Midas
Equities and Research

SMS Pharmaceuticals Ltd

Q2FY27 Result Update

05 Nov 2026

- ✓ Revenue beat our estimate by 4%, supported by higher volumes and improved realisations.
- ✓ Gross margin expanded 336 bps Y-o-Y to 35.1%, aided by backward integration benefits.
- ✓ PAT grew by 57% Y-o-Y and beat our estimate by 1%, partly offset by a lower-than-expected contribution from associate VKT Pharma.
- ✓ Stronger Ibuprofen demand from regulated markets supported 25% Y-o-Y growth in anti-inflammatory revenue in H1FY27.

Rating	1Y Target Price	CMP
Accumulate Rating Downgrade from Buy	**Rs. 557** Revised upwards	**Rs. 517** 1Y Upside: 8% | 28.8x FY28E P/E

Estimate Update: FY27E Revenue Rs. 1,041 cr (3.0%) | FY27E PAT Rs. 121 cr (4.6%) | FY28E Revenue Rs. 1,354 cr (3.5%) | FY28E PAT Rs.168 cr (4.3%) | Target valuation multiple increased to 31x 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	**242**	**207**	**316**	**30%**	**53%**	**304**	**4%**
COGS	(166)	(132)	(205)	24%	55%	(198)	4%
Gross Profit	77	75	111	44%	48%	106	4%
Gross Margin	*31.7%*	*36.2%*	*35.1%*	336bps	-114bps	*35.0%*	7bps
Employee cost	(19)	(24)	(27)	42%	16%	(24)	15%
% of revenue	*-7.9%*	*-11.4%*	*-8.6%*	-68bps	275bps	*-7.8%*	-85bps
Other expenses	(9)	(10)	(16)	72%	53%	(17)	-5%
% of revenue	*-3.8%*	*-5.0%*	*-5.0%*	-122bps	0bps	-5.5%	47bps
EBITDA	**48**	**41**	**67.7**	40%	65%	**66**	3%
EBITDA Margin	***20.0%***	***19.8%***	***21.4%***	145bps	162bps	***21.7%***	-31bps
Depreciation	(10)	(10)	(10)	4%	5%	(11)	-5%
% of revenue	*-4.1%*	*-4.8%*	*-3.3%*	83bps	152bps	*-3.6%*	32bps
EBIT	**38**	**31**	**57**	49%	85%	**55**	4%
EBIT Margin	***15.8%***	***15.0%***	***18.1%***	228bps	314bps	***18.1%***	1bps
Other Income	1	2	1	-7%	-23%	2.0	-33%
% of revenue	*0.6%*	*0.8%*	*0.4%*	-17bps	-42bps	*0.7%*	-23bps
Interest	(6)	(5)	(6)	0%	4%	(6)	-4%
% of revenue	*-2.4%*	*-2.7%*	*-1.8%*	55bps	84bps	*-2.0%*	16bps
Exceptional Items	-	-	-				
% of revenue	-	-	-				
PBT	**34**	**27**	**53**	**55%**	**94%**	51	**4%**
PBT Margin	*14.0%*	*13.1%*	*16.7%*	267bps	356bps	*16.8%*	-7bps
Tax	(9)	(7)	(13)	49%	89%	(13)	4%
Tax Rate	*-26.2%*	*-25.7%*	*-25.1%*	110bps	66bps	*-25.0%*	-8bps
Minority interest	-	-	-				
Share of associates	0	1	0	55%	-60%	1	-80%
Profit After Tax	**25**	**21**	**39.9**	**57%**	**91%**	39.7	**1%**
PAT Margin	*10.4%*	*10.1%*	*12.6%*	217bps	251bps	*13.0%*	-43bps
EPS	**2.8**	**2.2**	**4.26**	50%	91%	**4.2**	1%
Adj EPS	**2.8**	**2.2**	**4.26**	50%	91%	**4.2**	1%

Revenue Y-o-Y
+30%
Higher volumes and improved realisations supported growth.

EBITDA Margin
21.4%
Backward integration and operating leverage supported profitability.

PAT Y-o-Y
+57%
PAT growth was partly tempered by a lower-than-expected contribution from associate VKT Pharma

PAT vs Est.
+1%

Revenue vs Est.
4%
Revenue exceeded our estimate amid higher volumes and improved realisations.

Source: Company, and Midas Research

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Q2FY27 Conference Call – Key Takeaways

Financial highlights

- Consolidated revenue grew 30% Y-o-Y & 53% Q-o-Q to Rs. 316 cr, 4% above our estimate. Management attributed the growth to higher volumes, better price realisations & continued growth across the product portfolio. Volume growth was ~10–15% Y-o-Y in kg terms.
- Gross profit increased 44% Y-o-Y to Rs. 111 cr, with gross margin expanding 336 bps Y-o-Y to 35.1%. However, gross margin declined 114 bps Q-o-Q from 36.2%. Management highlighted backward integration as a key driver of the Y-o-Y improvement.
- EBITDA grew 40% Y-o-Y and 65% Q-o-Q to Rs. 67.7 cr, beating our estimate by 3%. EBITDA margin expanded 145 bps Y-o-Y and 162 bps Q-o-Q to 21.4%, supported by operating leverage, but remained 31 bps below our estimate.
- PAT, including contribution from associates, rose 57% Y-o-Y & 91% Q-o-Q to Rs. 39.85 cr, beating our estimate by 1%. PAT margin came in at 12.6%, while EPS was Rs. 4.26.

Operational highlights and capex

- H1FY27 ARV revenue grew 47% Y-o-Y to Rs. 150 cr, supported by market-share gains. High-value APIs contributed 49% of revenue in H1FY27, compared with 47% in FY26.
- Six DMF/CEP filings were completed through October, including four in H1FY27 and two in October, against the FY27 target of ten. The R&D team comprises over 200 professionals.
- Approximately Rs. 160 cr has been deployed under the ongoing Rs. 280 cr capex programme, with the remaining Rs. 120 cr expected to be incurred by FY27-end.
- Peptide R&D is operational, with a team of approximately 30 chemists. The Board approved a Rs. 50 cr loan to SMS Peptides to support its expansion. In-house generic peptide pilot production is targeted for Q4FY27.
- SMS coLab has been established as a wholly owned CDMO platform. The Chemo partnership covers joint development, marketing, and profit sharing for products like sitagliptin and flozins.

Ibuprofen highlights

- Existing capacity was operating at 90–95% utilisation, with a production run rate of approximately 450–500 tonnes per month.
- Management expects capacity to expand to 9,600 tonnes annually over the next one to two quarters, followed by a gradual volume ramp-up.
- H1FY27 anti-inflammatory revenue grew 25% Y-o-Y to Rs. 110 cr, supported by Ibuprofen demand from regulated markets.
- Management highlighted backward integration as a key factor supporting intermediate supply security. Validated salts and derivatives offer higher margins but lower volumes than standard Ibuprofen.
- Management described pricing as cyclical and acknowledged scope for improvement, without providing specific guidance.

Financial outlook & growth drivers

- Management expects FY27 revenue growth of over 15% and EBITDA margin of over 20%, exceeding its earlier guidance, although no revised numerical targets were provided.
- Six to eight new molecules are expected to enter commercial production in FY28 and scale up over the following six quarters. Management expects these molecules to be EBITDA-accretive and indicated FY28 EBITDA margins of 22–24%.
- Management acknowledged raw-material pricing pressures and indicated a working-capital cycle of 120–150 days.
- Total short- and long-term borrowings are expected to reach ~Rs. 400 cr by FY27-end.
- Peptide initiatives include generic GLP and cosmetic peptides, alongside CRO/CDMO opportunities targeting domestic and international customers.

Source: Company, Midas Research.

SMS Pharmaceuticals Ltd – Q2FY27 Result Update

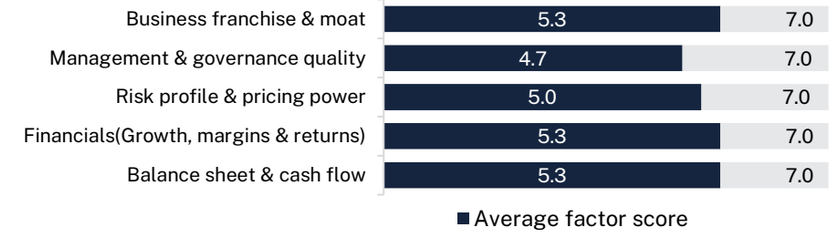
CMP
Rs. 517

Rating
Accumulate

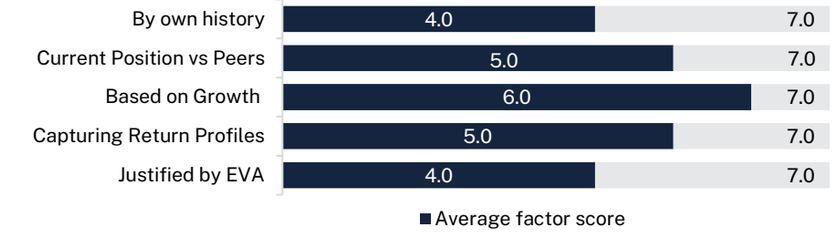
SMS Pharmaceuticals - OUR COMMENTARY ON RESULTS

- SMS Pharmaceuticals' consolidated revenue grew 30% Y-o-Y and 53% Q-o-Q to Rs. 316 cr, beating our estimate by 4%, driven by higher volumes and improved realisations. H1FY27 ARV and anti-inflammatory revenue grew 47% and 25% Y-o-Y to Rs. 150 cr and Rs. 110 cr, respectively.
- Gross profit grew 44% Y-o-Y to Rs. 111 cr, with gross margin expanding 336 bps to 35.1%, supported by backward integration. EBITDA rose 40% Y-o-Y to Rs. 67.7 cr, beating our estimate by 3%. EBITDA margin expanded 145 bps Y-o-Y to 21.4%, but was 31 bps below our estimate. PAT, including contribution from associates, grew 57% Y-o-Y and 91% Q-o-Q to Rs. 39.85 cr, beating our estimate by 1%.
- Ibuprofen capacity utilisation stood at 90–95%, with expansion set to increase annual capacity to 9,600 tonnes. Six to eight new molecules are expected to enter commercial production in FY28. High-value APIs contributed 49% of H1FY27 revenue, compared with 47% in FY26.
- Management expects FY27 revenue growth of 15%+ & EBITDA margin of 20%+. Of the ongoing Rs. 280 cr capex programme, Rs. 160 cr has been deployed, with the rest likely to be incurred by FY27-end. Peptide R&D is operational, with pilot-scale generic peptide production targeted for Q4FY27.

Business Assessment Scores



Valuation Framework



Financials and Estimates Summary

Particulars (Rs. cr)	Revenue	EBITDA %	PAT %	EPS	RoE %	RoCE %	PE	EV/EBITDA	Mcap/Sales
FY24	709	16.4	7.0	5.9	10.0	11.1	87.7	44.2	6.8
FY25	783	17.8	8.8	8.2	11.7	11.8	63.3	37.1	6.2
FY26	887	19.3	11.5	11.2	14.3	12.5	46.3	30.1	5.5
FY27E	1,041	20.6	11.7	13.0	14.4	13.4	39.9	24.1	4.6
FY28E	1,354	21.5	12.4	17.9	17.0	15.7	28.8	17.7	3.6

Source: Company reports, Bloomberg, Midas Research

05 Nov 2026

Industry	Pharmaceuticals

Key Stock Data

Bloomberg	SMSPH IN
Shares o/s (cr)	9.37
Market Cap (Rs. cr)	4,839
52-wk High/Low	535/270
3M ADV (In '000)	708.2
Index	Nifty 500
F&O	N

Latest Shareholding (%)

	Sep 26	Jun 26	Mar 26
Promoters	68.1	68.1	68.1
Institutions	1.4	3.5	3.3
Public	30.5	28.5	28.6
Pledge	18.0	18.0	18.0

Stock Performance (%)

	1M	3M	12M
SMSPH	8.2	40.9	81.8
Nifty 500	5.7	(2.1)	(1.2)

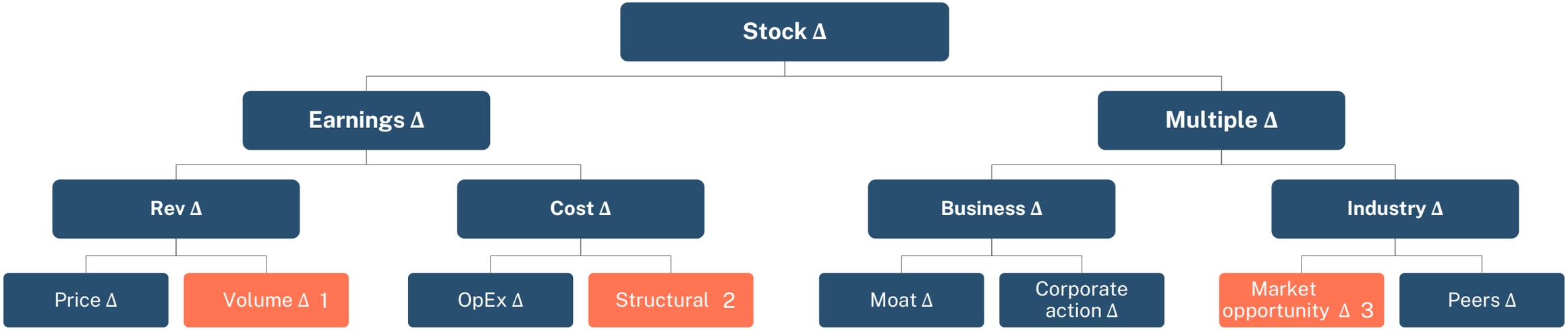
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Decision Tree – Stock call

CMP
Rs. 517

Rating
Accumulate



1 Reasoning 1

- SMS is scaling Ibuprofen capacity to 9,600 MTPA (800 tonnes/month) in the coming quarters, from 500 tonnes/month in FY26, positioning it to capture global market share as volumes ramp up in the next 6 quarters.
- Beyond anti-inflammatory APIs, growth is led by strong ARV traction (up 47% Y-o-Y in H1FY27), the Chemo JV & the commercialisation of 6–8 new R&D molecules from FY28, supported by the Rs. 280 cr capex programme.
- Collectively, these drivers are expected to deliver a 23.5% revenue CAGR over FY26–FY28E.

2 Reasoning 2

- Deepening backward integration across core molecules, including 100% captive IBB for Ibuprofen, allows the company to capture intermediate margins and insulate unit economics from raw-material price volatility.
- The margin profile is structurally improving, with high-value APIs (49% of H1FY27 revenue) and 6–8 EBITDA-accretive launches scaling up alongside higher asset turnover (targeting 1.75x).
- Post a 145 bps Y-o-Y expansion in Q2FY27 EBITDA margin to 21.4%, we expect margins to improve from 19.3% in FY26 to 21.5% by FY28E, driving a 30.4% EBITDA CAGR.

3 Reasoning 3

- SMS is evolving into a diversified API and CDMO platform, with 55+ APIs & 130+ DMFs, and has completed six filings in FY27 YTD against a full-year target of ten.
- Newly operational R&D at SMS Peptides (pilot production targeted for Q4FY27 & initial CRO revenue for Q2FY28) and its wholly-owned CDMO subsidiary, SMS coLab, provide access to high-growth peptide and custom synthesis markets.
- The broader API landscape remains favourable, driven by China+1 sourcing and regulated-market supply security.
- Structural tailwinds & improving business quality warrant a target FY28E P/E multiple of 31x vs the current 28.8x.

Source: Company, and Midas Research

Change in Estimates

Context: Earnings estimates and the target multiple have been raised following stronger-than-expected Q2FY27 performance and sustained execution momentum.

	New estimates		Old estimates		Change	
Description	**FY27E**	**FY28E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**
Net Sales (Rs. cr)	1,041	1,354	1,011	1,308	3.0%	3.5%
EBITDA (Rs. cr)	214	291	206	278	3.9%	4.8%
EBITDA Margin	20.6%	21.5%	20.3%	21.3%	26bps	21bps
Adj PAT (Rs. cr)	121	168	116	161	4.6%	4.3%
PAT Margin	11.7%	12.4%	11.5%	12.3%	15bps	10bps
EPS (Rs.)	13.0	17.9	12.4	17.2	4.5%	4.2%

- **Estimates revision:** Following strong Q2FY27 results, we raise FY27E/FY28E revenue estimates by 3.0%/3.5%, EBITDA by 3.9%/4.8% and Adj. PAT by 4.6%/4.3%. The revisions are driven by a faster Ibuprofen production ramp-up, higher contribution from high-value APIs (49% of H1FY27 revenue vs. 47% in FY26) and deeper backward integration, supporting structural EBITDA margin and PAT expansion.
- **Multiple revision:** We increase our target multiple to 31x FY28E P/E (vs. 26x earlier), reflecting greater confidence in SMS Pharma's execution, upgraded FY27 guidance and structurally higher margins. The re-rating is supported by 6–8 EBITDA-accretive API launches in FY28 and growing opportunities in peptides (SMS Peptides) & CDMO (SMS coLab).

Following a strong share price rally in the past few months, much of the near-term upside is reflected in valuations. While we raise our earnings estimates and target multiple, the sharp share price appreciation moderates the near-term risk-reward. We therefore downgrade our rating from BUY to ACCUMULATE, while remaining constructive on the company's long-term outlook.

Valuation Summary

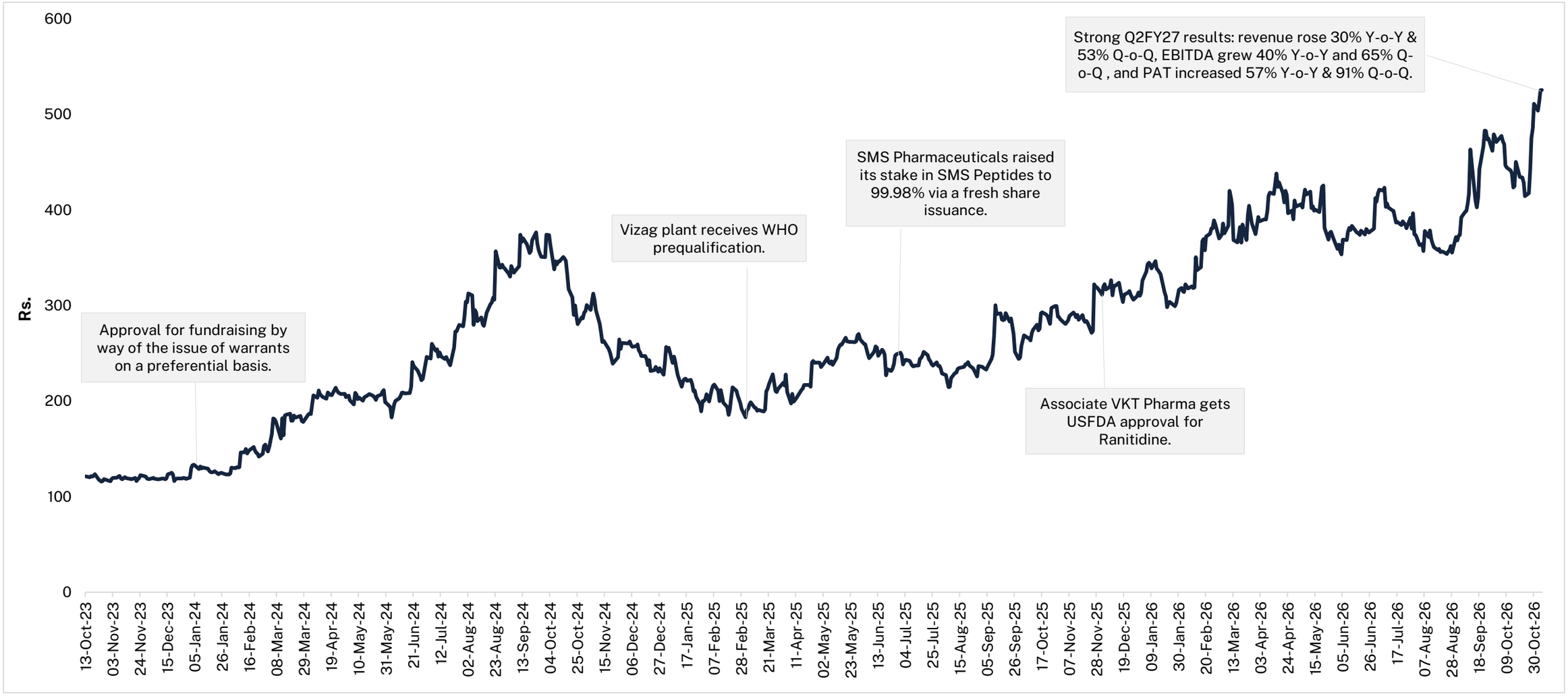
Target Multiple	Target EPS	1Y TP	PEG Ratio	1Y Upside (Incl. Dividends)
31x FY28E P/E	**Rs. 17.9**	**Rs. 557**	**~1.1x**	**8%**
Raised from 26x	FY28E EPS	Incl. dividends	In line with peers	From CMP

Source: Company, and Midas Research

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Stock Buzz & Influencing Factors

Follow the money



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	709	783	887	1,041	1,354
Gross profit	212	259	300	365	487
EBITDA	117	139	171	214	291
Depreciation	(32)	(34)	(40)	(46)	(59)
EBIT	85	105	131	169	232
Other Income	4	6	8	8	11
Interest expense	(23)	(19)	(23)	(33)	(40)
Exceptional items	-	-	-	-	-
PBT	66	92	117	143	204
Reported PAT (after Non-Controlling Interests)	50	69	102	121	168
Adj PAT	50	69	102	121	168
EPS (Rs.)	5.9	8.2	11.2	13.0	17.9
Balance Sheet					
Net Worth	536	640	786	903	1,067
Total debt	281	312	365	470	520
Non-Controlling Interests	-	0	0	0	-
Other liabilities and provisions	216	201	212	230	272
Total Net worth and liabilities	**1,034**	**1,153**	**1,362**	**1,603**	**1,859**
Gross Fixed assets	624	753	793	965	1,235
Net fixed assets	434	531	531	657	868
Capital work-in-progress	30	35	122	150	80
Intangible Assets	3	2	3	3	3
Investments	33	31	69	83	98
Cash and bank balances	36	41	46	39	16
Loans & advances and other assets	28	25	25	19	20
Net working capital	319	374	447	505	585
Total assets	**1,034**	**1,153**	**1,362**	**1,603**	**1,859**
Capital Employed	818	952	1,151	1,373	1,587
Invested Capital (CE - cash - CWIP)	751	876	983	1,185	1,491
Net debt	245	271	319	431	504
Cash Flows					
Cash flows from Operations (Pre-tax)	66	102	83	153	211
Cash flows from Operations (post-tax)	50	82	59	117	160
Capex	(52)	(123)	(131)	(200)	(200)
Free cashflows	(2)	(42)	(71)	(83)	(40)
Free cashflows (post interest costs)	(24)	(59)	(93)	(116)	(79)
Cash flows from Investing	(52)	(123)	(131)	(192)	(189)
Cash flows from Financing	31	47	76	68	6
Total cash & liquid investments	**36**	**41**	**46**	**39**	**16**

Particulars	FY24	FY25	FY26	FY27E	FY28E
Growth ratios (%)					
Revenue	35.9%	10.4%	13.3%	17.4%	30.0%
EBITDA	114.0%	19.2%	23.2%	25.0%	36.0%
Adj PAT	-790.7%	37.5%	48.6%	19.0%	38.3%
Margin ratios					
Gross	29.8%	33.1%	33.8%	35.0%	36.0%
EBITDA	16.4%	17.8%	19.3%	20.6%	21.5%
Adj PAT	7.0%	8.8%	11.5%	11.7%	12.4%
Performance ratios					
Pre-tax OCF/EBITDA	56.2%	73.1%	48.6%	71.5%	72.5%
OCF/IC (%)	6.7%	9.3%	6.0%	9.9%	10.8%
RoE (%)	10.0%	11.7%	14.3%	14.4%	17.0%
RoCE (%)	11.1%	11.8%	12.5%	13.4%	15.7%
Fixed asset turnover (x)	1.2	1.1	1.1	1.2	1.2
Total asset turnover (x)	0.7	0.7	0.7	0.7	0.8
Financial stability ratios					
Net Debt to Equity (x)	0.5	0.4	0.4	0.5	0.5
Net Debt to EBITDA (x)	2.1	1.9	1.9	2.0	1.7
Interest cover (x)	3.6	5.6	5.7	5.0	5.9
Working capital days	164	174	184	177	158
Valuation metrics					
Fully Diluted Shares (cr)	8.5	8.9	9.4	9.4	9.4
Market cap (Rs. cr)			4,839		
P/E (x)	87.7	63.3	46.3	39.9	28.8
P/OCF(x)	96.6	59.2	81.7	41.3	30.2
EV (Rs.cr) (ex-CWIP)			5,158		
EV/ EBITDA (x)	44.2	37.1	30.1	24.1	17.7
EV/ OCF(x)	102.9	63.1	87.1	44.0	32.2
FCF Yield	0.0%	-0.9%	-1.5%	-1.7%	-0.8%
Price to BV (x)	9.0	7.6	6.2	5.4	4.5
Dividend pay-out (%)	7%	5%	4%	4%	4%
Dividend yield (%)	0.1%	0.1%	0.1%	0.1%	0.1%
Cash as a % of CE	4.4%	4.4%	4.0%	2.8%	1.0%

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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