RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,707 | ⮝ 24%

ERIS LIFESCIENCES | Pharmaceuticals | 30 July 2026

EBITDA margin is to stay on the higher side

- **Sales/EBITDA/PAT were -2.7%/-7.4%/-2.5% below our estimates. EBITDA margin was 172 bps below our estimate at 33.9%**
- **Domestic Oral Solid segment growth expected to grow to 5-6% in FY27. Swiss Parenteral base business of Rs 3bn to remain stable**
- **Rolling forward to Jun'28 EPS, we continue to ascribe a PE of 28x to arrive at a PT of Rs 1707 (earlier Rs 1711), Maintain BUY**

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Mix set of numbers - Sales grew by 13% YoY to Rs 8.733 bn. The growth in sales was driven by 14% YoY growth in domestic sales and 5.9% YoY growth in Swiss Parenteral sales. Raw material cost grew by 30% YoY to Rs 2.393 bn, contributing 27% of sales vs 24% in 1QFY26 and 4QFY26. Healthy sales from the domestic business were offset by higher RM cost, leading to 8% YoY growth in gross profit to Rs 6.340 bn. Subsequently, EBITDA grew by 7% YoY to Rs 2.962 bn. Gross margin declined by 351 bps YoY to 72.6% in 1QFY27, while EBITDA margin declined by 188 bps YoY to 33.9%. PBT grew by 12.3% YoY and 12% QoQ to Rs 1.606 bn while PAT grew by 20.7% YoY to Rs 1.425 bn

Domestic sales continue to surpass the IPM growth – In 1QFY27, domestic sales grew by 14% YoY to Rs 8bn. The growth was driven by outperformance across therapies, where the Oncology segment surpassed IPM growth by 1.5x, the Insulin segment surpassed IPM growth by 6.16x, and the Vitamins segment surpassed IPM growth by 0.2x. The Oral Solids segment continued to grow by only 1.9% due to the ban of a product in the base; however, this segment is expected to bounce back to 5-6% growth in FY27. The Cardiac and CNS segment, which underperformed IPM growth, is also likely to surpass IPM growth going forward. Thus, we expect the segment to grow at a CAGR of 15% from FY27-FY29E to Rs 41.883 bn in FY29E**.**

Swiss Parenteral sales lowered due to the remediation issue – Swiss Parenteral sales grew by 6% to Rs 720 mn in 1QFY27. The growth was driven by the base business. EBITDA margin declined by 700 bps to 25%; thus, EBITDA declined by 19% YoY to Rs 180 mn in 1QFY27. The company is on track to clear the facility; hence we expect the base business to grow at a CAGR of 12% from FY27-FY29E to Rs 4.147 bn in FY29E.

Valuation - At CMP, on rolling forward to Jun'28 EPS, the stock trades at 23x its EPS of Rs 61, and we continue to ascribe 28x due to high industry margins to arrive at a PT of Rs 1707 on the stock (earlier Rs 1711)

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ERIS IN/Rs 1,375
Market cap	US$ 2.0bn
Free float	29%
3M ADV	US$ 1.7mn
52wk high/low	Rs 1,856/Rs 1,200
Promoter/FPI/DII	55%/13%/16%

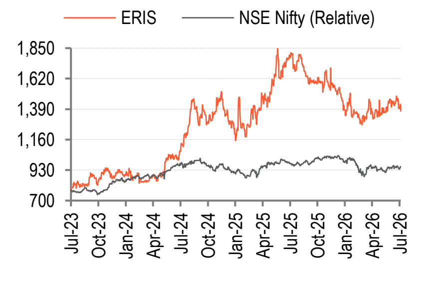
Source: NSE | Price as of 30 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	31,294	34,975	40,122
EBITDA (Rs mn)	11,201	12,378	14,778
Adj. net profit (Rs mn)	6,367	5,943	7,834
Adj. EPS (Rs)	46.9	43.8	57.7
Consensus EPS (Rs)	45.6	48.5	61.2
Adj. ROAE (%)	18.1	14.2	16.6
Adj. P/E (x)	29.3	31.4	23.8
EV/EBITDA (x)	14.7	13.5	11.7
Adj. EPS growth (%)	80.9	(6.7)	31.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Margins to remain on the higher side – In 1QFY27, the company reported a 351 bps decline in gross margin to 72.6%. The gross margin decline was due to a 300 bps YoY decline in the domestic business to 74%. The decline in gross margin was due to higher RM costs from the Middle East war and the shifting of production to a newer facility, resulting in lower yield. Thus, domestic business EBITDA margin also decreased by 200 bps to 35%, leading to a 188 bps YoY decrease in overall EBITDA margin to 33.9%. Going forward, as production normalizes at the newer facility, the Middle East war de-escalates, and in-house cartridge production commercializes from Aug'26 (as licenses have been received), we expect overall EBITDA margin to remain at 35%+ for FY27E.

Fig 1 – Therapeutical sales

Category	Syb Category	1QFY27 contribution (%)	1QFY27 (Rs mn)
OADs	Chronic	20	1594
Insulin	Chronic	13	1001
GLP-1	Chronic	2	136
Cardiac	Chronic	15	1226
Derma	Chronic	13	1025
Oco + Nephro	Chronic	7	537
CNS	Chronic	4	304
Vitamins	Sub Chronic	13	1009
Others	Acute	10	785
Women's health	Acute	5	401
	Total	**100**	**8010**

Source: Company, BOBCAPS Research

Insulin Aspart likely to launch in CY26 – ERIS is currently present in the RHI and Glargine segments, which cumulatively represent a market size of Rs 27.78bn as of MAT Jun'26. ERIS is growing at 26.4% vs. the market's decline of 1.2%. The company aims to launch Aspart in India, which would give it access to a Rs 23bn market growing at 9.4%, taking the total addressable insulin market in India to Rs 50bn. Overall, the insulin segment in India is innovator-driven, where ERIS commands a 16% market share vs. 9% at the time of acquiring the portfolio from Biocon. As the company would manufacture cartridges in-house from Aug'26, ERIS should be able to clock higher margins.

Quarterly Highlights

Fig 2 – Financial Highlights

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Var. (%)
Total Revenue	8,733	7,730	13.0	7,566	15.4	8,972	(2.7)
Total Expenses	5,770	4,963		4,830		5,774	
(%) of net sales	66	64		64		64	
Raw material consumed	2,393	1,846	30	1,853	29.1	2,238	7
(%) of net sales	27	24		24		25	
Gross Profit	6,340	5,884	8	5,713	11.0	6,734	(6)
Staff cost	1,534	1,444	6	1,369	12.1	1,656	(7)
(%) of net sales	18	19	(112)	18		18	
SG&A	1,844	1,672	10	1,609	14.6	1,880	(2)
(%) of net sales	21	22		21		21	
EBITDA	2,962	2,767	7.1	2,736	8.3	3,198	(7.4)
Depreciation	721	705	2	696	4	710	2
EBIT	2,242	2,062	8.7	2,040	9.9	2,488	(10)
Interest	467	487	(4)	456	2	490	(5)
Other Income	24	27	(11)	22	7	22	9
PBT	1,799	1,602	12.3	1,606	12.0	2,020	(11.0)
Less: Taxation	361	360	0	(1,197)	(130)	508	(29)
Minority Interest/Associate	13	62	(79)	(25)	(153)	50	(73)
Recurring PAT	1,425	1,180	20.7	2,828	(49.6)	1,462	(2.5)
Exceptional items	0	0		(12)		0	
Reported PAT	1,425	1,180	20.7	2,816	(49.4)	1,462	(2.5)
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	72.6	76.1	(351)	75.5	(291)	75.1	(245)
EBITDA Margin	33.9	35.8	(188)	36.2	(224)	35.6	(172)
Tax / PBT	20.1	22.5	(240)	(74.5)	9459	25.2	(509)
NPM	16.3	15.3	105	37.4	(2107)	16.3	2
EPS (Rs)	10.5	8.7	20.7	20.8	(49.6)	10.8	(2.6)

Source: Company, BOBCAPS Research

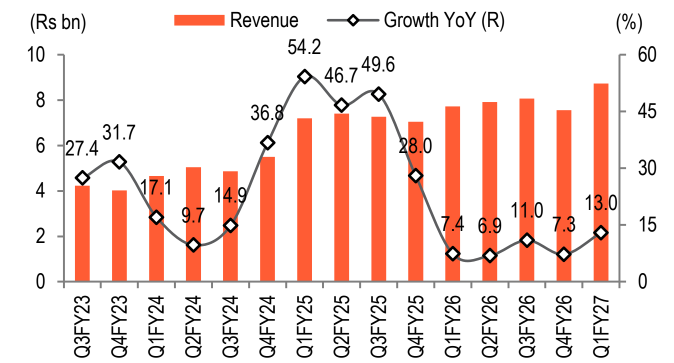
Fig 3 – Segmental Mix

(Rs Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Var. (%)
Domestic	8,010	7,020	14.1	6,710	19.4	7,862	1.9
Swiss Parental	720	680	5.9	860	(16.3)	1,090	(33.9)
Total Revenue	8,730	7,700	13.4	7,570	15.3	8,952	(2.5)

Source: Company, BOBCAPS Research

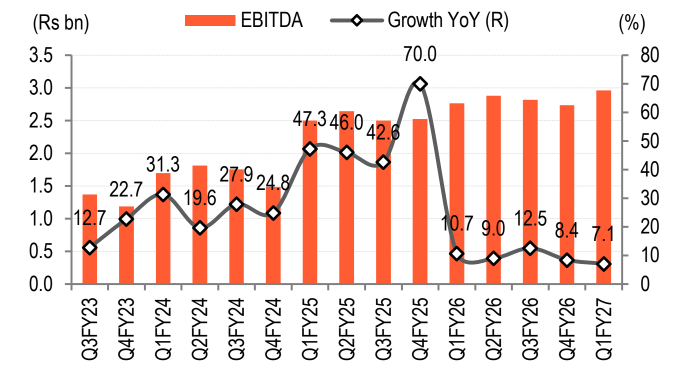
Financial Charts

Fig 4 – Sales grew in double digit due to higher domestic sales



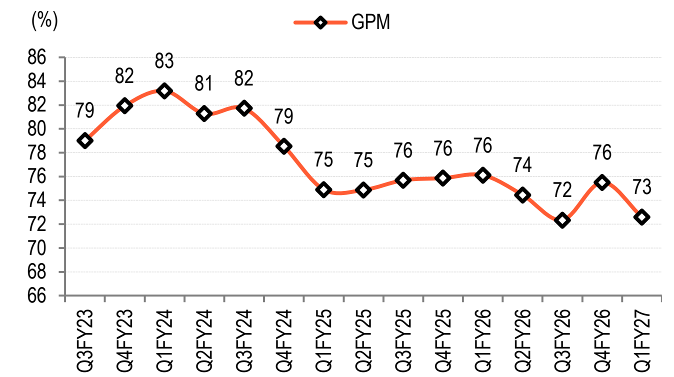
Source: Company, BOBCAPS Research

Fig 5 – EBITDA grew in single digit due to single digit growth in gross profit



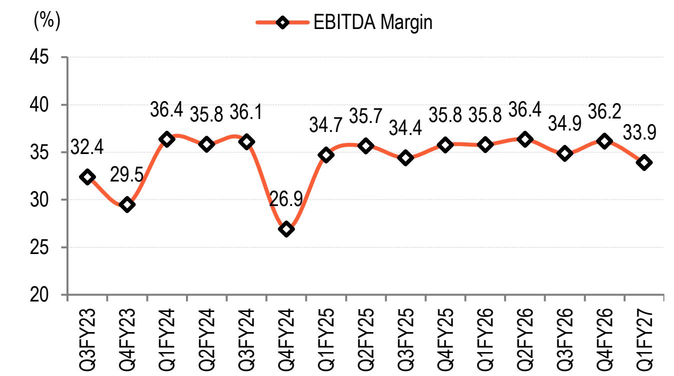
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin lowered due to higher RM cost



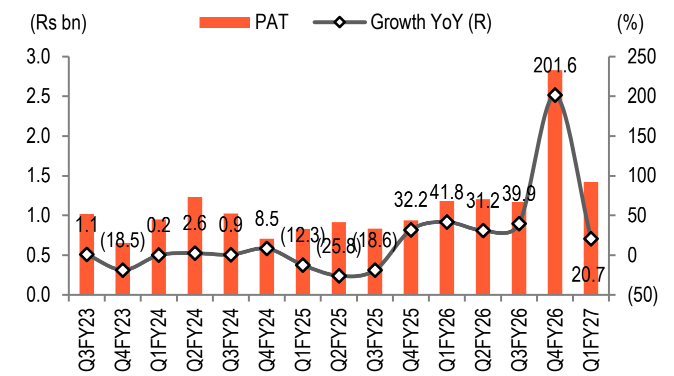
Source: Company, BOBCAPS Research

Fig 7 – EBITDA Margin declined due to both segments reporting lower margins



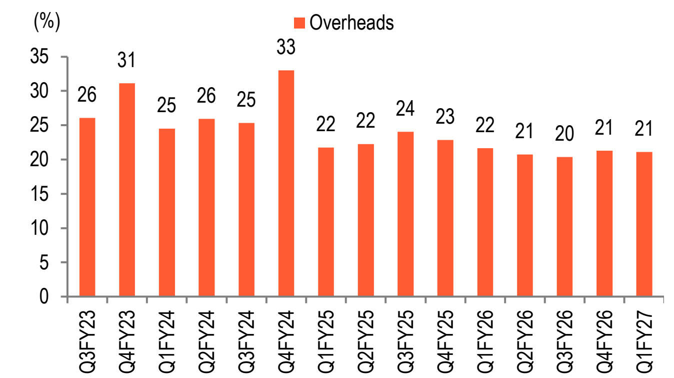
Source: Company, BOBCAPS Research

Fig 8 – PAT continues to grow in double digit



Source: Company, BOBCAPS Research

Fig 9 – Other expense contribution remains constant



Source: Company, BOBCAPS Research

Valuation methodology

ERIS reported a mixed set of earnings due to the remediation procedure impacting the Swiss parenteral business and higher RM costs impacting margins. Swiss parenteral margin was reported at 25%, with a 200-bps decline in the domestic EBITDA margin, leading to a consolidated EBITDA margin of 34%.

Going forward, the Swiss parenteral base business of Rs 3bn is likely to stay afloat, while the domestic business should see some positives, such as 5-6% growth in oral solids, with Cardiac and CNS therapies surpassing IPM growth, the launch of gWegovy, and the potential launch of insulin Aspart — enabling the company to grow 300 bps above IPM growth.

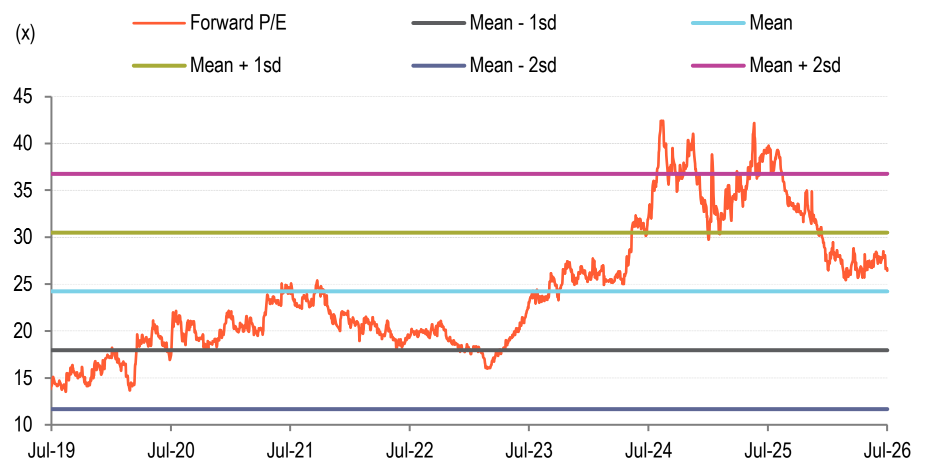
Factoring in flat sales for Swiss Parenteral, we reduce our EPS estimates by 12%/8%/8% to Rs 43.7/57.6/71.2 for FY27E/FY28E/FY29E respectively, arriving at a sales/EBITDA/PAT CAGR of 15%/18%/28% From FY27-29E. Thus, we maintain a BUY on the stock. At CMP, rolling forward to Jun'28 EPS, the stock trades at 23x on an EPS of Rs 61, and we continue to ascribe 28x, given the industry-high margin, to arrive at a PT of Rs 1707 on the stock (earlier PT Rs 1711)

Fig 10 – Change in Estimates

Rs Mn	New			Old			Change (%)		
Particulars	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	34,765	39,912	45,820	37,075	42,605	48,965	(6)	(6)	(6)
EBITDA	12,378	14,778	17,163	13,482	15,684	18,249	(8)	(6)	(6)
EBITDA M (%)	35.6	37.0	37.5	36.4	36.8	37.3	(140bps)	(150bps)	(150bps)
EPS	43.7	57.6	71.2	49.7	62.5	77.0	(12)	(8)	(8)

Source: Company, BOBCAPS Research

Fig 11 – 1 year forward PE



Source: Bloomberg

Key Risks

Key downside risks to our estimates:

- Lack of scale-up of GLP products
- Regulatory problems in Swiss facility to hamper existing orderbook
- Non sustenance of high margins

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**28,936**	**31,294**	**34,975**	**40,122**	**46,030**
EBITDA	10,172	11,201	12,378	14,778	17,163
Depreciation	3,155	2,795	2,828	3,173	3,518
EBIT	7,017	8,406	9,549	11,605	13,645
Net interest inc./(exp.)	(2,313)	(1,927)	(1,647)	(1,167)	(687)
Other inc./(exp.)	184	78	81	77	75
Exceptional items	0	0	0	0	1
EBT	4,888	6,557	7,983	10,515	13,033
Income taxes	1,142	(90)	1,677	2,208	2,737
Extraordinary items	0	(172)	0	0	0
Min. int./Inc. from assoc.	227	280	364	473	615
Reported net profit	**3,519**	**6,195**	**5,943**	**7,834**	**9,681**
Adjustments	0	(172)	0	0	0
Adjusted net profit	**3,519**	**6,367**	**5,943**	**7,834**	**9,681**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,324	3,297	3,810	4,374	5,021
Other current liabilities	2,920	3,520	3,477	3,991	4,582
Provisions	1,471	1,245	1,389	1,595	1,831
Debt funds	24,779	23,586	17,586	11,586	5,586
Other liabilities	0	0	0	0	1
Equity capital	136	139	139	139	139
Reserves & surplus	34,876	39,440	43,897	49,922	57,471
Shareholders' fund	35,012	39,578	44,036	50,061	57,610
Total liab. and equities	**67,505**	**71,226**	**70,298**	**71,607**	**74,631**
Cash and cash eq.	2,803	673	642	623	859
Accounts receivables	4,586	6,803	6,191	6,998	7,532
Inventories	3,348	4,368	5,048	5,467	6,151
Other current assets	3,528	5,691	4,554	4,829	6,919
Investments	105	100	100	100	100
Net fixed assets	6,621	7,084	7,255	7,082	6,564
CWIP	67	1,715	1,715	1,715	1,715
Intangible assets	46,447	44,792	44,792	44,792	44,792
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**67,505**	**71,226**	**70,298**	**71,607**	**74,631**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**9,996**	**5,864**	**12,102**	**11,957**	**12,056**
Capital expenditures	(1,508)	(2,000)	(3,000)	(3,000)	(3,000)
Change in investments	50	5	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(1,457)**	**(1,995)**	**(3,000)**	**(3,000)**	**(3,000)**
Equities issued/Others	0	2	0	0	0
Debt raised/repaid	(3,033)	(1,193)	(6,000)	(6,000)	(6,000)
Interest expenses	(2,313)	(1,927)	(1,647)	(1,167)	(687)
Dividends paid	(1,166)	(1,163)	(1,486)	(1,809)	(2,132)
Other financing cash flows	(13,230)	(1,719)	0	0	0
Cash flow from financing	**(19,742)**	**(5,999)**	**(9,133)**	**(8,976)**	**(8,819)**
Chg in cash & cash eq.	**(11,203)**	**(2,130)**	**(31)**	**(19)**	**237**
Closing cash & cash eq.	**2,803**	**673**	**642**	**623**	**861**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	25.9	45.6	43.8	57.7	71.3
Adjusted EPS	25.9	46.9	43.8	57.7	71.3
Dividend per share	7.4	7.2	9.2	11.2	13.2
Book value per share	227.1	292.0	324.8	369.2	424.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.8	5.3	4.8	4.3	3.9
EV/EBITDA	16.6	14.7	13.5	11.7	10.4
Adjusted P/E	53.1	29.3	31.4	23.8	19.3
P/BV	6.1	4.7	4.2	3.7	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	72.0	97.1	74.4	74.5	74.3
Interest burden (PBT/EBIT)	69.7	78.0	83.6	90.6	95.5
EBIT margin (EBIT/Revenue)	24.3	26.9	27.3	28.9	29.6
Asset turnover (Rev./Avg TA)	11.8	12.7	14.0	16.3	18.4
Leverage (Avg TA/Avg Equity)	2.1	1.7	1.5	1.3	1.2
Adjusted ROAE	11.9	18.1	14.2	16.6	18.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	31.9	8.1	11.8	14.7	14.7
EBITDA	18.4	10.1	10.5	19.4	16.1
Adjusted EPS	(38.9)	80.9	(6.7)	31.8	23.6
Profitability & Return ratios (%)					
EBITDA margin	35.2	35.8	35.4	36.8	37.3
EBIT margin	24.3	26.9	27.3	28.9	29.6
Adjusted profit margin	12.2	20.3	17.0	19.5	21.0
Adjusted ROAE	11.9	18.1	14.2	16.6	18.0
ROCE	11.8	13.8	15.4	19.0	22.0
Working capital days (days)					
Receivables	58	80	65	64	60
Inventory	42	51	53	50	49
Payables	42	39	40	40	40
Ratios (x)					
Gross asset turnover	1.4	1.4	1.3	1.4	1.4
Current ratio	1.8	2.2	1.9	1.8	1.9
Net interest coverage ratio	3.0	4.4	5.8	9.9	19.9
Adjusted debt/equity	0.7	0.6	0.4	0.2	0.1

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

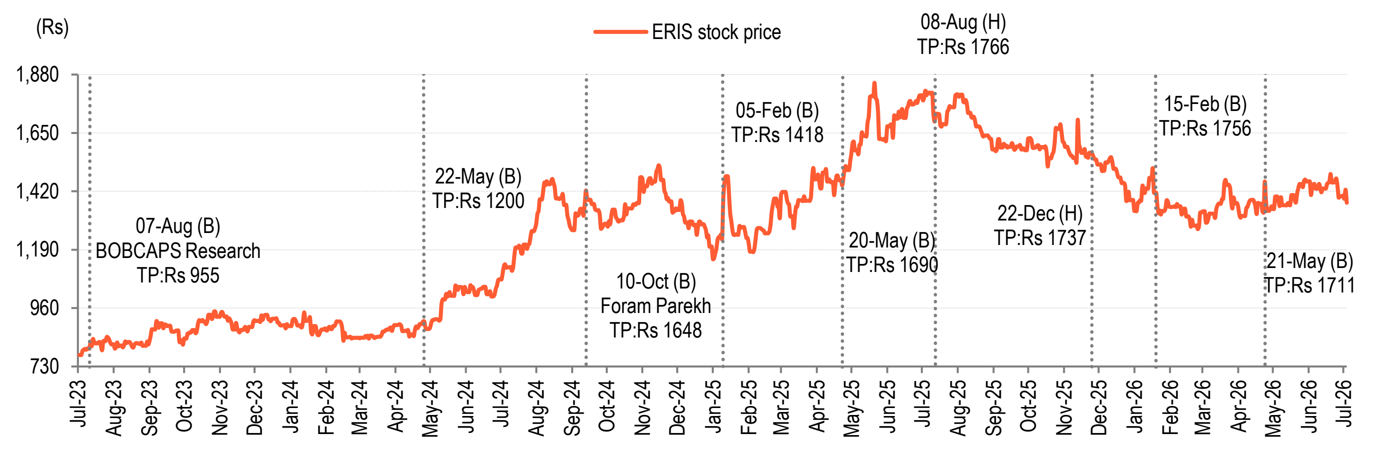
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ERIS LIFESCIENCES (ERIS IN)



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

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