

NEULAND LABS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	17,837
12 month price target (INR)	22,130
52 Week High/Low	18,100/10,060
Market cap (INR bn/USD bn)	229/2.6
Free float (%)	67.4
Avg. daily value traded (INR mn)	799.7

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	32.64%	32.68%	32.68%
FII	20.60%	21.69%	22.11%
DII	13.54%	11.57%	10.97%
Pledge	0%	0%	0%

FINANCIALS

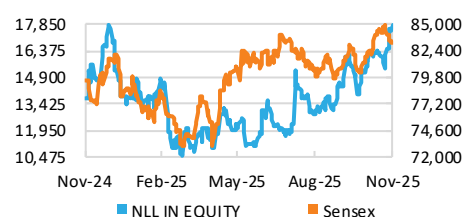
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	14,768	19,728	25,980	28,180
EBITDA	3,233	5,573	8,314	9,017
Adjusted profit	1,837	3,556	5,626	6,119
Diluted EPS (INR)	143.2	277.2	438.5	476.9
EPS growth (%)	(38.8)	93.6	58.2	8.8
RoAE (%)	7.6	20.9	26.0	22.3
P/E (x)	124.6	64.4	40.7	37.4
EV/EBITDA (x)	70.4	40.8	27.0	24.4
Dividend yield (%)	0.1	0.1	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	19,728	25,980	13.4%	17.6%
EBITDA	5,573	8,314	44.3%	17.6%
Adjusted profit	3,556	5,626	51.8%	19.4%
Diluted EPS (INR)	277.2	438.5	51.8%	19.4%

PRICE PERFORMANCE



Firing on all cylinders

Neuland beat consensus Q2FY26E revenue/EBITDA/PAT by 18%/46%/59%. EBITDA margin at 64.3% too came in 583bp ahead of consensus.

The company's strong performance is driven by growth across segments, particularly in the high-margin CMS and specialty GDS segments. A strong product mix aided a solid margin performance. Management continues to guide for addition of another product in the CMS business. We believe Neuland has strong mid-term growth drivers, and it may also see product additions. All in all, we are raising FY26E/27E EPS by 52%/19%. Accordingly, our new TP works out to INR22,130 (earlier INR17,700); retain 'BUY'.

Q2FY26: Strong beat all across; EBITDA at all-time high

Revenue grew 65% YoY/76% QoQ to INR5.1bn, 27% above our estimate. Gross margin at 64.3% (+209bp YoY/+308bp QoQ) is 130bp ahead of our estimate. EBITDA soared 150% YoY/351% QoQ to INR1.56bn, which is the highest so far. EBITDA margin came in at 30.2% versus 20%/11.8% in Q2FY25/Q1FY26. PAT stood at INR969mn, almost tripling YoY/going up ~7x sequentially. H1FY26 capex: INR1.7bn.

Major beat; high growth/margin visibility across segments

Neuland's low-margin prime API business grew 20% YoY/43% QoQ to INR1.3bn. The high-margin Specialty API business expanded 14% YoY/21% QoQ to INR0.6bn, beating our expectation by 26%. The CMS segment, which enjoys superior margins, fired up 134% YoY/139% QoQ to INR3bn, 25% ahead of our expectation. This is also the highest revenue in the CMS segment for Neuland. Owing to its superior product mix (60% revenue from CMS), the company has turned in higher EBITDA margins. Neuland's margin performance is very strong and there is room for further improvement over coming quarters with the addition of another CS project.

Raising FY26E/FY27E EPS by 52%/19%

We recently [initiated](#) on Neuland Labs, and continue to believe that the company is at an inflection point—high visibility of growth and profitability. We believe Neuland has strong mid-term growth/profitability visibility due to: i) recent addition of INR1.3bn block at unit 3; ii) growing utilisation at unit 3; iii) addition of new CS projects; iv) transfer of new projects to the pipeline; v) INR2.5bn peptide project commissioning possibly in FY28; and vi) likely launch of new GDS molecules. After Q2FY26 numbers; we are raising FY26E/27E EPS by 52%/19%. We are raising the TP on Neuland Labs to INR22,130 (earlier INR17,700), implying ~25% upside potential; retain 'BUY'.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	5,143	3,108	65.4	2,928	75.7
EBITDA	1,555	622	150.0	345	351.0
Adjusted Profit	969	328	194.9	139	596.8
Diluted EPS (INR)	75.5	25.6	194.9	10.8	596.8

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	14,768	19,728	25,980	28,180
Gross profit	8,892	12,560	16,627	18,035
Employee costs	2,720	3,345	3,897	4,227
R&D cost	0	0	0	0
Other expenses	1,311	1,739	2,078	2,254
EBITDA	3,233	5,573	8,314	9,017
Depreciation	655	821	933	1,059
Less: Interest expense	83	210	120	80
Add: Other income	205	187	240	280
Profit before tax	2,699	4,729	7,501	8,159
Prov for tax	862	1,173	1,875	2,040
Less: Exceptional item	(764)	0	0	0
Reported profit	1,073	3,556	5,626	6,119
Adjusted profit	1,837	3,556	5,626	6,119
Diluted shares o/s	13	13	13	13
Adjusted diluted EPS	143.2	277.2	438.5	476.9
DPS (INR)	14.0	12.0	0	0
Tax rate (%)	31.9	24.8	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	21.9	28.2	32.0	32.0
Net profit margin (%)	12.4	18.0	21.7	21.7
Revenue growth (% YoY)	(5.2)	33.6	31.7	8.5
EBITDA growth (% YoY)	(30.1)	72.4	49.2	8.5
Adj. profit growth (%)	(38.8)	93.6	58.2	8.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	87.5	87.0	88.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	124.6	64.4	40.7	37.4
Price/BV (x)	15.0	12.2	9.4	7.5
EV/EBITDA (x)	70.4	40.8	27.0	24.4
Dividend yield (%)	0.1	0.1	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	129	129	129	129
Reserves	15,119	18,675	24,301	30,420
Shareholders funds	15,248	18,804	24,430	30,549
Minority interest	0	0	0	0
Borrowings	1,360	1,128	1,466	1,833
Trade payables	2,522	2,973	3,203	3,474
Other liabs & prov	2,410	3,141	3,898	4,164
Total liabilities	21,799	26,331	33,312	40,347
Net block	6,537	8,217	8,884	9,625
Intangible assets	2,843	2,834	2,847	2,851
Capital WIP	446	592	779	845
Total fixed assets	9,826	11,643	12,510	13,322
Non current inv	15	20	26	28
Cash/cash equivalent	2,588	2,739	5,847	10,917
Sundry debtors	3,157	4,324	5,694	6,176
Loans & advances	22	39	52	56
Other assets	5,627	6,928	8,426	9,048
Total assets	21,799	26,331	33,312	40,347

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,073	3,556	5,626	6,119
Add: Depreciation	655	821	933	1,059
Interest (net of tax)	(23)	210	120	80
Others	1,638	1,173	1,875	2,040
Less: Changes in WC	578	(428)	(2,019)	(615)
Operating cash flow	3,174	4,158	4,659	6,643
Less: Capex	(2,065)	(2,587)	(1,800)	(1,870)
Free cash flow	1,109	1,571	2,859	4,772

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	7.6	20.9	26.0	22.3
RoCE (%)	18.4	27.0	33.3	28.3
Inventory days	229	222	213	227
Receivable days	85	69	70	77
Payable days	138	140	121	120
Working cap (% sales)	31.2	29.9	30.0	29.7
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Interest coverage (x)	31.1	22.7	61.5	99.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(38.8)	93.6	58.2	8.8
RoE (%)	7.6	20.9	26.0	22.3
EBITDA growth (%)	(30.1)	72.4	49.2	8.5
Payout ratio (%)	16.7	4.3	0	0

Q2FY26 conference call highlights

CMS

- Two molecules drove growth for this quarter. Commercialisation of another molecule this year, validated this product some time back. It's a CNS product and may see shipment from next month. The aim is to have more wallet share; whether or not exclusive is difficult to find.
- New project orders will have deliveries in next 12–18 months.
- Unit 3 new block of INR1.28bn for a product (bempedoic acid) – capacity increased from 50MT to 150MT – No commercial shipments so far, only capitalised it. In Q2, much of that block is used but not giving out utilisation levels. Will start shipping product from this going forward. The product was manufactured in Unit 2 but had capacity constraints.
- Number of scientists increased from 360 to 385 despite development pipeline is at a historic low. This is because some projects are yet to transfer fully and hence not disclosed in pipeline table. These will get reflected over the next 3–5 quarters. Not sure whether number will be substantive, but will be of high quality. The manpower may not increase proportionately to increased load of projects as trying to hire more skilled scientists and use R&D efficiently.
- Talent – competitive environment today. Substantial efforts to attract and retain talent. So, it is important to establish identity of Neuland and clearly define the work culture and infrastructure and compensate well.
- Don't anticipate running out of capacities for these products. The goal is to have much larger capacities.

Peptides

- Peptide facility going well, likely to be completed in next year. Not only engaging with customers on exciting projects but also developing differentiated capabilities.
- Setting up a 4-module large-scale peptide facility with largest reactor of 2KL solid phase. By next FY, one module will be ready and operational. For another module, civil work will be ready. The balance 3 and 4 Modules will start later depending on how business is tracking.
- Difficult to give capacities in KGs. It is product-specific. If extensive purification, lyophilisation and dilution is required, it may make only few kilograms. If not, then it could be more than 1 tonne of peptide.

GDS

- Ezetimibe likely to drive growth of the Prime segment (earlier part of specialty). While GDS may see high competition, some older products do not see that. May see growth in this segment next year.
- Specialty business was subdued, revenue driven by sterile products. Specialty – comprises usually small volume products and volumes are likely to be lumpy. Some molecules are also commercialised in only few markets.

Financials/Guidance

- Expect good growth in FY26 over FY24 and remains optimistic about future.
- EBITDA margin of 30% is not unrealistic. Have done it in FY24. But not guiding specifically on margin and whether Q2 margin will sustain. Given healthy evolution of product mix, directionally looks achievable. Risks of product mix, forex and material costs remain.
- Working capital 155 days – have been deteriorating for last two quarters due to uneven order flow resulting in high receivables and inventory stuck at KSM, intermediate levels. Optimal cash utilisation remains top priority, Working on inventory optimisation and early collections.
- Continuously evaluating options to invest given upcoming opportunities. Invested INR910mn capex in Q1FY26 and INR1.7bn in H1FY26.
- Long-term vision: Delve into more complex chemistries, in areas of process development and scale up. Also focusing on sustainability, e.g. peptide – challenge is usage of solvent, which is not green technology.

Exhibit 1: Actuals versus estimates (INR mn)

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimate	Deviation (%)	Consensus	Deviation (%)
Revenue from operations	5,143	3,108	65.4	2,928	75.7	4,062	26.6	4,354	18.1
Cost of revenue	1,836	1,175	56.3	1,135	61.7	1,503	22.2		
Gross profit	3,307	1,934	71.0	1,792	84.5	2,559	29.2		
Gross margin (%)	64.3	62.2	209bps	61.2	308bps	63.0	130bps		
Employee cost	804	631	27.4	735	9.4	873	(8.0)		
Other expenses	488	258	89.2	319	53.0	366	33.5		
EBITDA	1,555	622	150.0	345	351.0	792	96.4	1,063	46.3
EBITDA margin (%)	30.2	20.0	1023bps	11.8	1846bps	19.5	1075bps	24.4	583bps
Other income	18	43	-58.5	79	-77.1	45			
Depreciation	225	161	40.2	202	11.6	199	13.1		
PBT	1,294	494	161.9	176	636.7	598	116.6		
Income tax expense	326	166	96.5	37	787.7	149	118.1		
Reported PAT	969	328	194.9	139	596.8	448	116.1		
Adjusted PAT	969	328	194.9	139	596.8	448	116.1	611	58.5
Segmental Revenue	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimate	Deviation (%)		
Prime API	1,337	1,119	19.5	937	42.7	951	40.6		
Specialty API	566	497	13.7	468	20.8	448	26.4		
CMS	3,086	1,318	134.1	1,288	139.5	2,469	25.0		
Others	154	174	(11.4)	234	(34.1)	193	(20.2)		
Total Revenue	5,143	3,108	65.4	2,928	75.7	4,062	26.6		

Source: Company, Nuvama Research

Exhibit 2: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY25	FY26E	FY27E	FY28E
Revenue from operations	5,143	3,108	65.4	2,928	75.7	14,768	19,728	25,980	28,180
Cost of revenue	1,836	1,175	56.3	1,135	61.7	5,876	7,168	9,353	10,145
Gross profit	3,307	1,934	71.0	1,792	84.5	8,892	12,560	16,627	18,035
Employee expense	804	631	27.4	735	9.4	2,720	3,345	3,897	4,227
Manufacturing expenses	460	423		394		1,629	1,902	2,338	2,536
Other expenses	488	258	89.2	319	53.0	1,311	1,739	2,078	2,254
EBITDA	1,555	622	150.0	345	351.0	3,233	5,573	8,314	9,017
EBITDA margin (%)	30.2	20.0	1,023	11.8	1,846	21.9	28.2	32.0	32.0
Depreciation	225	161	40.2	202	11.6	655	821	933	1,059
EBIT	1,330	462	188.2	143	830.1	2,577	4,752	7,381	7,959
Less: Interest Expense	54	11	404.9	46		83	210	120	80
Other income	18	43	(58.5)	79		205	187	240	280
Profit before tax	1,294	494	161.9	176	636.7	2,699	4,729	7,501	8,159
Exceptional items	0	0		0		-764	0	0	0
Tax expenses	326	166	96.5	37	787.7	862	1,173	1,875	2,040
Minority Interest	0	0		0		0	0	0	0
Share of profit from associates	0	0		0		0	0	0	0
Reported Profit	969	328	194.9	139	596.8	1,073	3,556	5,626	6,119
Adjusted Profit	969	328	194.9	139	596.8	1,837	3,556	5,626	6,119
No. of Diluted shares outstanding	13	13		13		13	13	13	13
Adjusted Diluted EPS	75	26	194.9	11	596.8	143	277	438	477
as % of revenues									
Cost of revenue	35.7	37.8		38.8		39.8	36.3	36.0	
Employee cost	15.6	20.3		25.1		18.4	17.0	15.0	
Manufacturing expense	8.9	13.6		13.4		11.0	9.6	9.0	
Gross profit	64.3	62.2		61.2		60.2	63.7	64.0	
EBITDA	30.2	20.0		11.8		21.9	28.2	32.0	
Net profit	18.8	10.6		4.7		7.3	18.0	21.7	
Tax rate	25.2	33.5		20.9		31.9	24.8	25.0	

Source: Company, Nuvama Research

Company Description

Neuland Laboratories, founded in 1984 and headquartered in Hyderabad (India), is engaged in the development and manufacturing of active pharmaceutical ingredients (APIs), advanced intermediates and custom synthesis services. The company operates three cGMP-compliant, USFDA approved manufacturing facilities. Its operations are focused on two segments—Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS)—supporting pharmaceutical development from clinical stages through to commercial production and genericisation. Neuland serves over 80 countries, with export revenues making up 82% of its total revenue, primarily from the US and Europe, which account for more than ~89% of total exports.

Investment Theme

Neuland's early presence in complex chemistry and focus on high-value custom manufacturing has enabled its transformation from a generic API producer to a credible India-based CRAMS partner. Over the years, the company has built strong client relationships and deep process expertise, positioning itself well in the contract development and manufacturing (CDMO) space. The company's CMS business, which is expected to grow 2.6x over FY25–28E, is anchored by key products such as Bempedoic acid and Xanomeline, with further upside from two new molecules under development. Expansion of Bempedoic acid capacity offers meaningful scalability, while growing demand from markets like Japan, Canada, Israel, and ANZ enhances visibility. In addition, Neuland's exclusive supply role in BMS's Cobenfy (Xanomeline) adds volume and margin stability. Neuland's management continues to prioritise sustainable, long-term growth over short-term gains. With its deep chemistry capabilities, diversified CMS pipeline, and strategic capacity expansion, the company is approaching an inflection point in growth and profitability.

Key Risks

- Customer and product concentration risk
- LOEs/litigation of innovators products
- Inventory de-stocking-led challenges
- Regulatory compliance

Additional Data

Management

Chairman	Dr. Davuluri Rama Mohan Rao
Co-Chairman	Davuluri Sucheth Rao
Managing Director	Davuluri Saharsh Rao
Joint Managing Director	
Auditor	M/s. MSKA & Associates

Holdings – Top 10*

	% Holding		% Holding
Malabar India F	5.76	L&T Mutual Fund	1.40
Vanguard Group	2.56	Mahindra Manuli	1.02
ICICI Pru AMC	2.28	Kedia Securitie	1.01
Matthews Intern	2.17	Blackrock	1.01
Jupiter India F	1.74	Bajaj Finserv M	0.92

*Latest public data

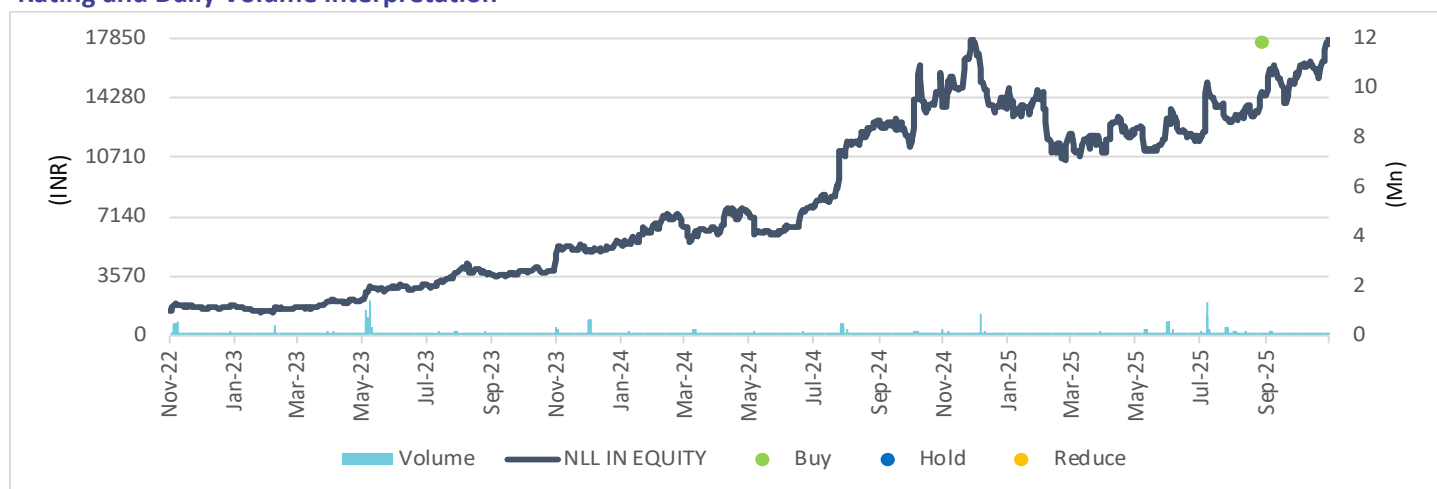
Recent Company Research

Date	Title	Price	Reco
03-Sep-25	Promising growth panorama; Initiating Coverage	14,368	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
07-Nov-25	Lupin	Broad-based beat; many triggers in store; Result Update
06-Nov-25	Zydus Lifesciences	Maintains FY26 margin guidance; Result Update
06-Nov-25	Aurobindo Pharma	US core steady; Pen-G MIP awaited; Result Update

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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