HOLD
TP: Rs 1,766 | ⮝ 12%

ERIS LIFESCIENCES | Pharmaceuticals | 14 November 2025

All positives priced in

- **Sales/EBITDA/PAT reported 1%/3%/0.1% above our estimates. EBITDA margin reported 80 bps above our estimates at 36.4%**
- **Domestic Branded Formulation EBITDA margin reported at 37.6% while integrated Biocon's business margin reported 32%**
- **Focus on GLP products in competitive domestic market sites an upside risk to margins. On Sep'27 roll forward EPS, ascribe a PE of 28x**

Foram Parekh
Research Analyst
research@bobcaps.in

In-line earnings – Eris reported 6.9% YoY growth in sales, driven by 10% YoY growth in domestic sales to Rs 7 bn. Healthy product mix and 9% YoY growth in Raw Material cost resulted in 6% YoY increase in gross profit to Rs 5.9bn. Employee cost during the quarter, too, grew by 9% YoY, resulting in 9% YoY growth in EBITDA and 70 bps increase in EBITDA margin to 36.4%.During the quarter, depreciation declined by 14% YoY, finance cost lowered by 17% YoY resulting in 39% YoY increase in PAT.

Domestic sales to continue growing above IPM growth – During the quarter, domestic sales grew by 10% YoY surpassing IPM growth of 7.7% and reported 1% below our estimates. Growth was driven by 2% volume growth, 2.5% price growth and 5.4% new launches. Going forward, H2 is expected to be stronger due to the full impact of a delayed price increase.

Biocon's Biosimilar portfolio to witness further margin increment – During the quarter, Biocon's Biosimilars EBITDA margin increased to 32% in 2QFY26 from 30% in 1QFY26 and 19% since acquisition. Eris has also included Aspart (market in RoW region) to its portfolio and intends to manufacture all biosimilars in-house, which would lead to further margin expansion on a higher base.

CDMO segment witnessing healthy order book – Swiss parental sales reported flat to Rs 830 mn. The flatness was due to capacity being occupied at for drug substance validation for EU CDMO project. The company sees immense opportunity in the CDMO segment as order book visibility has increased from 1bn at the end of 1QFY26 to Rs 7-8bn at the end of 2QFY26, thereby anticipating sales contribution from the regulated market to increase from sub 2% to ~30% by FY27.

Valuation - We maintain HOLD as the company has attained its peak EBITDA margin of 36% and going forward, focus on end-to-end manufacturing of GLP products in the highly competitive domestic market sites an upside risk to margins. At CMP, the stock is trading at a PE of 25x on Sep'27 roll forward EPS, we ascribe PE of 28x to arrive at TP of Rs 1,766.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ERIS IN/Rs 1,575
Market cap	US$ 2.4bn
Free float	29%
3M ADV	US$ 2.1mn
52wk high/low	Rs 1,910/Rs 1,097
Promoter/FPI/DII	55%/13%/16%

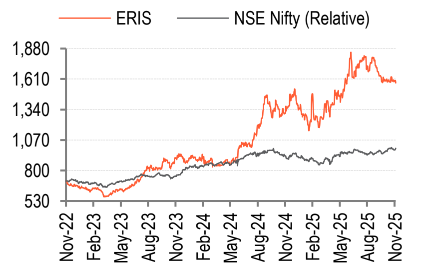
Source: NSE | Price as of 12 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	28,936	35,054	40,331
EBITDA (Rs mn)	10,172	12,619	15,138
Adj. net profit (Rs mn)	3,519	5,548	7,308
Adj. EPS (Rs)	25.9	40.9	53.8
Consensus EPS (Rs)	25.9	40.8	55.3
Adj. ROAE (%)	11.9	17.1	20.0
Adj. P/E (x)	60.8	38.5	29.3
EV/EBITDA (x)	19.3	15.4	13.2
Adj. EPS growth (%)	(10.2)	57.7	31.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Financial Highlights

Fig 1 – Quarterly Highlights

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	BoB Estimates	Var. (%)
Net Sales	7,924	7,412	6.9	7,730	2.5	7,863	1
Total Expenses	5,042	4,767		4,963		5,062	
(%) of net sales	64	64		64		64	
Raw material consumed	2,024	1,863	9%	1,846	9.6	1,884	
(%) of net sales	26	25		24		24	
Staff cost	1,375	1,256	9%	1,444	-4.8	1,373	
(%) of net sales	17	17	40	19		17	
SG&A	1,643	1,648	0%	1,672	-1.7	1,805	
(%) of net sales	21	22	-149	22		23	
EBITDA	2,882	2,645	9.0	2,767	4.2	2,801	2.9
Depreciation	691	805	-14	705	-2	710	
EBIT	2,191	1,840	19.1	2,062	6.3	2,091	
Interest	496	595	-17	487	2	450	
Other Income	28	46	-38	27	4	30	
PBT	1,724	1,291	33.5	1,602	7.6	1,671	3.2
Less: Taxation	382	328	17	360	6	420	
Minority Interest/Associate	140	48	194	62	125	50	
Recurring PAT	1,202	916	31.2	1,180	1.9	1,200	0.1
Exceptional items	0	0		0		0	
Reported PAT	1,202	916	31.2	1,180	1.9	1,200	0.1
Key Ratios (%)							
Gross Margin	74.5	74.9	(41bps)	76.1	(166bps)	76.0	(159bps)
EBITDA Margin	36.4	35.7	68bps	35.8	57bps	35.6	80bps
Tax / PBT	22.2	25.4	(321bps)	22.5	(30bps)	25.2	(300bps)
NPM	15.2	12.4	210bps	15.3	(10bps)	15.3	(10bps)
EPS (Rs)	8.8	6.7	31.2	8.7	1.8	8.8	

Source: Company, BOBCAPS Research

Earnings Call

Domestic region

Insulin Market share - market share has grown from 10% to 15% in the last 18 months. Eris remains confident of staying as a dominant insulin player.

RHI cartridge - RHI cartridge opportunity to start contributing meaningfully from December 2025, with institutional demand providing additional boost.

Insulin manufacturing capability - insulin vial production at Bhopal is fully operational and stable; produced – 2mn vials since going live in Aug-2025.

Biocon Portfolio

Margin - Q2 margin of 32% up from 30% in Q1 and 19% at acquisition and in-house manufacturing will lead to further expansion.

Aspart integration - Biocon is assigning select RO markets to Eris for direct marketing of Rochi, Glargine, and Aspart by leveraging the global distribution of Swiss Parenteral

GLP opportunity –

Population Indian GLP-1 market currently has close to 1 lakh active users, and Eris expects this to scale up to around 1mn patients over the next few years as generic launches improve affordability.

Market size - The company believes total addressable market could exceed Rs6,000 crore, with domestic players likely to capture around 50-60% share.

Swiss Parental

Regulated clients - received first purchase order from a European client on an injectable CDMO project. Swiss to exclusively manufacture for the Innovator brand of the product in six European countries and expected to expand to 17 countries.

Orderbook - Expansion in EU-CDMO book of business from Rs 1bn to Rs 7-8bn in 2Q.

Other Highlights

Domestic segment EBIDTA growth expected to be ~ 15% YoY with a margin of 37% plus.

Q2 Capex Rs 50 cr - largely towards Insulin/ GLP-1 and General Injectables. Capex outlay of Rs. 3.8-4bn over the next 3 quarters. Forms part of total capex guidance of Rs. 7.5-8 bn. provided for FY26 to FY28E.

Expect to get to a Net Debt to TTM EBIDTA ratio of less than 1.5x by Dec 2026.

OCF-EBIDTA ratio ~47% in Q2 driven by an increase in GST receivables and statutory liabilities (amounting for 25% points in OCF-EBIDTA ratio).

Valuation Methodology

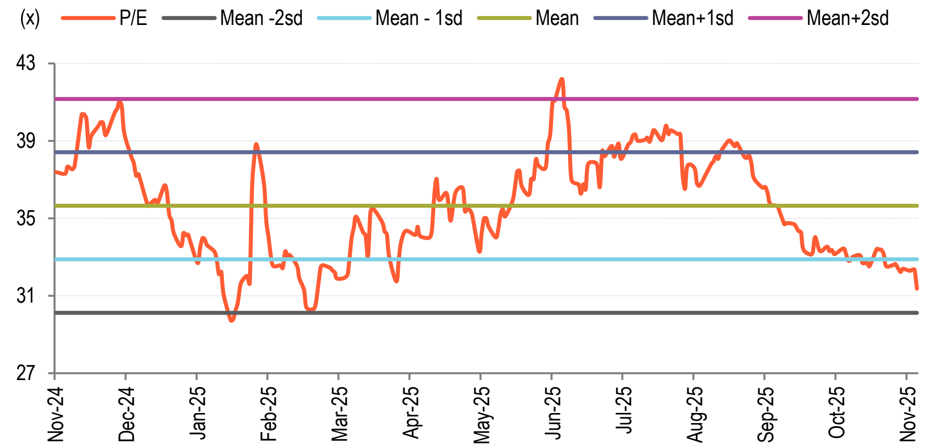
We maintain HOLD as the company has attained peak EBITDA margin of 36 - 37%. Going forward, focus on end-to-end manufacturing of GLP products in the highly competitive domestic market sites an upside risk to margins. At CMP, the stock is trading at a PE of 25x on Sep'27 roll forward EPS, due to its expertise in the insulin segment, we ascribe PE of 28x to arrive at TP of Rs 1,766.

Fig 2 – Change in Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	34,844	40,121	46,254	35,054	40,331	46,464	(0.6)	(0.5)	(0.5)
EBITDA	12,619	15,138	17,462	12,619	15,138	17,462	0.0	0.0	0.0
EBITDA M (%)	36	38	38	36	38	38	(22bps)	(20bps)	(17bps)
EPS	40.8	53.7	66.6	40.9	53.8	66.8	(0.3)	(0.1)	(0.2)

Source: Company, BOBCAPS Research

Fig 3 – 1 year forward PE band



Source: BOBCAPS Research, Bloomberg

Key risks

Key downside risks to our estimates:

- a delay in paring debt would impact earnings
- delays in launching/ramping up new products
- weaker supply of products not manufactured in-house

Key upside risks to our estimates:

- an early repayment of debt would impact earnings
- sooner launch in /ramping up new products
- strong supply of security of products not manufactured in-house

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**20,092**	**28,936**	**35,054**	**40,331**	**46,464**
EBITDA	6,748	10,172	12,619	15,138	17,462
Depreciation	1,826	3,155	3,425	3,614	3,914
EBIT	4,922	7,017	9,194	11,524	13,547
Net interest inc./(exp.)	(848)	(2,313)	(1,633)	(1,262)	(782)
Other inc./(exp.)	238	184	29	18	16
Exceptional items	0	0	0	0	0
EBT	4,313	4,888	7,589	10,279	12,781
Income taxes	342	1,142	1,746	2,587	3,217
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	51	227	295	384	499
Reported net profit	**3,920**	**3,519**	**5,548**	**7,308**	**9,065**
Adjustments	0	0	0	0	0
Adjusted net profit	**3,920**	**3,519**	**5,548**	**7,308**	**9,065**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,683	3,324	3,819	4,397	5,069
Other current liabilities	1,196	2,920	3,484	4,012	4,625
Provisions	1,148	1,471	1,780	2,049	2,363
Debt funds	27,813	24,779	18,779	12,779	6,779
Other liabilities	0	0	0	0	0
Equity capital	136	136	136	136	136
Reserves & surplus	34,443	34,876	38,203	42,974	49,184
Shareholders' fund	34,579	35,012	38,339	43,110	49,320
Total liab. and equities	**67,419**	**67,505**	**66,201**	**66,347**	**68,156**
Cash and cash eq.	14,006	2,870	1,774	1,614	3,105
Accounts receivables	4,220	4,586	4,773	5,496	6,336
Inventories	1,890	3,348	3,341	3,847	4,435
Other current assets	3,675	3,528	4,565	5,256	6,059
Investments	155	105	105	105	105
Net fixed assets	5,046	6,621	5,196	3,582	1,668
CWIP	197	0	0	0	0
Intangible assets	38,229	46,447	46,447	46,447	46,447
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**67,419**	**67,505**	**66,201**	**66,347**	**68,156**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**5,797**	**9,996**	**10,758**	**11,640**	**13,129**
Capital expenditures	(8,643)	(1,508)	(2,000)	(2,000)	(2,000)
Change in investments	212	50	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(8,431)**	**(1,457)**	**(2,000)**	**(2,000)**	**(2,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	19,046	(3,033)	(6,000)	(6,000)	(6,000)
Interest expenses	(848)	(2,313)	(1,633)	(1,262)	(782)
Dividends paid	(1,586)	(1,903)	(2,221)	(2,538)	(2,855)
Other financing cash flows	(556)	(12,426)	0	0	0
Cash flow from financing	**16,056**	**(19,675)**	**(9,854)**	**(9,800)**	**(9,637)**
Chg in cash & cash eq.	**13,421**	**(11,136)**	**(1,096)**	**(160)**	**1,491**
Closing cash & cash eq.	**14,006**	**2,870**	**1,774**	**1,614**	**3,105**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	28.9	25.9	40.9	53.8	66.8
Adjusted EPS	28.9	25.9	40.9	53.8	66.8
Dividend per share	10.0	12.0	14.0	16.0	18.0
Book value per share	207.8	227.1	251.6	286.8	332.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	10.1	6.8	5.6	5.0	4.5
EV/EBITDA	30.1	19.3	15.4	13.2	11.8
Adjusted P/E	54.6	60.8	38.5	29.3	23.6
P/BV	7.6	6.9	6.3	5.5	4.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	90.9	72.0	73.1	71.1	70.9
Interest burden (PBT/EBIT)	87.6	69.7	82.5	89.2	94.3
EBIT margin (EBIT/Revenue)	24.5	24.3	26.2	28.6	29.2
Asset turnover (Rev./Avg TA)	10.8	11.8	15.0	17.8	20.7
Leverage (Avg TA/Avg Equity)	1.9	2.1	1.8	1.5	1.3
Adjusted ROAE	15.7	11.9	17.1	20.0	21.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	19.2	44.0	21.1	15.1	15.2
EBITDA	25.7	50.7	24.1	20.0	15.3
Adjusted EPS	2.6	(10.2)	57.7	31.7	24.0
Profitability & Return ratios (%)					
EBITDA margin	33.6	35.2	36.0	37.5	37.6
EBIT margin	24.5	24.3	26.2	28.6	29.2
Adjusted profit margin	19.5	12.2	15.8	18.1	19.5
Adjusted ROAE	15.7	11.9	17.1	20.0	21.6
ROCE	11.1	11.8	15.8	20.4	24.2
Working capital days (days)					
Receivables	77	58	50	50	50
Inventory	35	42	35	35	35
Payables	49	42	40	40	40
Ratios (x)					
Gross asset turnover	1.0	1.4	1.5	1.6	1.7
Current ratio	4.7	1.9	1.6	1.6	1.7
Net interest coverage ratio	5.8	3.0	5.6	9.1	17.3
Adjusted debt/equity	0.5	0.7	0.5	0.3	0.1

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
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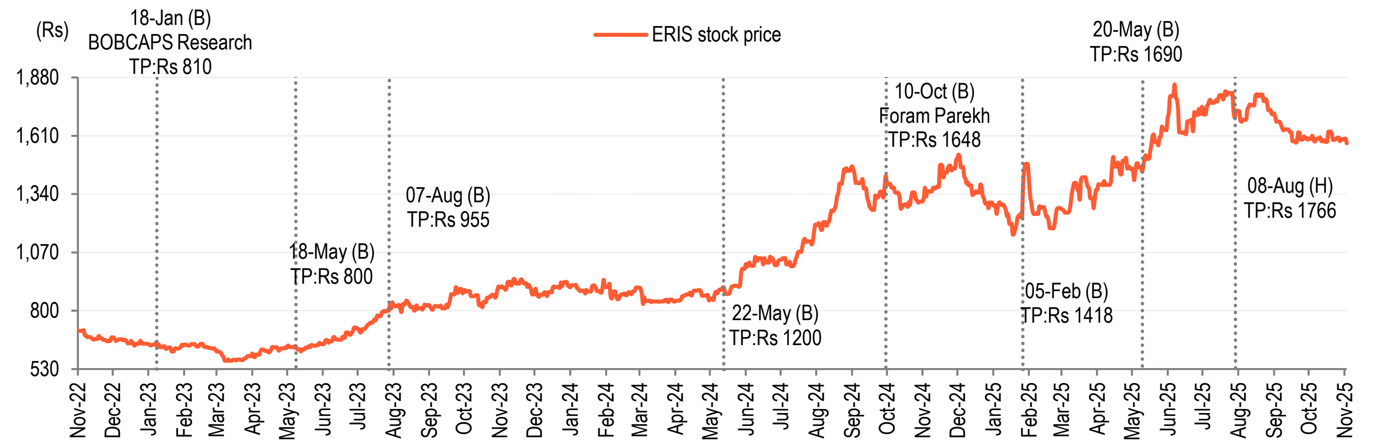

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