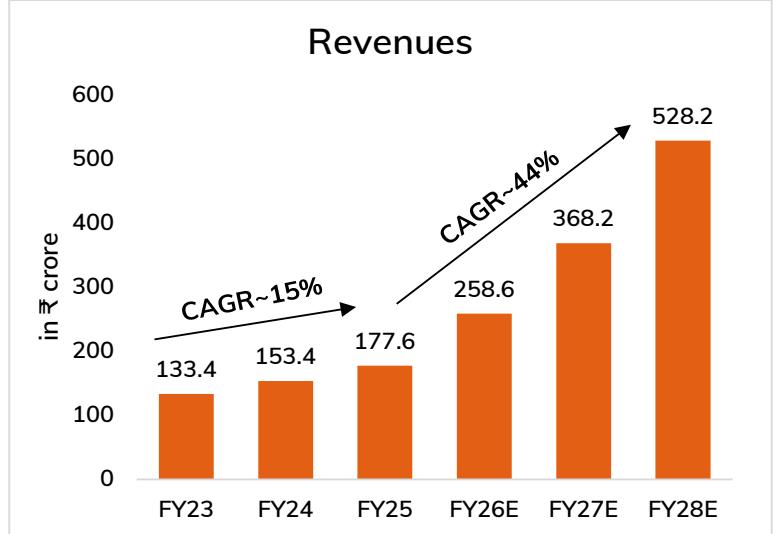
Source: Sakar presentation, ICICI Direct Research

Key Financial Summary

Revenues CAGR of 44% for FY25-28E to be driven increased export revenues...

Revenues have witnessed a CAGR of 15% during FY23-25 mainly driven by the non-oncology business which included CDMO activities for the Indian Pharma companies and growing traction from the Oncology business. As SHL receives more and more marketing authorisations for the EU and RoW region the revenue scale-up will be significantly higher. Going forward we expect SHL to deliver a revenue CAGR of ~44% during FY25-FY28E.

Exhibit 14: Revenues to grow at 44% CAGR during FY25-28E

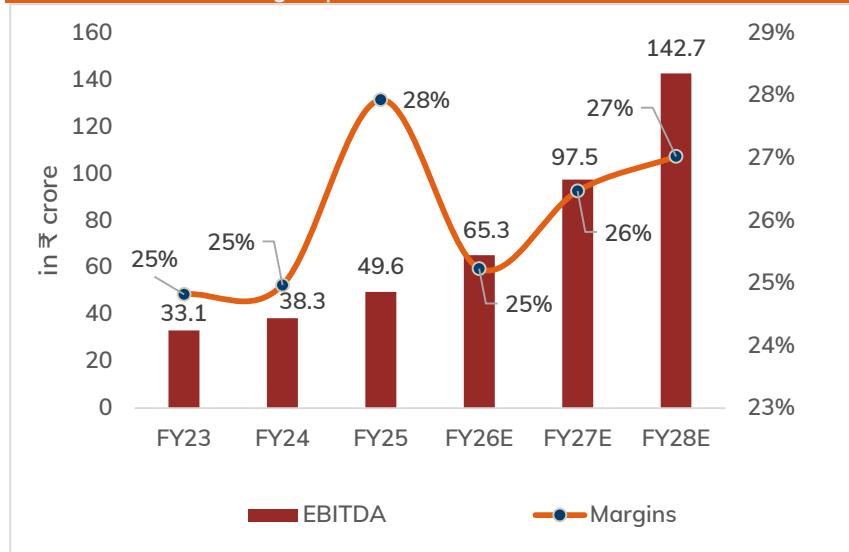


Source: Company, ICICI Direct Research

EBITDA improvement to be driven by better product mix, improving operating leverage...

Gross margins from the Oncology products are better than the rest of the portfolio. As of 9MFY26 the ramp-up from these products has just begun and once the company has the bulk business in place, the cost of APIs or other manufacturing costs in different form are expected to go down and aid the bottom line. EBITDA margins in Q2FY26 dipped to 19.7% from the usual levels of ~25% due to one-time business development costs, overseas travel and registration expenses. These are expected to reach normalised levels of 25% in the coming period and eventually to reach 27% by FY28E.

Exhibit 15: EBITDA margins profile



Source: Company, ICICI Direct Research

Valuation

SHL's journey from FY23-FY26E with CAGR of 25% was steadily aided by the non-oncology products growing ~8% for the period and increased revenues from the Oncology business as this part of the business was just setting-up from ₹19 crore in FY24 to ~₹33 crore in FY25 and ~₹70 crore in 9MFY26. Now that it has tied-up with Accord-Intas to manufacture 10 of their Oncology products and export in the EU region with a potential to add few more products bucket acts as a positive sign for future growth. In terms of capabilities, all of the growth capex has been incurred and major scale-up in revenues and similar ramp-up in the EBITDA margins will generate significant operating cashflows and net profit for SHL. We believe it is following the historic steps that were taken by companies like Shilpa Medicare and Natco Pharma to move-in into a complex endeavour of Oncology products. The journey has also been endorsed by some marquee investments (HBM Healthcare and Tata Capital at different stages). We believe the company now possesses the wherewithal to scale up the Oncology pie in a meaningful way. We value SHL at ₹ 630 based on 15x FY28E EPS of ₹40.4.

Exhibit 16: Peer Comparison

(in ₹ crore)	Shilpa Medicare	Natco Pharma	Sakar Healthcare
Revenue (FY25)	1281	4429	178
YoY Growth	12%	11%	16%
EBITDA	316	2195	49.6
EBITDA Margins	25%	50%*	28%
RoCE	8%	30%	8%
PAT Margin	6%	42%	10%

Source: Company, ICICI Direct Research (* Natco margins are higher because of higher contribution from gRevlimid)

Key Risk and Concerns

Delay in commercialisation of Marketing Authorised products – As of 9MFY26, SHL has received 11 MAAs for Europe and RoW regions, more than 200 MAAs are expected to be received in the next 2-3 years. Delay in commercialisation of these authorised products could defer the incremental revenues.

Pricing Pressure: Since all of the SHL's product portfolio is generic in nature, it is exposed to the natural pricing pressure due to various business forces.

Country-specific risks: SHL ships products in 60+ countries across the globe and revenue from exports is going to grow significantly from the current 55% levels. There is an inherent geopolitical country-specific risk for the exports business.

Financial Summary

Exhibit 17: Profit and loss statement				
(Year-end March)/ (₹ crore)	FY25	FY26E	FY27E	₹ crore FY28E
Total Operating Income	177.6	258.6	368.2	528.2
Growth (%)	15.8	45.6	42.3	43.5
Raw Material Expenses	82.3	133.9	187.6	269.3
Gross Profit	95.3	124.7	180.6	259.0
Gross Profit Margins (%)	53.7	48.2	49.0	49.0
Employee Expenses	31.7	35.9	44.2	63.4
Other Expenditure	14.0	23.6	38.9	52.8
Total Operating Expenditure	128.0	193.4	270.7	385.5
EBITDA	49.6	65.3	97.5	142.7
Growth (%)	29.5	31.5	49.3	46.5
Interest	8.5	7.2	5.1	3.1
Depreciation	20.9	24.0	25.3	25.6
Other Income	1.3	2.7	3.8	5.5
PBT before Exceptional Items	21.5	36.7	70.8	119.4
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	21.5	36.7	70.8	119.4
Total Tax	4.0	3.2	10.6	29.9
PAT before MI	17.5	33.5	60.2	89.6
PAT	17.5	33.5	60.2	89.6
Growth (%)	50.4	91.4	79.6	48.8
EPS (Adjusted)	7.9	15.1	27.1	40.4
Other income as % of (Cash+investm	424%	1236%	10%	6%

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
(Year-end March)/ (₹ crore)	FY25	FY26E	FY27E	₹ crore FY28E
Profit/(Loss) after taxation	19.2	33.5	60.2	89.6
Add: Depreciation & Amortizat	20.9	24.0	25.3	25.6
Net Increase in Current Assets	-17.3	-6.0	-40.0	-50.9
Net Increase in Current Liabiliti	3.2	18.1	15.7	22.8
Others	8.0	7.2	5.1	3.1
CF from Operating activities	34.0	76.9	66.4	90.2
Investments	0.0	0.0	0.0	0.0
(Purchase)/Sale of Fixed Asset:	-32.3	-40.2	-5.0	-5.0
Others	1.6	-11.6	0.2	0.2
CF from Investing activities	-30.7	-51.8	-4.8	-4.8
(inc)/Dec in Loan	-1.4	-3.1	-20.0	-20.0
Dividend & Dividend tax	0.0	0.0	0.0	0.0
Other	-2.1	-6.9	-5.0	-3.0
CF from Financing activities	-3.5	-10.0	-25.0	-23.0
Net Cash Flow	-0.2	-0.1	36.5	62.4
Cash and Cash Equivalent	0.5	0.3	0.2	36.8
Cash	0.3	0.2	36.8	99.1
Free Cash Flow	1.7	36.7	61.4	85.2

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
Equity Capital	21.9	22.2	22.2	22.2
Reserve and Surplus	263.5	281.0	341.3	431.0
Total Shareholders funds	285.5	303.2	363.5	453.2
Total Debt	75.0	71.9	51.9	31.9
Deferred Tax Liability	10.3	10.0	10.2	10.4
Long-Term Provisions	2.7	2.7	2.7	2.7
Other Non Current Liabilities	1.3	2.2	2.2	2.2
Source of Funds	374.8	389.9	430.5	500.4
Gross Block - Fixed Assets	386.2	426.1	431.1	436.1
Accumulated Depreciation	77.3	101.3	126.6	152.2
Net Block	309.0	324.8	304.5	283.9
Capital WIP	16.7	17.0	17.0	17.0
Fixed Assets	325.7	341.9	321.5	300.9
Investments	0.0	0.0	0.0	0.0
Long Term Loans and Advances	0.3	0.3	0.3	0.3
Other non-Current Assets	0.6	11.9	11.9	11.9
Inventory	43.6	44.5	70.6	101.3
Debtors	30.7	32.0	45.5	65.3
Other Current Assets	14.1	17.9	18.3	18.6
Cash	0.3	0.2	36.8	99.1
Total Current Assets	88.7	94.6	171.1	284.4
Creditors	21.1	36.0	51.3	73.6
Provisions	0.0	0.0	0.0	0.0
Other Current Liabilities	19.4	22.6	23.1	23.5
Total Current Liabilities	40.5	58.6	74.3	97.1
Net Current Assets	48.2	36.0	96.8	187.3
Application of Funds	374.8	390.0	430.5	500.4

Source: Company, ICICI Direct Research

Exhibit 20: Ratio Analysis				
(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
Per share data (₹)				
Reported EPS	7.9	15.1	27.1	40.4
Cash EPS	7.9	15.1	27.1	40.4
BV per share	128.6	136.6	163.7	204.1
Cash per Share	0.1	0.1	16.6	44.7
Dividend per share	0.0	0.0	0.0	0.0
Operating Ratios (%)				
Gross Profit Margins	53.7	48.2	49.0	49.0
EBITDA margins	28.0	25.2	26.5	27.0
PAT Margins	9.9	13.0	16.3	17.0
Cash Conversion Cycle	109.4	57.1	64.3	64.3
Asset Turnover	0.5	0.6	0.9	1.2
EBITDA conversion Rate	68.6	117.8	68.1	63.2
Return Ratios (%)				
RoE	6.1	11.1	16.6	19.8
RoCE	8.0	11.3	17.6	24.5
RoIC	8.0	11.1	19.2	30.5
Valuation Ratios (x)				
P/E	59.0	30.8	17.1	11.5
EV / EBITDA	22.3	16.9	10.7	6.8
EV / Net Sales	6.2	4.3	2.8	1.8
Market Cap / Sales	5.8	4.0	2.8	2.0
Price to Book Value	3.6	3.4	2.8	2.3
Solvency Ratios				
Debt / EBITDA	1.5	1.1	0.5	0.2
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	2.2	1.6	1.8	1.9
Quick Ratio	1.1	0.9	0.9	0.9
Inventory days	90	63	70	70
Debtor days	63	45	45	45
Creditor days	43	51	51	51

Source: Company, ICICI Direct Research

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