Midas
Equities and Research

neuland

Neuland Laboratories Ltd

Q2FY27 Result Update

04 Nov 2026

- ✗ **Revenue declined 13% Y-o-Y to Rs. 450 cr, 3% below our estimate, weighed by lower commercial CMS sales.**
- ✗ **EBITDA margin contracted 855 bps Y-o-Y to 21.7%, 10 bps below our estimate, as lower sales drove operating deleverage.**
- ✓ **CMS pipeline advanced in Q2, with commercial-stage projects rising to 19 from 18 a year earlier and Phase III projects surging 62.5% Y-o-Y to 13 from 8.**

Rating	**ACCUMULATE** Rating unchanged	**1Y Target Price**	**Rs. 20,897** Revised downwards (-2%)	**CMP**	**Rs. 19,424** 1Y Upside (incl. dividend): ~8% | 42.0x FY28E P/E

Estimate Update: FY27E Revenue Rs. 2,384 cr (-1.0%) | FY27E PAT Rs. 446 cr (-1.0%) | FY28E Revenue Rs. 2,827 cr (-1.4%) | FY28E PAT Rs.597 cr (-1.7%) | Midas valuation multiple remains unchanged at 45x FY28E P/E.

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Spark Result Update Reports – Rebooted!

Outlining the framework from our desk

In our new, rejuvenated approach to publishing fundamental research ideas, we aim to balance a traditional, time-tested framework with a contemporary and, hopefully, refreshing approach to stock-picking. Accordingly, our Result Update reports will be presented in four sections: **(1) Business Assessment Scores, (2) Valuation Framework, (3) Decision Tree, and (4) Stock Buzz & Influencing Factors.**

This report is underpinned by three key beliefs: (1) business assessment should be separated from valuation frameworks, allowing equity research to objectively calibrate the mix when making stock calls; (2) the decision tree we publish makes this process simple and objective, highlighting the three major factors that underpin our recommendation; and (3) reactions to "buzz" and other factors that influence price action must be identified and given due regard when timing stock calls, particularly in the current environment, where information flow is incessant.

Business Assessment Scores

To assess whether a company's business can emerge as a long-term winner, we draw on Porter's Five Forces framework to examine key aspects such as revenue models, pricing risks, market positioning, and competitive moats. Our financial analysis and estimates are anchored in our assessment of both the company's current performance and its long-term potential. To ensure that this assessment remains objective and is not influenced by subjective judgment, we employ a scoring model that captures the key drivers of business quality across five composite vectors. The resulting scores form the basis of our call on the business.

Valuation Framework

We have often observed how markets can make target multiples seem to emerge like the proverbial rabbits out of a hat. To avoid the temptation of retrospectively justifying valuations in line with the broader market, we returned to first principles while designing our Valuation Framework. Anchored in market, peer, and historical absolute benchmarks, our valuation scores incorporate Economic Value Added, return profiles, growth prospects, and leadership positions, mapped against relevant valuation multiples. Ultimately, the central question remains: given everything we know about the business, markets, and peers, does the current pricing appear attractive? This question forms the bedrock of stock-picking in equity research.

Stock Buzz & Influencing Factors

The Buzz Chart & Liquidity Chart track stock-specific news flow, events, and market activity to help identify periods of elevated attention or sentiment shifts, complementing fundamental and valuation analysis.

Decision tree

A schematic view of what we hinge our stock recommendation on. In our opinion, a discerning investor can identify the essence of our pitch from a limited, yet reasonably exhaustive, set of factors that can be organized as branches of a tree. The decision tree we publish makes this process simple and objective, highlighting the three major factors that underpin our recommendation.

Source: Company, and Midas Research

Q2FY27 Results Summary

(In Rs. cr)

Particulars	Q2FY26	Q1FY27	Q2FY27	Y-o-Y	Q-o-Q	Midas estimate	vs Midas estimate
Net Sales	**514**	**642**	**450**	**-13%**	**-30%**	**465**	**-3%**
COGS	(230)	(269)	(209)	-9%	-22%	(233)	
Gross Profit	285	373	241	-15%	-35%	233	
Gross Margin	*55.4%*	*58.1%*	*53.6%*	-181bps	-453bps	*50.0%*	
Employee cost	(80)	(106)	(102)			(79)	
% of revenue	-15.6%	-16.6%	-22.6%			-17.0%	
Other expenses	(49)	(43)	(41)			(52)	
% of revenue	-9.5%	-6.7%	-9.2%			-11.2%	
EBITDA	**156**	**223**	**97.6**	-37%	-56%	**101**	-4%
EBITDA Margin	***30.2%***	***34.7%***	***21.7%***	-855bps	-1,304bps	***21.8%***	-10bps
Depreciation	(23)	(27)	(29)			(33)	
% of revenue	*-4.4%*	*-4.1%*	*-6.4%*	-202bps	-226bps	*-7.0%*	
EBIT	**133**	**196**	**69**	-48%	-65%	**69**	
EBIT Margin	***25.9%***	***30.6%***	***15.3%***	-1,056bps	-1,530bps	***14.8%***	
Other Income	2	8	7			11.3	
% of revenue	*0.3%*	*1.3%*	*1.7%*			*2.4%*	
Interest	(5)	(7)	(7)			(8)	
% of revenue	*-1.0%*	*-1.1%*	*-1.6%*			*-1.7%*	
Exceptional Items	-	-	-			-	
% of revenue	-	-	-			-	
PBT	**129**	**198**	**69**	**-47%**	**-65%**	72	
PBT Margin	*25.2%*	*30.8%*	*15.3%*	-983bps	-1550bps	*15.5%*	
Tax	(33)	(50)	(17)	-47%	-65%	(18)	
Tax Rate	*-25.2%*	*-25.4%*	*-25.2%*			*-25.0%*	
Share of associates	-	-	-			-	
Minority interest	(0.11)	(0.09)	(0.35)			-	
Profit After Tax	**97**	**148**	**51**	**-47%**	**-65%**	54	-5%
PAT Margin	*18.8%*	*23.0%*	*11.4%*	-741bps	-1,160bps	*11.6%*	-22bps
EPS	**75.5**	**115.1**	**40.2**	-47%	-65%	**41.9**	
Adj. EPS	**75.5**	**115.1**	**40.2**	-47%	-65%	**41.9**	-4%

Revenue Y-o-Y

-13%

Lower commercial CMS revenue weighed on sales.

EBITDA Margins

21.7%

Contracted 855 bps Y-o-Y as lower sales drove operating deleverage.

PAT Y-o-Y

-47%

Lower operating profit weighed on earnings.

EPS v/s Estimates

-4%

EPS of Rs. 40.2 missed our estimate by 4%.

Source: Company, and Midas Research

Q2FY27 Conference Call – Key Takeaways

Financial highlights

- **Net sales** declined 13% Y-o-Y and 30% Q-o-Q to Rs. 450 cr. The sequential decline reflected lower commercial CMS shipments, with management citing uneven shipment timing and order sizes across key molecules.
- **Gross profit** declined 15% Y-o-Y and 35% Q-o-Q to Rs. 241 cr. Gross margin contracted 181 bps Y-o-Y and 453 bps Q-o-Q to 53.6%. Management flagged raw material price volatility and higher freight and logistics costs during H1FY27.
- **EBITDA** declined 37% Y-o-Y and 56% Q-o-Q to Rs. 97.6 cr. **EBITDA margin** contracted to 21.7% from 30.2% in Q2FY26 and 34.7% in Q1FY27. Lower sales led to operating deleverage. Employee costs rose 27% Y-o-Y and declined only 4% Q-o-Q to Rs. 102 cr, increasing to 22.6% of sales from 15.6% a year earlier and 16.6% in Q1FY27.
- **EPS** declined 47% Y-o-Y and 65% Q-o-Q to Rs. 40.2.

Operational highlights and capex

- Working capital stood at 104 days in H1FY27, down from 155 days in H1FY26, driven by lower inventory and receivable days. Neuland generated Rs. 99 cr of free cash flow in H1FY27 and ended the quarter with net cash of Rs. 208 cr.
- Neuland's H1FY27 capex focused on the Unit I peptide block and the Genome Valley R&D centre. The company commissioned its first peptide module at Unit I and expects the R&D centre to be fully operational by early 2027.
- Neuland acquired ~134 acres at Kakinada for long-term capacity expansion. Management reiterated its indicative three-year capex guidance of Rs. 1,700–1,800 cr & aims to finalise the configuration of the second peptide module in the next 3-6 months.

CMS/GDS business highlights

- **CMS performance:** Commercial CMS revenue fell 26% Y-o-Y and 49% Q-o-Q to Rs. 214 cr, with uneven shipment timing and order sizes driving the sequential decline. Development revenue rose to Rs. 32 cr from Rs. 19 cr a year earlier and Rs. 20 cr in Q1FY27. H1FY27 commercial CMS revenue grew 55% Y-o-Y to Rs. 639 cr.
- **CMS pipeline:** Neuland had 99 active projects, including 13 in Phase III, up from eight a year earlier, and 19 at the commercial stage. Management reported its strongest-ever request-for-proposal activity, progress with large pharma customers and new project orders scheduled for delivery across FY27 and FY28.
- **GDS performance:** Ezetimibe and Mirtazapine led Prime sales, with Ezetimibe expected to drive growth. Deferasirox, Apixaban and Donepezil led Specialty sales, while manufacturing issues at some customers weighed on select products. Neuland filed Drug Master Files for Fezolinetant and Ivacaftor.

Financial outlook & growth drivers

- H1FY27 was broadly in line with management's expectations. Management expects growth in both FY27 and FY28, led in the near term by commercial CMS, but provided no numerical growth guidance.
- Management expects additional commercial launches in the next 1-2 years. Shipment timing and order sizes across key molecules may continue to drive quarterly volatility.
- **Specialty recovery:** Management expects sales of affected products to improve by Q4FY27, based on customer feedback.
- **Peptide revenue:** Management expects validation-batch revenue within six to nine months of the call and indicated an 18–24-month timeline for commercial revenue, subject to successful validation and progress in customer programmes.

Source: Company, Midas Research.

Neuland Laboratories Ltd – Q2FY27 Result Update

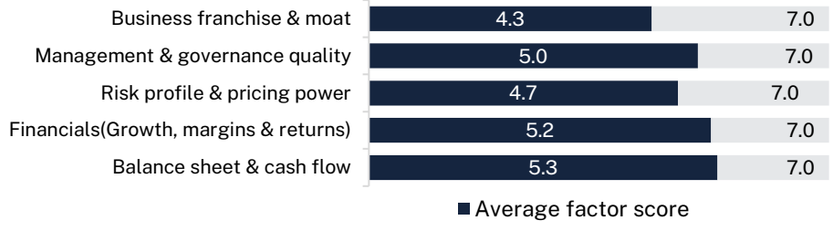
CMP ~Rs. 19,424

Rating ACCUMULATE

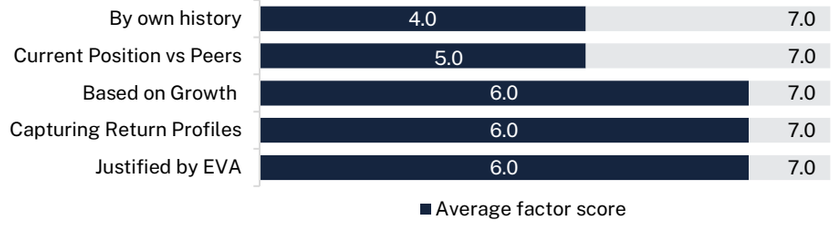
Neuland Laboratories - Our Commentary On Results

- Neuland reported a softer quarter as commercial CMS shipments moderated. Revenue declined 13% Y-o-Y and 30% Q-o-Q to Rs. 450 cr, missing our estimate by 3%. EBITDA fell 37% Y-o-Y and 56% Q-o-Q to Rs. 97.6 cr, 4% below our estimate.
- Lower sales and higher employee costs Y-o-Y drove operating deleverage, with EBITDA margin contracting 855 bps Y-o-Y to 21.7%, 10 bps below our estimate.
- PAT fell 47% Y-o-Y to Rs. 51 cr, missing our estimate by 5%, while EPS of Rs. 40.2 was 4% below our estimate.
- CMS pipeline advanced in Q2FY27, with commercial-stage projects rising to 19 from 18 a year earlier and Phase III projects surging 62.5% Y-o-Y to 13 from eight.
- Commercial CMS revenue fell 49% Q-o-Q to Rs. 214 cr as shipment timing and order sizes varied across key molecules. H1FY27 commercial CMS revenue grew 55% Y-o-Y to Rs. 639 cr. In GDS, Ezetimibe & Mirtazapine led Prime sales, while manufacturing issues at some customers weighed on select Specialty products.

Business Assessment Scores



Valuation Framework



Financials and Estimates Summary

Particulars (Rs. cr)	Revenue	EBITDA	EBITDA %	PAT	EPS	RoE %	RoCE %	PE	EV/EBITDA
FY24	1,559	463	29.7%	300	234	26.4%	32.5%	83.0	53.8
FY25	1,477	323	21.9%	260	203	13.1%	17.0%	95.8	77.0
FY26	2,023	574	28.4%	365	284	21.5%	25.9%	68.5	43.3
FY27E	2,384	670	28.1%	446	346	21.5%	25.2%	56.2	37.2
FY28E	2,827	863	30.5%	597	463	23.4%	27.2%	42.0	28.9

Source: Company reports, Bloomberg, Midas Research

04 Nov 2026

Industry	Pharmaceuticals

Key Stock Data

Bloomberg	NLL IN
Shares o/s (cr)	1.29
Market Cap (Rs. cr)	25,058
52-wk High/Low	24,235 / 11,500
20M ADV (In '000)	44.4
Index	NIFTY SMALLCAP 100
F&O	N

Latest Shareholding (%)

	Sep 26	Jun 26	Mar 26
Promoters	32.3	32.6	32.6
Institutions	38.2	37.6	36.3
Public	29.5	29.8	31.1
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1M	3M	12M
NLL IN	(9.7)	(1.2)	13.6
Nifty SmallCap 100	(2.1)	(4.8)	0.8

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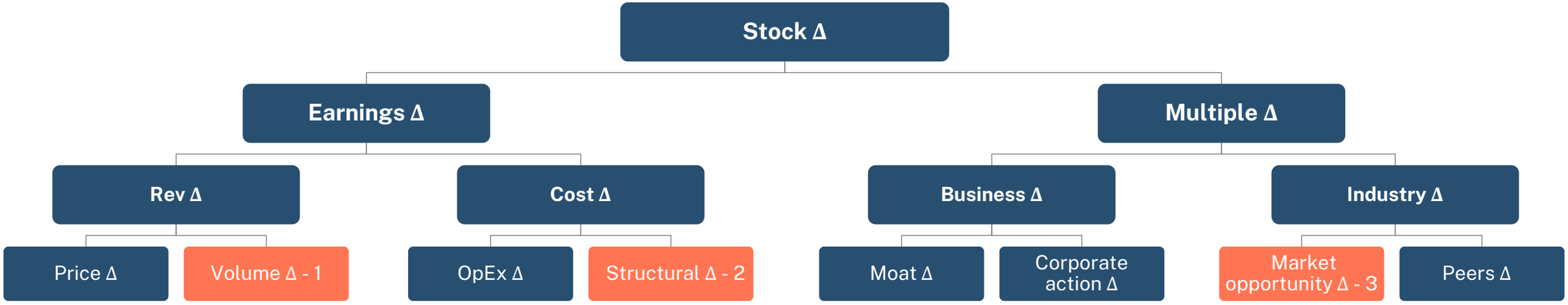
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Midas Equities and Research

Decision Tree – Stock call

CMP
~Rs. 19,424

Rating
ACCUMULATE



1 Reasoning 1

- Revenue growth is expected to be primarily volume-driven, with overall revenue projected to deliver an 18.2% CAGR over FY26–28E.
- The high-margin CMS segment is the key growth engine, expected to post a 21.4% CAGR, driven by steady volume ramp-ups of existing commercial molecules and a growing development pipeline.
- Additionally, strong innovator traction for complex peptide molecules, supported by the newly operational peptide facility, is expected to drive growth across CMS and overall revenue.

2 Reasoning 2

- Neuland's business mix is structurally improving, with the CMS segment's revenue contribution projected to rise to 64% by FY28E from 61% in FY26.
- While Q2FY27 witnessed temporary margin pressure due to operating deleverage, higher capacity utilisation, particularly at Unit III, and a richer product mix are expected to drive operating leverage.
- Consequently, we model EBITDA margins to expand to 30.5% by FY28E, translating into a strong EBITDA CAGR of 22.6% over FY26–28E.

3 Reasoning 3

- Neuland's long-term market opportunity is expanding, supported by strong RFP activity and deeper engagement with Big Pharma, which enhance customer diversification and strengthen the pipeline.
- Strategic investments in the new R&D centre, peptide blocks and land acquisition position the company to capitalise on rising CDMO outsourcing demand.
- Along with new DMF filings in the GDS segment, including Fezolinetant and Ivacaftor, these structural drivers extend the growth runway and support our target multiple of 45x FY28E P/E.

Source: Company, and Midas Research

Change in Estimates

Context: Revenue and earnings estimates have been revised downward following a weaker-than-expected Q2FY27, reflecting timing-related softness in the Contract Manufacturing Services (CMS) business. The target multiple remains unchanged.

	New estimates		Old estimates		Change	
Description	**FY27E**	**FY28E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**
Net Sales (Rs. cr)	2,384	2,827	2,408	2,868	-1.0%	-1.4%
EBITDA (Rs. cr)	670	863	676	877	-0.9%	-1.6%
EBITDA Margin	28.1%	30.5%	28.1%	30.6%	4bps	-4bps
Adj PAT (Rs. cr)	446	597	451	607	-1.0%	-1.7%
PAT Margin	18.7%	21.1%	18.7%	21.2%	0bps	-5bps
EPS (Rs.)	346	463	349	471	-1.0%	-1.7%

- **Estimates revision:** Following the weaker-than-expected Q2FY27 performance, we have lowered our revenue estimates by 1.0% for FY27E and 1.4% for FY28E. Accordingly, EPS estimates have been cut by 1.0% and 1.7% for FY27E and FY28E, respectively. The revisions are measured, reflecting the inherently lumpy nature of the CMS business, where quarterly performance can vary meaningfully and should not be annualised.
- **Multiple revision:** We maintain our target multiple at 45x FY28E P/E, reflecting our continued confidence in Neuland's long-term execution, visibility on commercial CMS growth, and expanding opportunities across peptides, sterile APIs, and specialty products despite the near-term softness.

With the recent quarter's moderation and our downward earnings revisions, the near-term upside remains largely reflected in valuations. We therefore retain our ACCUMULATE rating, while remaining firmly constructive on the company's long-term outlook.

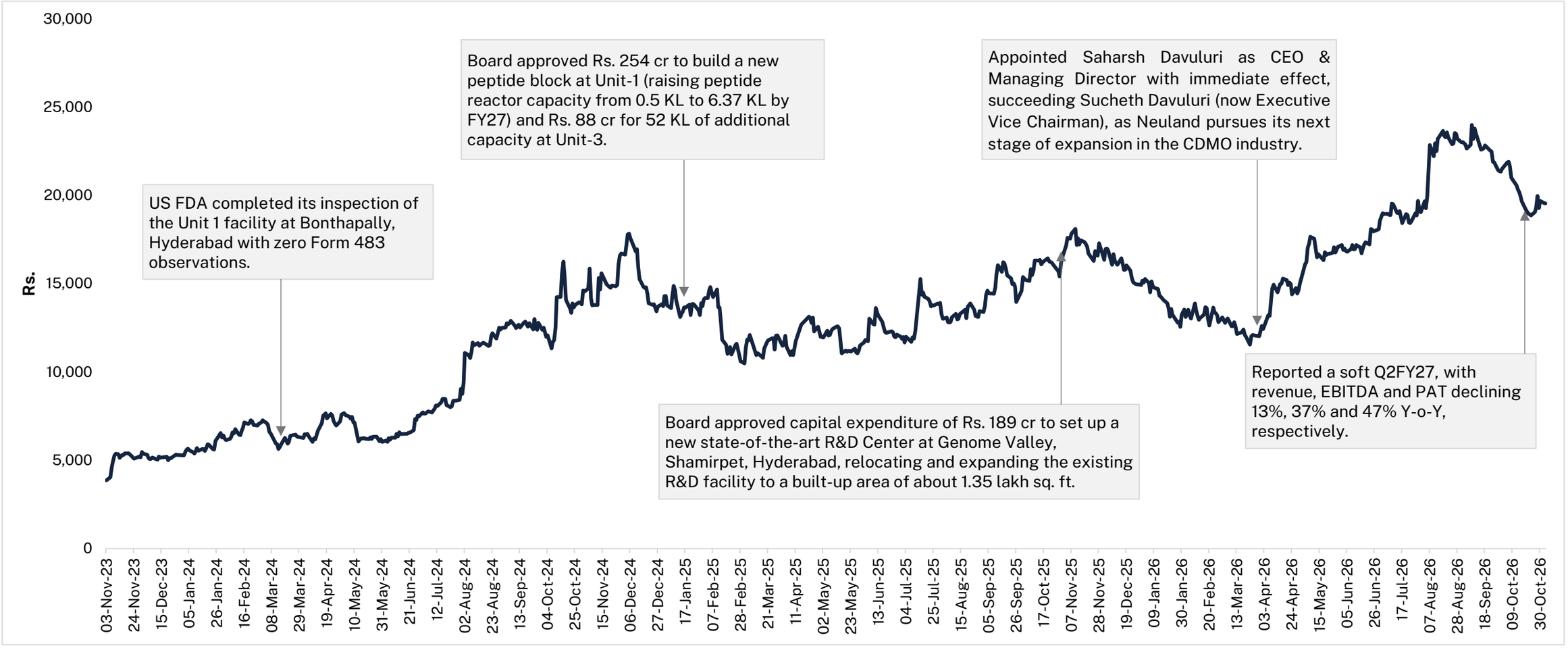
Valuation Summary	Target Multiple	Target EPS	1Y TP	PEG Ratio	1Y Upside (Incl. Dividends)
	45x FY28E P/E	**Rs. 463**	**Rs. 20,897**	**~1.6x**	**8%**
	Maintained	FY28E EPS	Incl. dividends	Attractive vs peers (1.8x)	From CMP

Source: Company, and Midas Research

Stock Buzz & Influencing Factors

Follow the money

Neuland Laboratories Ltd



Source: Company, Midas Research, Bloomberg

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Financial Summary

All figures in Rs. cr

Particulars	FY24	FY25	FY26	FY27E	FY28E
Profit & Loss					
Revenue	1,559	1,477	2,023	2,384	2,827
Gross profit	825	726	1,076	1,263	1,512
EBITDA	463	323	574	670	863
Depreciation	(60)	(66)	(92)	(96)	(114)
EBIT	403	258	483	573	749
Other Income	13	21	30	45	70
Interest expense	(14)	(8)	(24)	(24)	(24)
Exceptional items	-	76	-	-	-
PBT	401	346	489	595	796
Reported PAT (after minority interest)	300	260	365	446	597
Adj PAT	300	184	365	446	597
EPS (Rs.)	233.9	202.7	283.7	345.8	462.6
Balance Sheet					
Net Worth	1,283	1,525	1,874	2,277	2,830
Total debt	83	136	197	197	197
Minority interest	-	-	-	-	-
Other liabilities and provisions	83	103	192	192	190
Total Net worth and liabilities	**1,448**	**1,764**	**2,263**	**2,665**	**3,217**
Gross Fixed assets	767	976	1,208	1,618	1,768
Net fixed assets	511	654	793	1,107	1,144
Capital work-in-progress	46	45	209	-	-
Intangible Assets	282	284	286	286	286
Investments	20	109	2	2	2
Cash and bank balances	117	259	355	561	1,049
Loans & advances and other assets	23	31	103	103	103
Net working capital	450	382	514	606	634
Total assets	**1,448**	**1,764**	**2,263**	**2,665**	**3,217**
Capital Employed	1,365	1,661	2,071	2,473	3,026
Invested Capital (CE - cash - CWIP)	1,203	1,357	1,507	1,912	1,978
Net debt	(34)	(123)	(158)	(364)	(852)
Cash Flows					
Cash flows from Operations (Pre-tax)	373	392	450	578	835
Cash flows from Operations (post-tax)	261	317	347	429	636
Capex	(144)	(206)	(397)	(200)	(150)
Free cashflows	118	111	(50)	229	486
Free cashflows (post interest costs)	104	104	(68)	206	462
Cash flows from Investing	(150)	(298)	(424)	(155)	(80)
Cash flows from Financing	(69)	25	21	(67)	(68)
Total cash & liquid investments	**117**	**259**	**355**	**561**	**1,049**

Particulars	FY24	FY25	FY26	FY27E	FY28E
Growth ratios (%)					
Revenue	30.8%	-5.2%	37.0%	17.8%	18.6%
EBITDA	70.2%	-30.1%	77.7%	16.6%	28.8%
Adj PAT	83.5%	-38.8%	98.7%	22.2%	33.8%
Margin ratios					
Gross	52.9%	49.2%	53.2%	53.0%	53.5%
EBITDA	29.7%	21.9%	28.4%	28.1%	30.5%
Adj PAT	19.3%	12.4%	18.0%	18.7%	21.1%
Performance ratios					
Pre-tax OCF/EBITDA	80.6%	121.3%	78.4%	86.3%	96.7%
OCF/IC (%)	21.7%	23.4%	23.0%	22.4%	32.2%
RoE (%)	26.4%	13.1%	21.5%	21.5%	23.4%
RoCE (%)	32.5%	17.0%	25.9%	25.2%	27.2%
Fixed asset turnover (x)	2.2	1.7	1.9	1.7	1.7
Total asset turnover (x)	1.2	0.9	1.0	1.0	1.0
Financial stability ratios					
Net Debt to Equity (x)	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt to EBITDA (x)	(0.1)	(0.4)	(0.3)	(0.5)	(1.0)
Interest cover (x)	28.8	31.1	20.2	24.3	31.8
Working capital days	105	94	93	93	82
Valuation metrics					
Fully Diluted Shares (cr)	1.3	1.3	1.3	1.3	1.3
Market cap (Rs. cr)			25,058		
P/E (x)	83.0	95.8	68.5	56.2	42.0
P/OCF(x)	95.9	79.0	72.3	58.4	39.4
EV (Rs.Cr) (ex-CWIP)			24,900		
EV/ EBITDA (x)	53.8	77.0	43.3	37.2	28.9
EV/ OCF(x)	95.3	78.5	71.8	58.0	39.2
FCF Yield	0.5%	0.4%	-0.2%	0.9%	1.9%
Price to BV (x)	19.5	16.4	13.4	11.0	8.9
Dividend pay-out (%)	6%	6%	12%	10%	10%
Dividend yield (%)	0.1%	0.1%	0.2%	0.2%	0.2%
Cash as a % of CE	8.6%	15.6%	17.1%	22.7%	34.7%

Disclaimer (1/2)

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	**REDUCE**	Stock expected to provide returns of <5% – -10% over a 1-year horizon
ACCUMULATE	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	**SELL**	Stock expected to fall >10% over a 1-year horizon

The terms defined above are applicable to fundamental research reports published by the Research Analyst. For technical research reports, the expected (target) price is given in the report along with the time period within which it can be achieved. For Momentum Ideas the expected timeline to achieve the price target would be upto 3 months from the date of publication of the research report.

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