

BUY

TP: Rs 1,711 | ▲ 23%

ERIS LIFESCIENCES

| Pharmaceuticals

| 21 May 2026

Miss on estimates; growth & margin to sustain on a high base

- Sales/EBITDA/PBT/PAT were reported -7/-4.9%/-6.6%/126% above our estimates
- Domestic business EBITDA margin to sustain at 37% in FY27, thus supporting EBITDA margin on a consolidated basis
- Due to the industry-high margins in Formulations, we continue to ascribe 28x and roll forward to Mar'28 EPS to arrive at a PT of Rs 1711

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Result below estimates – Eris Lifesciences (ERIS) reported sales growth of 7.3% YoY to Rs 7.6bn in Q4FY26. Sales growth was driven by 11.5% YoY growth in the domestic business to Rs 6.7bn as well as a decline of 7.5% YoY in the Swiss Parenteral business to Rs 860 mn. This was due to a Rs 300 mn supply disruption from the Middle-East crisis. Healthy growth in the domestic business and operational leverage led to an 8.4% YoY growth in EBITDA to Rs 2.7bn and 37bps YoY increase in EBITDA margin. During the quarter, interest cost lowered by 16%, depreciation lowered by 10% which was offset by other income declining by 72%, however, PBT grew by 24.7% YoY to Rs 1.6bn. There was a 200% YoY growth in PAT due to tax credit arising from the deferred tax asset to Rs 2.8bn.

Domestic business growth to stay above covered market – During Q4FY26, domestic business grew in line with our estimates. The growth came on the back of IPM outperformance by therapies like Dermatology and Insulin — at par IPM performance for Cardio that was offset by drag on the OAD portfolio (FDC ban). Also, GLP product Sundae’s market share rose, resulting in ERIS clocking 22% by Rx and 13% by sales value. The company expects Sundae to become profitable as the Bhopal facility manufactures cartridges in-house. ERIS also does not expect cannibalisation of its OAD portfolio with the pickup in Sundae and has witnessed rebound in the OAD portfolio in early months of FY27. Thus, we expect domestic sales to grow at 15% CAGR from FY27-29 to Rs 42.9bn in FY29E.

Valuation - We have lowered our EBITDA Margin by 140 bps and 150 bps, factoring in the stagnant 37% margins for domestic region and lack of sales from the EU CDMO in the Swiss Parenteral segment, until the plant clearance. Since the same has got cascaded to EPS, we reduce our EPS estimates by 5% in FY27 to Rs 49.6 and 4% in FY28 to Rs 62.4 per share.

At CMP, the stock trades at 29x on FY27 EPS and 24x on FY28E EPS. We continue to ascribe 28x, rolling forward to Mar'28 EPS, to arrive at TP of Rs 1711 on the stock. We maintain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ERIS IN/Rs 1,386
Market cap	US\$ 2.0bn
Free float	29%
3M ADV	US\$ 1.9mn
52wk high/low	Rs 1,910/Rs 1,200
Promoter/FPI/DII	55%/13%/16%

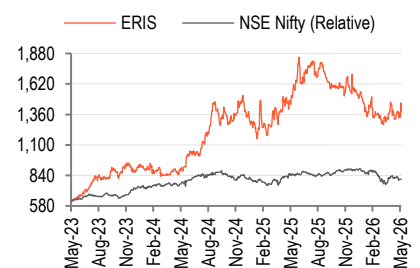
Source: NSE | Price as of 21 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	31,294	37,075	42,605
EBITDA (Rs mn)	11,201	13,482	15,684
Adj. net profit (Rs mn)	6,367	6,749	8,482
Adj. EPS (Rs)	46.9	49.7	62.5
Consensus EPS (Rs)	45.6	50.3	63.0
Adj. ROAE (%)	18.1	16.2	18.2
Adj. P/E (x)	29.6	27.9	22.2
EV/EBITDA (x)	14.8	12.6	11.3
Adj. EPS growth (%)	80.9	6.0	25.7

Source: Company, Bloomberg, BOBCAPS Research |

Stock performance



Source: NSE



EBITDA margin to sustain on high base - In Q4FY26, ERIS reported EBITDA margin increase by 37 bps to 36.2%; largely driven by 37% EBITDA margin from the domestic business. The company has maintained its EBITDA margin guidance for domestic region at 37% with: 1) a slight increase in its OAD portfolio 2) good 20-30% growth in its key segments like Insulins and Dermatology, 3) at par IPM performance of Cardio brands 4) gradual penetration of Sundae brand with the physicians/specialists. Profitability in the domestic region is likely to increase with the in-house fill finish of GLP products that would likely be commissioned from H2FY27E. The Swiss Parenteral margin is also guided flat at 32%, as the incremental profitability can come post the reinspection of the Swiss Parenteral facility, which is under EU observation. However, we believe that on the current high-base margin, the company can report 36.4% for FY26, 36.8% for FY27E as well as 37.3% for FY28E.

Swiss Parenteral base sales growth guided in double digits – During the quarter, Swiss Parenteral sales were reported 35% below our estimates. Going forward, EU CDMO sales of Rs 1.2-1.4bn is expected to defer to FY28, given the EU regulatory observations in Swiss plant, as the plant needs to be reinspected. However, the base business growth is expected 1) recouping of loss opportunity of Rs 300 mn, 2) Aspart launch and 3) uptick in geographies like South Africa, Asia and LATAM. Thus, we expect the base business to grow at a CAGR of 15% from FY27-29E to Rs 5.9bn in FY29E.

Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var. (%)
Net Sales	7,566	7,053	7.3	8,075	(6.3)	8,106	(6.7)
Total Expenses	4,830	4,529	6.6	5,258	(8.1)	5,228	(7.6)
(%) of net sales	64	64		65		65	
Raw material consumed	1,853	1,703	8.8	2,233	(17.0)	2,270	(18.4)
(%) of net sales	24	24		28		28	
Staff cost	1,369	1,215	12.7	1,381	(0.9)	1,337	2.3
(%) of net sales	18	17		17		17	
SG&A	1,609	1,612	(0.2)	1,645	(2.2)	1,621	(0.8)
(%) of net sales	21	23		20		20	
EBITDA	2,736	2,524	8.4	2,816	(2.9)	2,878	(4.9)
Depreciation	696	773	(9.9)	703	(1.1)	705	(1.3)
EBIT	2,040	1,751	16.5	2,113	(3.4)	2,173	(6.1)
Interest	456	543	(16.0)	488	(6.6)	475	(4.0)
Other Income	22	80		0		22	
PBT	1,606	1,288	24.7	1,625	(1.1)	1,720	(6.6)
Less: Taxation	(1,197)	265	(551.3)	365	(427.7)	385	(410.7)
Minority Interest/Associate	(25)	85	(129.5)	90	(127.9)	90	(127.9)
Recurring PAT	2,828	938	201.6	1,170	141.8	1,245	127.2
Exceptional items	(12)	0		(172)		1	
Reported PAT	2,816	938	200.3	997	182.4	1,246	126.1
Key Ratios (%)							
Gross Margin	75.5	75.9	(35bps)	72.3	317bps	72.0	351bps
EBITDA Margin	36.2	35.8	37bps	34.9	128bps	35.5	66bps
Tax / PBT	-74.5	20.6	(9,511bps)	22.5	(9,700bps)	22.4	(9,692bps)
NPM	37.4	13.3	2,408bps	14.5	2,290bps	15.4	2,203bps
EPS (Rs)	20.8	6.9	201.6	8.6	141.7	9.2	127.1

Source: Company, BOBCAPS Research

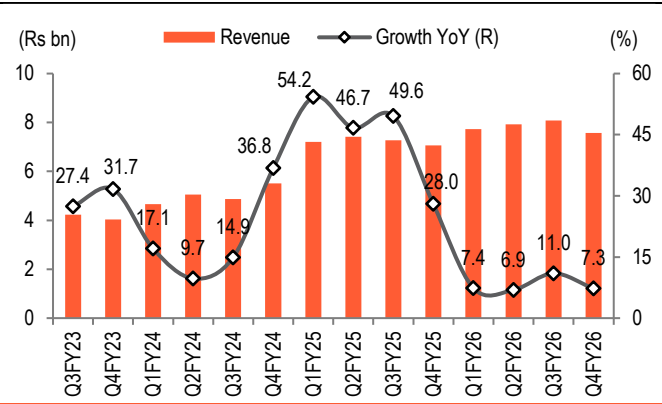
Fig 2 – Revenue Mix

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var. (%)
Domestic	6,710	6,020	11.5	6,960	(3.6)	6,742	(0.5)
EBITDA	2,460	2,239	9.8	2,540	(3.1)	-	-
Swiss Parenteral	860	930	(7.5)	1,110	(22.5)	1,321	(34.9)
EBITDA	280	340	(17.6)	330	(15.2)	-	-
Revenues	7,570	6,950	8.9	8,070	(6.2)	8,063	(6.1)
Total EBITDA	2,740	2,579	6.2	2,870	(4.5)	-	-

Source: Company, BOBCAPS Research

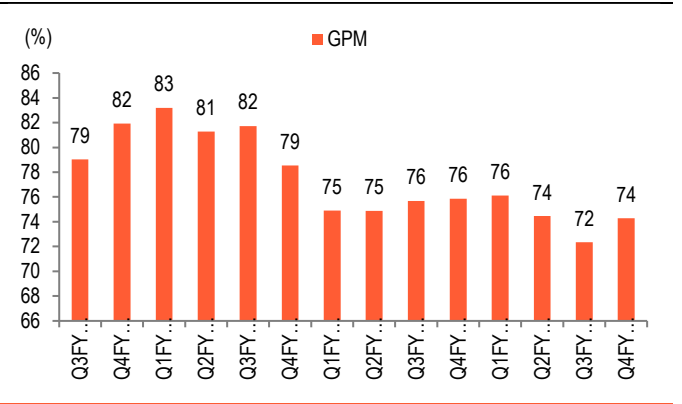
Financial Charts

Fig 3 – Revenue growth moderating primarily due to decline in the OAD portfolio



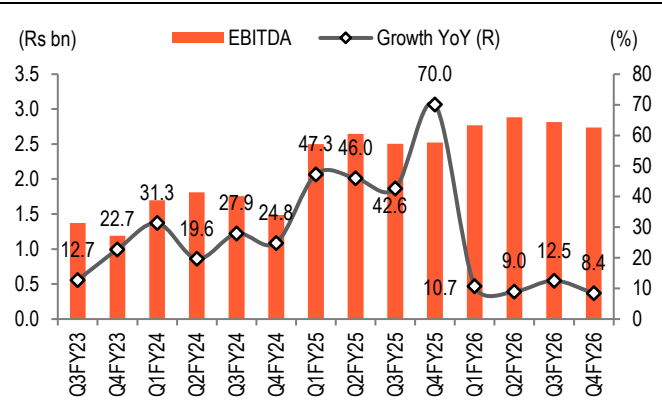
Source: Company, BOBCAPS Research

Fig 4 – GPM supported by above IPM growth in the domestic region



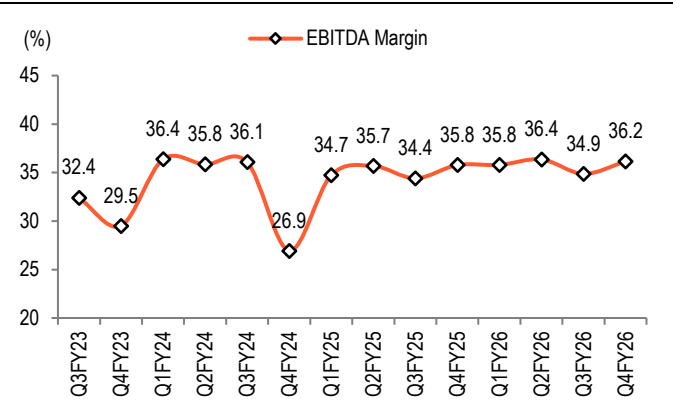
Source: Company, BOBCAPS Research

Fig 5 – EBITDA growth driven by product mix and operational leverage



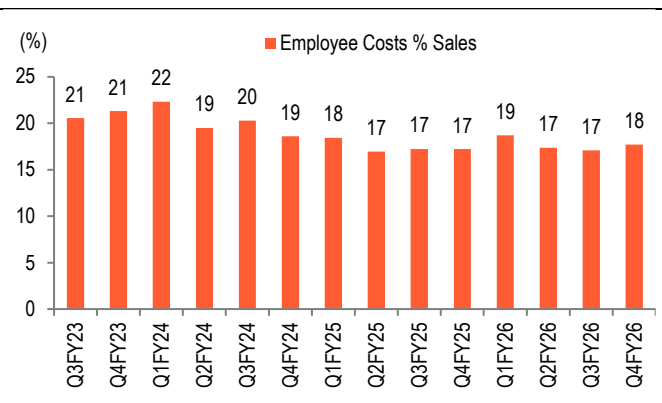
Source: Company, BOBCAPS Research

Fig 6 – EBITDA Margin increased driven by domestic and Swiss parenteral margins



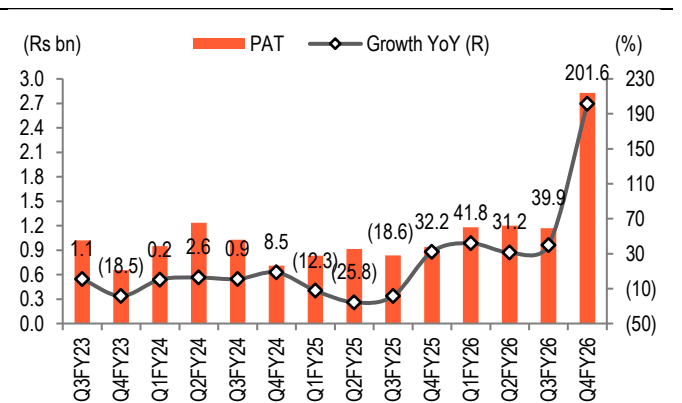
Source: Company, BOBCAPS Research

Fig 7 – Employee cost % Sales stable over a period



Source: Company, BOBCAPS Research

Fig 8 – PAT surge driven by one-off tax credit



Source: Company, BOBCAPS Research

Earning Call Highlights

Outlook:

- Management guided FY27 DBF revenue growth at 1.3x covered market growth, implying mid-teen DBF growth for FY27.
- DBF EBITDA margin guided at ~37% for FY27, with H2 expected to be stronger than H1 due to the Semaglutide margin drag and Bhopal manufacturing ramp-up.
- International business revenue growth guided at 18-20% for FY27 (excluding EU-CDMO contribution), with EBITDA margin maintained at ~32%.
- EU-CDMO commercialisation deferred due to EU GMP observations; Rs 1.2-1.4bn revenue deferred but stays intact in the order book.
- Consolidated revenue growth implied at mid-teens+ for FY27, supported by DBF and international growth.
- Semaglutide rollout progressing across vials and pens, with obesity SKU launch planned in July; in-house pen manufacturing at Bhopal targeted from 2QFY27.
- Management expects 1-1.5mn stable Semaglutide patients in the first year and sees the market evolving into a 5-6 player industry.
- Insulin franchise expected to remain a key growth driver, supported by analogue launches including Degludec, Aspart and Aspart Mix in FY27.
- Bhopal facility ramp-up underway, with meaningful production scale-up and export opportunities likely from H2FY27 onwards.
- Insulin and Dermatology are expected to continue outperforming the covered market growth, while OAD recovery may take another 2-3 quarters.
- Swiss Parentals' new injectable Unit 3 remains on track for commissioning in April'27, doubling the current capacity.
- Part of the 4Q international shipment loss is expected to be recovered in 1QFY27, with April performance already improving materially.
- Management targets the normalization of debtor days to ~60 within two quarters.
- ETR guided at ~21% for FY27; finance cost likely to further decline with the continued deleveraging.
- Management highlighted medium-term ROCE target of 23-25% over FY26-FY28, driven by biotech investments and operating leverage.

Domestic Branded Formulation Business

- Q4 DBF revenue grew 12% YoY to Rs 6.7bn, while FY26 DBF revenue grew 11% YoY to Rs 27.8bn.
- FY26 DBF EBITDA margin expanded 50bps YoY to 37%, supported by the improvement in mix and operating leverage.

- 4Q margin remained slightly lower due to the expenses pertaining to the Semaglutide pre-launch.
- FY26 DBF growth was impacted by delayed launches, insulin in-sourcing delays and weak critical care performance.
- Delayed launches led to a revenue loss of ~Rs 550-600mn in FY26, with Aspart and Esaxerenone shifting to FY27.
- Insulin business lost ~Rs 500mn of revenue in FY26, due to supply constraints and a delayed Bhopal in-house manufacturing.
- Insulin and Dermatology were the key outperformers within DBF during FY26.
- OAD continued being the biggest drag, though management highlighted recovery trends in April-May'26.
- Ex-insulin DBF growth will likely move into double-digit territory in FY27.
- Semaglutide launch contributed ~Rs 40mn secondary sales in April'26, with a further scale-up expected in May'26.

International Business:

- 4Q international revenue stood at Rs 860mn, impacted by ~Rs 300mn shipment delays on supply chain disruptions.
- FY26 international revenue grew 7% YoY to Rs 3.5bn, while EBITDA margin remained at ~32%.
- LATAM expected to grow faster in FY27, while Africa and Asia continue being the anchor regions.
- The earlier target of Rs 5.5-6.0bn for FY27 has been recalibrated to ~Rs 4.1-4.2bn, due to EU-CDMO delays.
- International debtors have already reduced by ~25% as of mid-May'26.
- Management retained its long-term international revenue aspiration of ~Rs 10bn by FY29-30.

Valuation Methodology

ERIS reported numbers lower than our estimates, primarily due to its Swiss Parenteral business getting affected by the Middle-East crisis. Going forward, the company expects this business to recoup, followed by new product launches. The company is also witnessing a healthy penetration of Semaglutide launch in both vials and cartridges and expects profitability to scale up post the internal manufacturing of cartridges. Also, the company expects the market outperformance to continue in Derma and Insulin segments in the domestic formulation business, thereby sustaining margins on a high base of 37% for domestic region and 32% for Swiss Parenteral.

However, we have lowered our EBITDA by 140 bps and 150 bps, factoring in stagnant margins for domestic region (vs earlier incremental margin) and a lack of sales from the EU CDMO in the Swiss Parenteral segment, until the plant clearance. Since the same has cascaded to EPS, we reduce our EPS estimates by 5% in FY27 to Rs 49.6 and 4% in FY28 to Rs 62.4 per share.

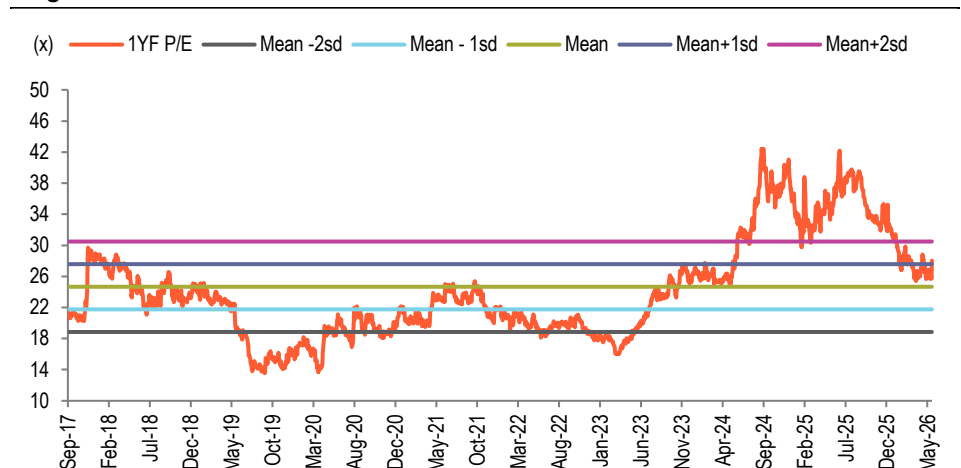
At CMP, the stock trades at 29x on FY27 EPS and 24x on FY28E EPS. We continue to ascribe 28x, rolling forward to Mar'28 EPS, to arrive at TP of Rs 1711 on the stock. We maintain BUY.

Fig 9 – Change in Estimates

(Rs mn)	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	36,865	42,395	36,741	42,052	0	1
EBITDA	13,482	15,684	13,957	16,192	(3)	(3)
EBITDA M (%)	36.6	37.0	38.0	38.5	(140bps)	(150bps)
EPS	49.6	62.4	52.2	64.9	(5)	(4)

Source: Company, BOBCAPS Research

Fig 10 – 1 YF P/E Band



Source: Bloomberg

Key Risks

Key downside risks to our estimates:

- Lack of scale-up of GLP products
- Regulatory problems in facilities to impact backward integration of GLP products
- 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	37,075	42,605	48,965
EBITDA	10,172	11,201	13,482	15,684	18,249
Depreciation	3,155	2,795	2,951	3,311	3,671
EBIT	7,017	8,406	10,530	12,373	14,578
Net interest inc./(exp.)	(2,313)	(1,927)	(1,647)	(1,167)	(687)
Other inc./(exp.)	184	78	120	130	130
Exceptional items	0	0	0	0	1
EBT	4,888	6,557	9,003	11,336	14,021
Income taxes	1,142	(90)	1,891	2,381	2,944
Extraordinary items	0	(172)	0	0	0
Min. int./Inc. from assoc.	227	280	364	473	615
Reported net profit	3,519	6,195	6,749	8,482	10,462
Adjustments	0	(172)	0	0	0
Adjusted net profit	3,519	6,367	6,749	8,482	10,462

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,324	3,297	4,040	4,646	5,343
Other current liabilities	2,920	3,520	3,687	4,240	4,875
Provisions	1,471	1,245	1,473	1,694	1,949
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	43,605	49,180	56,412
Shareholders' fund	35,012	39,578	43,743	49,319	56,551
Total liab. and equities	67,505	71,226	70,529	71,485	74,304
Cash and cash eq.	2,870	673	3,376	2,631	3,807
Accounts receivables	4,586	6,803	5,050	5,808	6,679
Inventories	3,348	4,368	3,535	4,065	4,675
Other current assets	3,528	5,691	4,829	5,554	6,387
Investments	105	100	100	100	100
Net fixed assets	6,621	7,084	7,132	6,821	6,150
CWIP	0	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	70,529	71,485	74,304

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	9,996	5,864	15,934	12,328	14,095
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	(1,903)	(2,261)	(2,584)	(2,907)	(3,230)
Other financing cash flows	(12,426)	(688)	0	0	0
Cash flow from financing	(19,675)	(6,066)	(10,231)	(10,074)	(9,917)
Chg in cash & cash eq.	(11,136)	(2,197)	2,703	(745)	1,178
Closing cash & cash eq.	2,870	673	3,376	2,631	3,809

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	25.9	45.6	49.7	62.5	77.0
Adjusted EPS	25.9	46.9	49.7	62.5	77.0
Dividend per share	12.0	14.0	16.0	18.0	20.0
Book value per share	227.1	292.0	322.7	363.7	417.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.9	5.3	4.6	4.2	3.7
EV/EBITDA	16.8	14.8	12.6	11.3	10.0
Adjusted P/E	53.5	29.6	27.9	22.2	18.0
P/BV	6.1	4.7	4.3	3.8	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	72.0	97.1	75.0	74.8	74.6
Interest burden (PBT/EBIT)	69.7	78.0	85.5	91.6	96.2
EBIT margin (EBIT/Revenue)	24.3	26.9	28.4	29.0	29.8
Asset turnover (Rev./Avg TA)	11.8	12.7	14.9	17.4	19.9
Leverage (Avg TA/Avg Equity)	2.1	1.7	1.5	1.3	1.2
Adjusted ROAE	11.9	18.1	16.2	18.2	19.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	11.1	8.1	18.5	14.9	14.9
EBITDA	(20.0)	10.1	20.4	16.3	16.4
Adjusted EPS	(64.4)	80.9	6.0	25.7	23.3
Profitability & Return ratios (%)					
EBITDA margin	35.2	35.8	36.4	36.8	37.3
EBIT margin	24.3	26.9	28.4	29.0	29.8
Adjusted profit margin	12.2	20.3	18.2	19.9	21.4
Adjusted ROAE	11.9	18.1	16.2	18.2	19.7
ROCE	11.8	13.8	17.1	20.5	23.9
Working capital days (days)					
Receivables	58	80	50	50	50
Inventory	42	51	35	35	35
Payables	42	39	40	40	40
Ratios (x)					
Gross asset turnover	1.4	1.4	1.4	1.5	1.5
Current ratio	1.9	2.2	1.8	1.7	1.8
Net interest coverage ratio	3.0	4.4	6.4	10.6	21.2
Adjusted debt/equity	0.7	0.6	0.3	0.2	0.0

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%

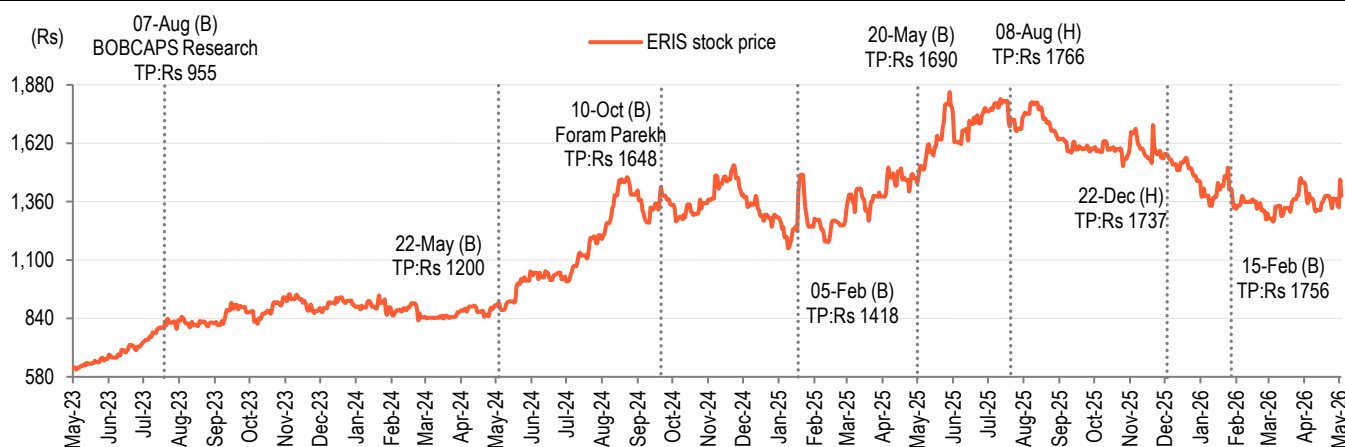
HOLD – Expected return from -6% to +15%

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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