

**BUY****TP: Rs 1,756 | ▲ 24%****ERIS LIFESCIENCES**

| Pharmaceuticals

| 15 February 2026

## Domestic and International growth levers remain intact

- Sales/EBITDA/APAT reported 2%/-1.5%/2.3% above our estimates. EBITDA Margin reported 110 bps below our estimates**
- Biocon RHI portfolio market share is at 26% vs 8% at the time of acquisition. Glargine share guided to increase to 25% from current 16%**
- Multiple growth levers, thus upgrade stock to BUY. Continue to ascribe a PE of 28x on Dec'27 roll forward basis to arrive at a TP of Rs 1756**

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**In-line Q3FY26** – Eris reported 11% YoY growth in sales, driven by 9.6% YoY growth in domestic sales to Rs 6.9 bn and 46.1% YoY growth in international business to Rs 1.1 bn. A lower product mix (due to the discontinuation of certain domestic brands) and a 26% YoY surge in RM costs (28% of sales in 3QFY26 vs 24% in 3QFY25) led to a decline in the gross margin to 72.3%. However, operational leverage was evident, as a 6% YoY decline in SG&A costs resulted in a 47 bps YoY increase in the EBITDA margin to 34.9%. During the quarter, there was an exceptional cost of Rs 172 mn attributed to the new labour code, which resulted in 19% YoY growth in PAT to Rs 997 mn. Adjusted for the one-time expense, PAT grew by 40% YoY to Rs 1.1 bn.

**Domestic sales growth driven by the insulin portfolio** – Domestic sales were reported 2.1% below our estimates, due to the discontinuation of brands as they 1) were lower in profit and profitability, and 2) had limited growth prospects, which had a 2% impact on domestic sales. The 10% growth was driven by Biocon insulin portfolio which witnessed a rise in market share to 26% vs. 8% at the time of acquisition and a 16% share in the Glargine market vs. 9% at acquisition. The current growth and profitability to continue, with backward integration for vials (5mn vials commercialized) and cartridges commercialization by 2QFY27. We expect domestic region sales to grow at a CAGR of 15% from FY26–FY28E to Rs 37.6bn and EBITDA at a CAGR of 19% from FY26–FY28E to Rs 14.6bn.

**CDMO segment is witnessing strong order book ramp-up** – International Business sales were reported 39% above our estimates, as EU-CDMO orderbook has scaled up sharply, with visibility improving from Rs 1bn in Q1FY26 to Rs 10 bn by Q3FY26, thus leading to sales scaling upto Rs 10bn by FY30E.

**Valuation:** we remain positive on the long-term growth driven by 1) Semaglutide participation in first wave in domestic market, 2) increase in the market share for insulin segment, 3) backward integration of cartridges & 4) robust CDMO opportunity. On rolling forward to Dec'27 EPS, we continue to ascribe a PE of 28x vs 1YF mean of 34x to arrive at a PT of Rs 1756.

## Key changes

	Target	Rating
	▲	▲

Ticker/Price	ERIS IN/Rs 1,414
Market cap	US\$ 2.1bn
Free float	29%
3M ADV	US\$ 2.3mn
52wk high/low	Rs 1,910/Rs 1,097
Promoter/FPI/DII	55%/13%/16%

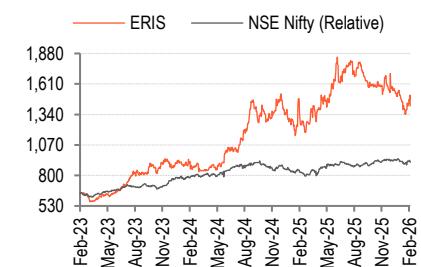
Source: NSE | Price as of 13 Feb 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	28,936	32,318	36,951
EBITDA (Rs mn)	10,172	11,229	13,957
Adj. net profit (Rs mn)	3,519	4,982	7,218
Adj. EPS (Rs)	25.9	36.7	53.2
Consensus EPS (Rs)	25.9	38.0	52.0
Adj. ROAE (%)	11.9	15.5	20.1
Adj. P/E (x)	54.6	38.5	26.6
EV/EBITDA (x)	17.2	15.4	12.7
Adj. EPS growth (%)	(64.4)	41.6	44.9

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Financial Highlights

**Fig 1 – Quarterly Highlights**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	BoB Estimates	Var. (%)
Net Sales	8,075	7,275	11.0	7,924	1.9	7,945	2
Total Expenses	5,258	4,771		5,042		5,084	
(%) of net sales	65	66		64		64	
Raw material consumed	2,233	1,769	26	2,024	10.3	2,057	
(%) of net sales	28	24		26		26	
Staff cost	1,381	1,254	10	1,375	0.5	1,390	
(%) of net sales	17	17	(14)	17		18	
SG&A	1,645	1,749	-6	1,643	0.1	1,637	
(%) of net sales	20	24		21		21	
EBITDA	2,816	2,503	12.5	2,882	(2.3)	2,861	(1.6)
Depreciation	703	812	(13)	691	2	680	
EBIT	2,113	1,691	24.9	2,191	(3.6)	2,181	
Interest	488	572	(15)	496	(1)	500	
Other Income	0	42	(100)	28	(99)	30	
PBT	1,625	1,162	39.9	1,724	(5.8)	1,711	(5.0)
Less: Taxation	365	292	25	382	(4)	428	
Minority Interest/Associate	90	33	172	140	(36)	140	
Recurring PAT	1,170	836	39.9	1,202	(2.7)	1,143	2.3
Exceptional items	(172)	0		0		0	
Reported PAT	997	836	19.2	1,202	(17.0)	1,143	(12.8)
<b>Key Ratios (%)</b>							
Gross Margin	72.3	75.7	(334)	74.5	(211)	74.1	
EBITDA Margin	34.9	34.4	47	36.4	(149)	36.0	
Tax / PBT	22.5	25.2	(269)	22.2	32	25.0	
NPM	14.5	11.5	299	15.2	(68)	14.4	
EPS (Rs)	8.6	6.1	39.9	8.8	(2.7)	8.4	

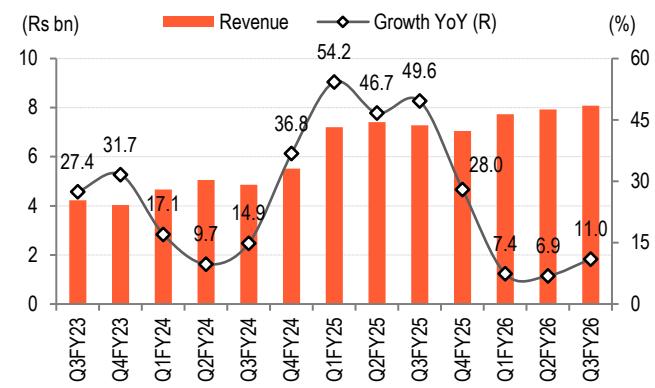
Source: Company, BOBCAPS Research

**Fig 2 – Revenue Mix**

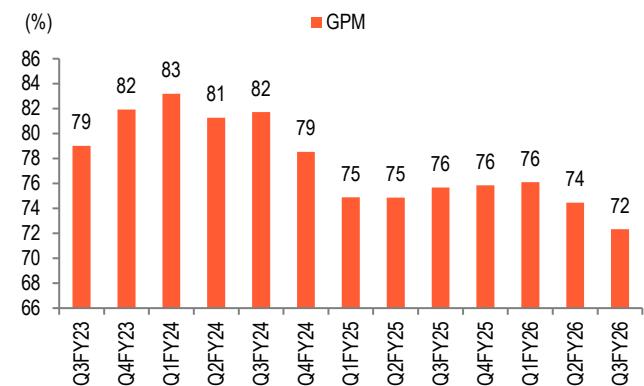
(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	BoB Estimates	Var. (%)
Domestic	6,960	6,350	9.6	7,080	(1.7)	7,112	(2.1)
EBITDA	2,540	2,300	10.4	2,662	(4.6)	2,631	(3.5)
Swiss Parental	1,110	760	46.1	830	33.7	800	38.8
EBITDA	330	220	25.3	270	22.2	256	28.9
Revenues	8,070	7,110	13.5	7,910	2.0	7,912	2.0
Total EBITDA	2,870	2,520	13.9	2,932	(2.1)	2,887	(0.6)

Source: Company, BOBCAPS Research

## Financial Charts

**Fig 3 – Sales growth driven by better international sales**


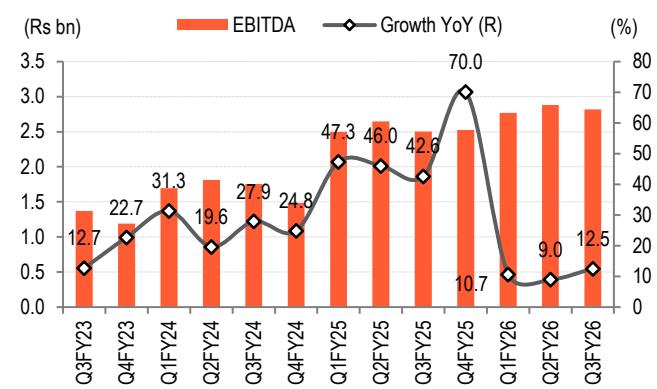
Source: Company, BOBCAPS Research

**Fig 4 – Gross Profit Margin lower due to 2% impact on domestic sales led by discontinuation of non-core brands**


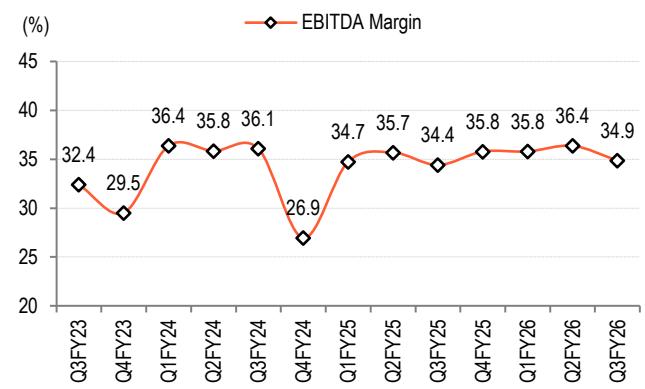
Source: Company, BOBCAPS Research

**Fig 5 – Employee cost stable over a period of time**

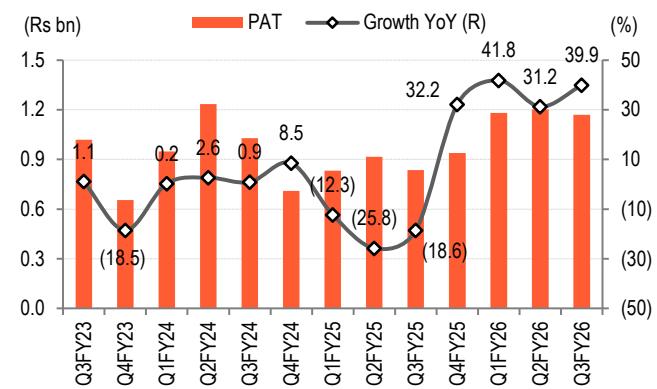

Source: Company, BOBCAPS Research

**Fig 6 – EBITDA growth up sequentially with better profitability from international business**


Source: Company, BOBCAPS Research

**Fig 7 – EBITDA Margin lowered sequentially due to impact from discontinuation of noncore brands**


Source: Company, BOBCAPS Research

**Fig 8 – Lower Depreciation and interest cost resulted in better PAT**


Source: Company, BOBCAPS Research

## Earnings Call highlights

### Outlook

- FY26 revenue visibility is around Rs 3,200 crore with 12% growth(ex trade generics) & EBITDA around Rs 1,150 Cr implying 15% growth.
- Net debt stood at Rs 2,270 Cr; target is 1.5x net debt to EBITDA by CY26 end.
- Q3 capex was around Rs 80 Cr; 9M capex was around Rs 200 Cr; annual capex expected at Rs 200–250 Cr.
- Total planned capex of Rs 750 Cr for FY26–28 is being front-loaded towards injectables, insulin and GLP, delaying debt reduction.
- OCF conversion was 50% in Q3 versus 120% last year due to higher injectables, hospital supplies and insulin mix; working capital days expected to improve by 10–14 days over next 1–2 quarters.
- Opex has increased due to investments in R&D, manufacturing and technology, with benefits expected to accrue from FY27 onwards.
- FY26 international business revenue guidance is Rs 370–375 crore with EBITDA around Rs 150 crore.
- FY27 (International Business) expected to be breakout year with revenue of Rs 550–600 crore and EBITDA of Rs 180–200 crore.
- EU CDMO order book stands at Rs 1,000 crore annualized at Q3-end; Rs 125–160 crore CDMO revenue expected in FY27. Full commercialization of CDMO book expected over three years; Company remains confident of achieving around Rs 1,000 crore international revenue by FY29–30.
- CDMO Capacity update: Swiss currently operates two facilities sufficient through FY27, and with the much larger Unit 3 expected to be commissioned in FY28 (larger than the first two combined), the company expects to be more than adequately positioned to support future CDMO expansion.
- Management indicated that while Semaglutide may be initially margin dilutive, the Bhopal facility has already commenced vial production (providing Q1 cushion) and with cartridges expected next quarter, full utilization should drive a significant EBITDA uplift, more than offsetting any minor margin pressures. So margins would be stable.
- Based on Q3 trend, Management has strong visibility to deliver revenue growth of 12% in DBF with 37% operating margin; Q4 to see full impact of price increases, supporting growth and margins.
- Discontinuation of non-core tail brands primarily within general injectables worth Rs 60–70 crore revenue will cause about 2 percent revenue impact in FY27 but improve profitability at an absolute level and margins. Excluding these brands, 9M growth was 12% and FY26 growth expected at 13–14% with EBITDA Margin of 39%+.

- Aspart & AspartMix going to be launched in FY27; Validation Batches schedules in the next couple of months for Degludec Plain & Degludec + Liraglutide Combination.
- Targets 25% market share in core RHI & Blockchain market & build a strong position in the adjacent market of Rs 1800 Cr dominated by innovators.
- Cartridge(RHI + Glargine) validation batches underway; commercial manufacturing expected from Q2 FY27.
- OAD portfolio (DBF) continues to lag market due to FTC bans and SKU issues, expected to stabilize in next 2–3 quarters.

### Domestic Branded Formulation Business

- Q3 revenue was Rs 696 Cr, up 10%; 9M revenue was Rs 2,106 Cr, up 10%.
- Q3 EBITDA ~ Rs 254 Cr; 9M DBF EBITDA was Rs 781 Cr, up 12%; margin expanded 70 bps YoY.
- Cardiac growth gap versus market has narrowed and turned slightly ahead of Market in January.
- Dermatology and Insulin segments continue to outperform market. Insulin by huge margins due to (1) innovator exit of product at a higher price point (2) Exponentially gaining market share.

### Insulin Franchise

- RHI cartridge market share reached 25–26% in December–January versus 8 percent at acquisition (Biocon), with prescription share near 30%; strong tailwind for next financial year.
- Management expects market share to move to 27–28% before stabilizing; volume share > value share due to 40% lower pricing versus innovator; low price leads to good price increment chance, almost every year for next 4-5years.
- In the Rs 3,000 crore RHI+Glargine market, share increased from 9% to 16%.
- Insulin analogue market of around Rs 1,800Cr represents next growth phase.
- Over 5 million RHI vials manufactured at Bhopal; Glargine vial commercial manufacturing initiated this month.

### GLP-1 Opportunity

- Partner Natco Pharma Ltd received approval for generic semaglutide; relationship is exclusive in nature.
- Initial gross margins will be lower due to early batch approvals but impact is immaterial at overall company level given large base (bottom line in DBS would be quarter of Rs 3000 Cr).
- Obesity indication with Natco could be an extension of relationship; however, management believes India is not a highly morbidly obese market and sees

demand capped (~1.7 bn grams), making obesity more ornamental than a near-term economic driver; diabetes portfolio trends together expected to capture >80% market share.

- Management sees semaglutide as a metabolic drug opportunity addressing diabetes, fatty liver, PCOD and sleep apnea beyond obesity.
- Strong endocrinologist and diabetologist coverage with around 70% prescription strength.
- In terms of go-to-market readiness, partnership is already in place, decks are cleared for final approval & significant progress has been made in internalizing semi-automated manufacturing at Ahmedabad site.
- Existing diabetes (7-8 teams) and insulin (2 teams added) teams will drive launch; no additional team planned in first 2 quarters.

### Esaxerenone (Japanese Molecule)

- Esaxerenone launched as a non-steroidal MRA for resistant hypertension with kidney protection benefits.
- Not only reduces hypertension but also reduces proteinuria.
- Positioned as a disease-modifying drug with strong potential in diabetic and CKD patients.
- The MRA plus non-steroidal MRA market in India is around Rs 800Cr, with additional opportunity through ARB combinations, making it a large potential opportunity.

### International Business

- Q3 international revenue was Rs 111 Cr, up 45 percent; 9M revenue was Rs 259 Cr, up 11 percent.
- Q3 EBITDA margin was 30 percent versus 33 percent in FY25 due to upfront investments in people and capabilities; full impact of these will be realized in the starting-FY27.
- Key drivers: Consistently Book is building up; Tailwinds in some base business in terms of corticosteroids & Latin America Acceleration.

## Valuation methodology

Due to discontinuation of non-core brands, domestic sales guidance has been lowered to 14% vs earlier 15%, and as a result, the company has lowered FY26 guidance as well. We have aligned our FY26E numbers with the stated estimates, thus revising our FY26 Sales/EBITDA/PAT estimates by 8%/11%/10% respectively.

However, we remain positive on the long term growth prospects driven by various factors such as 1) Semaglutide participation in first wave in the domestic market, 2) increase in the market share for the insulin segment, 3) backward integration of cartridges (expected to manufacture 25 mn units pa), 4) robust CDMO opportunity from the Ahmedabad facility and wider penetration in the European market; thus, we expect sales/EBITDA/PAT to grow at a CAGR of 10%/20%/34% respectively, from FY26-28E, thereby upgrading the stock to BUY from earlier HOLD.

On rolling forward to Dec'27 EPS, the stock is trading at 22x and we continue to ascribe a PE of 28x vs 1YF mean of 34x to arrive at a PT of Rs 1756.

**Fig 9 – Change in Estimates table**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	32,318	36,951	42,262	35,054	40,331	46,464	(7.8)	(8.4)	(9.0)
EBITDA	11,229	13,957	16,192	12,619	15,138	17,462	(11.0)	(7.8)	(7.3)
EBITDA margin (%)	34.7	37.8	38.3	36.0	37.5	37.6	130bps	20bps	70bps
EPS (Rs)	36.6	53.1	66.1	40.9	53.8	66.8	(10.5)	(1.4)	(1.0)

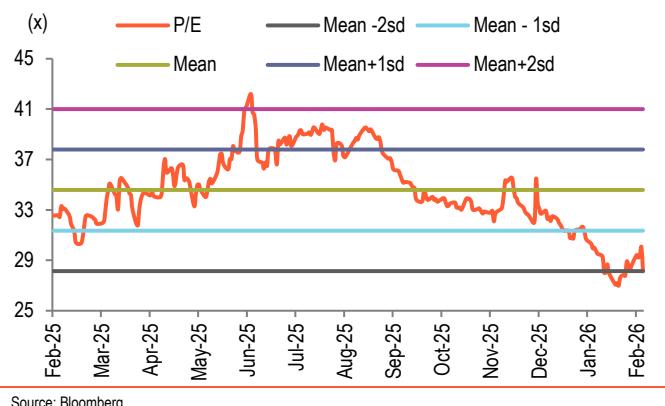
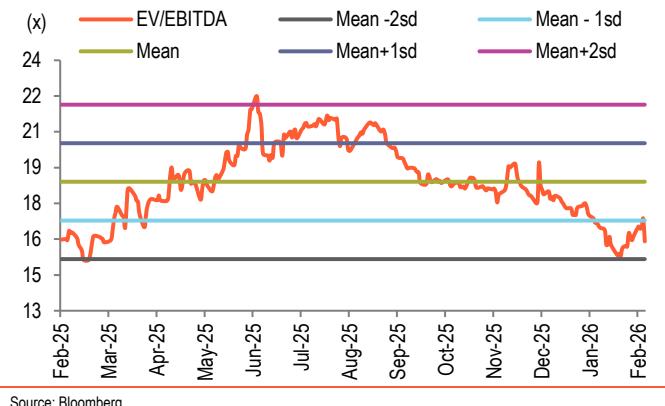
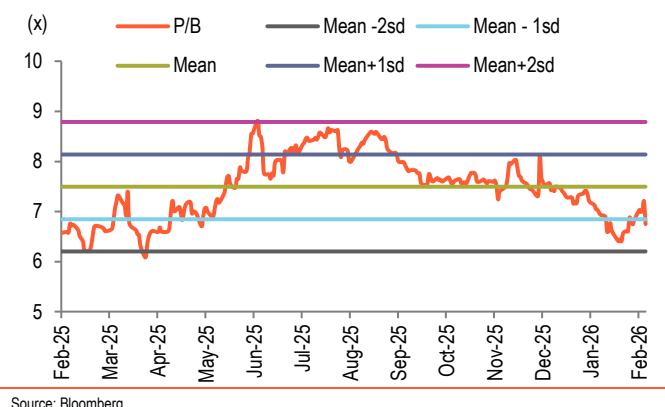
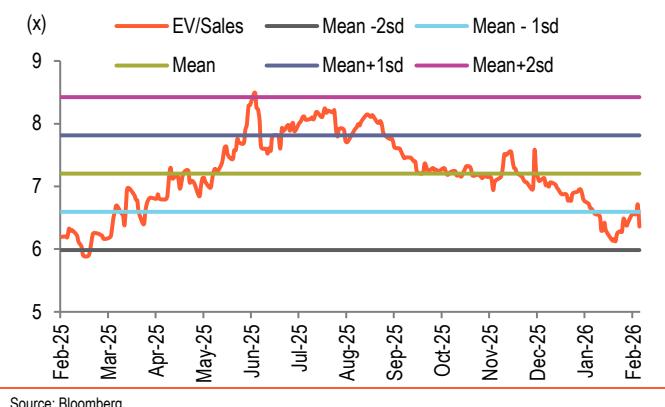
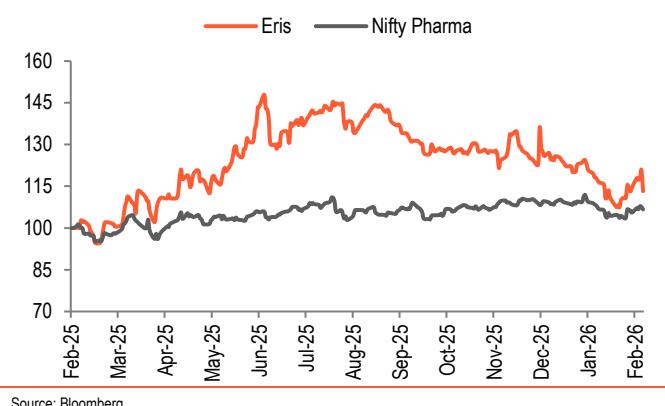
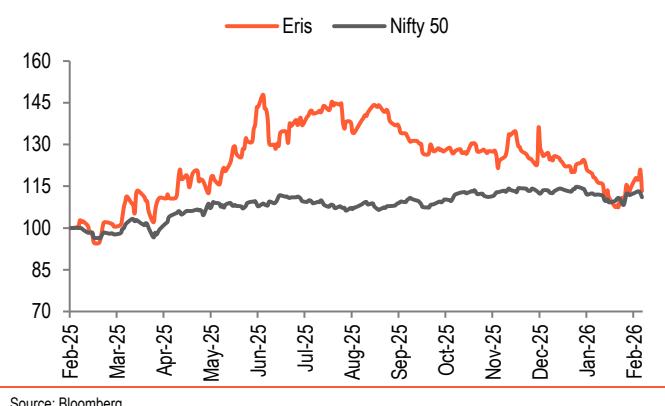
Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- Softer pick up of semaglutide amidst intense competition
- Delay in paring debt would impact earnings
- delays in launching/ramping up new products
- weaker supply of products not manufactured in-house

## Valuation Bands

**Fig 10 – 1Y F PE Band**

**Fig 11 – 1 Y F EV/EBITDA Band**

**Fig 12 – 1 Y F P/BV Band**

**Fig 13 – 1 Y F EV/Sales Band**

**Fig 14 – Eris vs Nifty Pharma relative chart**

**Fig 15 – Eris vs Nifty 50 relative Chart**


## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>26,052</b>	<b>28,936</b>	<b>32,318</b>	<b>36,951</b>	<b>42,262</b>
EBITDA	12,709	10,172	11,229	13,957	16,192
Depreciation	1,826	3,155	2,762	2,891	3,131
EBIT	10,883	7,017	8,467	11,066	13,061
Net interest inc./exp.)	(848)	(2,313)	(1,633)	(1,183)	(733)
Other inc./exp.)	238	184	110	120	130
Exceptional items	0	0	0	0	0
EBT	10,273	4,888	6,944	10,003	12,458
Income taxes	342	1,142	1,666	2,401	2,990
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	51	227	295	384	499
<b>Reported net profit</b>	<b>9,881</b>	<b>3,519</b>	<b>4,982</b>	<b>7,218</b>	<b>8,969</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>9,881</b>	<b>3,519</b>	<b>4,982</b>	<b>7,218</b>	<b>8,969</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,683	3,324	3,519	4,026	4,608
Other current liabilities	1,196	2,920	3,211	3,674	4,205
Provisions	1,148	1,471	1,640	1,877	2,148
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	37,637	42,317	48,431
Shareholders' fund	34,579	35,012	37,773	42,453	48,567
<b>Total liab. and equities</b>	<b>67,419</b>	<b>67,505</b>	<b>64,921</b>	<b>64,809</b>	<b>66,307</b>
Cash and cash eq.	14,006	2,870	827	(79)	617
Accounts receivables	4,220	4,586	4,398	5,033	5,761
Inventories	1,890	3,348	3,079	3,523	4,032
Other current assets	3,675	3,528	4,206	4,813	5,509
Investments	155	105	105	105	105
Net fixed assets	5,046	6,621	5,859	4,968	3,836
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
<b>Total assets</b>	<b>67,419</b>	<b>67,505</b>	<b>64,921</b>	<b>64,809</b>	<b>66,307</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>11,757</b>	<b>9,996</b>	<b>9,811</b>	<b>10,814</b>	<b>12,285</b>
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
<b>Cash flow from investing</b>	<b>(8,431)</b>	<b>(1,457)</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>
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)	(1,183)	(733)
Dividends paid	(1,586)	(1,903)	(2,221)	(2,538)	(2,855)
Other financing cash flows	(6,516)	(12,426)	0	0	0
<b>Cash flow from financing</b>	<b>10,095</b>	<b>(19,675)</b>	<b>(9,854)</b>	<b>(9,721)</b>	<b>(9,588)</b>
Chg in cash & cash eq.	13,421	(11,136)	(2,043)	(907)	697
<b>Closing cash &amp; cash eq.</b>	<b>14,006</b>	<b>2,870</b>	<b>827</b>	<b>(79)</b>	<b>617</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	72.8	25.9	36.7	53.2	66.1
Adjusted EPS	72.8	25.9	36.7	53.2	66.1
Dividend per share	10.0	12.0	14.0	16.0	18.0
Book value per share	207.8	227.1	247.4	281.9	326.9

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	7.0	6.0	5.3	4.8	4.3
EV/EBITDA	14.3	17.2	15.4	12.7	11.3
Adjusted P/E	19.4	54.6	38.5	26.6	21.4
P/BV	6.8	6.2	5.7	5.0	4.3

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	96.2	72.0	71.7	72.2	72.0
Interest burden (PBT/EBIT)	94.4	69.7	82.0	90.4	95.4
EBIT margin (EBIT/Revenue)	41.8	24.3	26.2	29.9	30.9
Asset turnover (Rev./Avg TA)	14.0	11.8	13.9	16.5	19.1
Leverage (Avg TA/Avg Equity)	1.9	2.1	1.8	1.6	1.3
Adjusted ROAE	39.5	11.9	15.5	20.1	21.7

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	54.6	11.1	11.7	14.3	14.4
EBITDA	136.8	(20.0)	10.4	24.3	16.0
Adjusted EPS	158.6	(64.4)	41.6	44.9	24.3
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	48.8	35.2	34.7	37.8	38.3
EBIT margin	41.8	24.3	26.2	29.9	30.9
Adjusted profit margin	37.9	12.2	15.4	19.5	21.2
Adjusted ROAE	39.5	11.9	15.5	20.1	21.7
ROCE	23.9	11.8	14.7	20.0	23.9
<b>Working capital days (days)</b>					
Receivables	60	58	50	50	50
Inventory	27	42	35	35	35
Payables	38	42	40	40	40
<b>Ratios (x)</b>					
Gross asset turnover	1.3	1.4	1.4	1.5	1.6
Current ratio	4.7	1.9	1.5	1.4	1.5
Net interest coverage ratio	12.8	3.0	5.2	9.4	17.8
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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Name of the Research Entity: **BOB Capital Markets Limited**

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Brand Name: **BOBCAPS**

Trade Name: [www.barodaetrade.com](http://www.barodaetrade.com)

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

**BUY** – Expected return >+15%

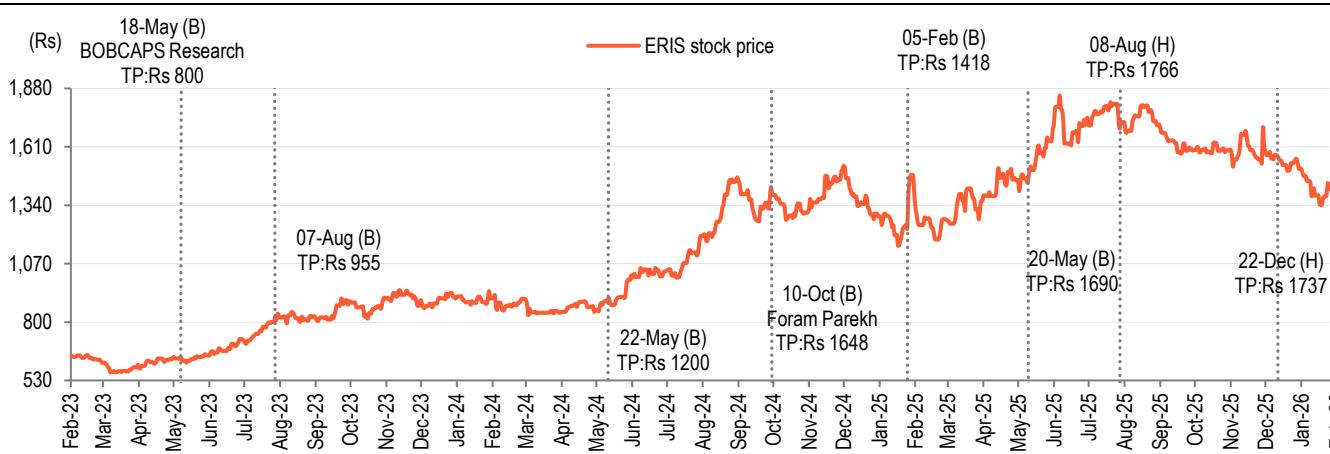
**HOLD** – Expected return from -6% to +15%

**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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