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Tuesday, 7 October 2025 CM RATING 45 /100

Rubicon Research

US-focused formulations player

Generated 95.05% of revenue from non-branded products in Q1 FY26

Rubicon Research is a pharmaceutical player developing, manufacturing, and commercialization of differentiated formulations, with a primary emphasis on regulated markets, particularly the United States.

The company derives most of its revenue from the US market, which accounted for 99.5% of total revenue in Q1 FY26. Of this, 75.15% of product sales were through its own distribution channel, while 24.85% were via third-party partners.

As of March 31, 2025, the portfolio comprised 66 commercialized products. In FY25, nine of its products each held over 25% share in value in the US market. By June 2025, its commercialization rate in the US reached 86.4%, with 70 commercialized products out of 81 active Abbreviated New Drug Application (ANDA) and New Drug Application (NDA) approvals granted by the US FDA. This high commercialization rate enables more effective monetization of product development investments.

Currently, its 17 new products await US FDA ANDA approval, while 63 additional product candidates are in various stages of development. Among Indian pharmaceutical players, the company ranks within the top 12 for total ANDA approvals. In the quarter ending June 30, 2025, it received five ANDA approvals and one NDA approval from the US FDA, with a total of 12 ANDA approvals in FY25.

As of June 30, 2025, there were 72 active ANDAs, 9 active NDAs, and one over the counter (OTC) monograph listed with the US FDA, either directly or through subsidiaries.

In Q1 FY26, the company generated 95.05% of revenue from non-branded products, with only 4.95% coming from branded offerings. Current US tariffs target products manufactured outside the US and imported into the country, unless the manufacturer is building a pharmaceutical manufacturing plant within the US. These tariffs are expected to affect only three of its branded products, which accounted for just 1.62% and 0.74% of revenue in Q1 FY26 and FY25, respectively.

Branded products are marketed via a US-based subsidiary specializing in branded formulations, while unbranded products are distributed through a wholly-owned subsidiary and selectively via third-party distributors.

As on June 30, 2025 the company marketed over 350 SKUs to 96 customers including, the three major wholesalers, which accounted for more than 90% of wholesale drug distribution in the US, as well as GPOs, national pharmacy chains, regional pharmacy chains and managed care organizations.

In Q1 FY26, revenue was primarily driven by oral solid dosage forms, contributing 85.52%, followed by oral liquids at 10.07%, nasal formulations at 2.26%, injectable products at 0.52%, and others at 1.85%.

In Q1 FY26, the top five products contributed 33.37% to total revenue, while the top ten accounted for 54.76%.

In Q1 FY26, revenue by therapy area included Analgesics/Pain Management at 24.1%, Central Nervous System (CNS) at 27.25%, Cardiovascular System (CVS) at 18.87%, Hypokalemia at 7.3%, Skeletal Muscle Relaxants at 3.54%, Nicotine Replacement Therapy (NRT) at 0.36%, Gastrointestinal at 0.52%, Metabolic at 4.83%, Immunosuppressants at 4.6%, and others making up 8.63%.

The company has been expanding the business inorganically through strategic acquisitions. This includes the purchase of Impopharma Canada, which enhanced expertise in inhalation and nasal delivery. Additionally, on June 23, 2025, a formulations manufacturing facility in Pithampur, Madhya Pradesh, was acquired for Rs 149 crore, equipped to produce steroids, hormones, and high-potency products such as immunosuppressants and oncology medications across three dedicated production blocks.

Furthermore, to strengthen marketing and promotion of branded products, a US-based branded formulation company Validus Pharmaceuticals was acquired in 2024, bringing two CNS products, Equetro and Marplan, into the portfolio. While Equetro continues to be marketed, Marplan was divested in June 2025, including its trademark and inventory.

Strategic goals include expanding the portfolio of specialty products and drug-device combinations. Specialty products are defined as those facing no competition or only one competitor for at least one year post-launch. In Q1 FY26, 16 specialty products contributed 32.55% to the gross margin.

Research and development expenditures remained consistent, accounting for 10.42% of total revenue in Q1 FY26 and 10.54% in FY25. Efforts continue to focus on product selection and development to increase the number of commercialized products.

Plans to expand in other regulated markets such as the UK, Canada, Australia, and South Africa.

Operations include two US FDA-inspected R&D facilities located in India and Canada, alongside three manufacturing plants in India. As of June 30, 2025, manufacturing services have cumulative formulations manufacturing capacity of 10,226.61 million tablets of oral solid dosages per annum, 3,459.08 kiloliters per annum of oral liquid dosages per annum, 4.14 million tubes per annum and 24.83 million bottles/microvials of nasal sprays per annum, on a three-shift basis, subject to product mix. These sites hold accreditations from multiple regulatory bodies including the US FDA, Maharashtra Food and Drugs Administration (WHO-GMP), and Health Canada.

The company is open to pursuing opportunities to expand its manufacturing capabilities through the acquisition of facilities in India that have existing regulatory approvals and capabilities complementary to its product portfolio.

Offer and its objects

The IPO comprises fresh issue of equity shares worth up to Rs 500 crore and an offer for sale aggregating up to Rs 877.49 crore by corporate promotor General Atlantic Singapore RR.

The price band for the IPO is Rs 461 to Rs 485 per equity share of face value Re 1 each.

The objectives of the fresh issue include Rs 310 crore for the repayment of certain outstanding borrowings, with the remaining amount allocated towards funding inorganic growth and general corporate purposes.

The promoters are General Atlantic Singapore RR, Pratibha Pilgaonkar, Sudhir Dhirendra Pilgaonkar, Parag Suganchand Sancheti, Surabhi Parag Sancheti and Sumant Sudhir Pilgaonkar. The promoters and promoter group hold an aggregate of 12,04,07,506 equity shares, aggregating to 77.97% of the pre-offer issued and paid-up equity share capital. Their post IPO shareholding is expected to be around 62.10%.

The issue, through the book-building process, will open on 9 October 2025 and close on 13 October 2025.

Strengths

Fast-growing pharma player with improving revenue and EBITDA margins. Revenue increased from Rs 393.52 crore in FY2023 to Rs 1,284.27 crore in FY25.

Robust R&D and product development capabilities enable pursuit of complex, high-revenue products. With R&D expenses accounting for 10.42% of revenue in Q1 FY26, this investment is notably higher than industry peers, underscoring a strong commitment to innovation.

Well positioned to benefit from growth in analgesics, CNS, and CVS markets, driven by rising chronic pain, increased surgeries, an aging population, and the growing prevalence of neurological and cardiovascular diseases, supported by its strong presence and portfolio in these therapy areas.

Strong focus on expanding the portfolio of specialty and drug-device combination products, supported by a robust pipeline of complex nasal spray therapies targeting multiple therapeutic areas.

Robust sales and distribution capabilities in the US, enables direct access to major wholesalers, GPOs, and pharmacy chains across 49 states. The Validus acquisition further strengthens branded product marketing through an experienced prescriber network.

Strong track record in regulatory compliance. As of July 15, 2025, none of its manufacturing facilities has received an Official Action Indicated (OAI) status by the US FDA since 2013.

Extensive experience of promoters and senior management personnel.

Weaknesses

High revenue dependence on the US market, with 99.5% and 98.49% of revenue derived from the US in Q1 FY26 and FY25, respectively. There is a potential risk that US tariffs may be expanded to include unbranded pharmaceutical products, which could negatively affect financial performance.

Subject to stringent regulatory inspections and compliance requirements from global health authorities. Any failure to meet these regulatory standards could result in warning letters, product recalls, or suspension of manufacturing licenses.

Operations are working capital-intensive, with working capital accounting for 86.89% of revenue in Q1 FY26. This high level potentially limits liquidity and financial flexibility.

Exposed to foreign currency fluctuation risks, particularly in translating financial statements and borrowings. Reported negative foreign currency exposures as of June 30, 2025, and 2024, and March 31, 2025, 2024, and 2023.

Reported negative cash flow from operating activities and net loss in FY23.

Healthcare reform and Medicaid changes in the US, including expanded rebate obligations and drug price negotiations under the Inflation Reduction Act, pose significant risks to profitability.

Certain Subsidiaries namely, KIA Health Tech, Rubicon Consumer Healthcare, Rubicon Academy LLP, Advagen Holdings, Rubicon Research (Singapore), Rubicon Research Australia, Advagen Pharma Europe OÜ, Advatech Bio Pharma, Validus and AIM RX 3PL LLC have incurred losses in past.

Delays in securing necessary DMF approvals may postpone product launches, which could adversely affect revenue growth.

Valuation

Net sales increased 11% to Rs 352.49 crore in Q1 FY26 as compared with Q1 FY25. The OPM improved 386 bps to 21.36%, leading to a 36% rise in OP to Rs 75.29 crore, primarily due to shift in product mix toward higher proportion of specialty products. OI fell 14% to Rs 4.45 crore. Interest cost rose 5% to Rs 10.62 crore. Depreciation cost went up 2% to Rs 9.57 crore. PBT surged 45% to Rs 59.56 crore. Tax expenses were Rs 16.26 crore as compared with Rs 15.59 crore. PAT soared 69% to Rs 43.3 crore.

Net sales increased 50% to Rs 1,284.27 crore in FY25 as compared with FY24, driven by the launch of 12 new generic and specialty products. The OPM improved 183 bps to 19.93%, leading to a 66% rise in OP to Rs 255.94 crore. OI fell 35% to Rs 11.95 crore. Interest cost rose 18% to Rs 36.78 crore. Depreciation cost went down 6% to Rs 36.59 crore. PBT surged 89% to Rs 194.52 crore. Tax expenses were Rs 60.16 crore as compared with Rs 11.85 crore. PAT soared 48% to Rs 134.36 crore.

The TTM EPS on post-issue equity works out to Rs 9.2. At the upper price band of Rs 485, the P/E ratio stands at 52.5.

Listed peers such as Sun Pharmaceutical Industries traded at TTM P/E of 35, Aurobindo Pharma at TTM P/E of 19, Zydus Lifesciences at TTM P/E of 21, and Dr. Reddy's Laboratories at TTM P/E of 18 as on 07 Oct 2025. The OPM and ROE stood at 21.36% and 29.02%, respectively, in FY2025. These were 29.05% and 16.08% for Sun Pharmaceutical Industries, 20.75% and 11.15% for Aurobindo Pharma, 30.37% and 20.67% for Zydus Lifesciences, and 26.18% and 18.3% for Dr. Reddy's Laboratories, respectively.

Rubicon Research: Issue highlights	
For Fresh Issue Offer size (in no of shares)	
- On lower price band	1,08,45,987
- On upper price band	1,03,09,278
Offer size (in Rs crore)	500
For Offer for Sale Offer size (in no of shares)	
- On lower price band	1,90,34,685
- On upper price band	1,80,92,762
Offer size (in Rs crore)	877.49
Price band (Rs)	461-485
Minimum Bid Lot (in no. of shares)	30
Post issue capital (Rs crore)	
- On lower price band	16.53
- On upper price band	16.47
Post-issue promoter & Group shareholding (%)	62.10
Issue open date	09-10-2025
Issue closed date	13-10-2025
Listing	BSE, NSE
Rating	**45/100**

Rubicon Research: Consolidated Financials					
	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Sales	393.52	853.89	1,284.27	316.72	352.49
OPM (%)	4.70%	18.10%	19.93%	17.50%	21.36%
OP	18.49	154.59	255.94	55.43	75.29
Other inc.	25.48	18.50	11.95	5.18	4.45
PBIDT	43.97	173.09	267.89	60.61	79.75
Interest	18.96	31.26	36.78	10.09	10.62
PBDT	25.01	141.83	231.11	50.52	69.13
Dep.	36.06	38.97	36.59	9.36	9.57
PBT	(11.05)	102.85	194.52	41.16	59.56
Share of Profit/(Loss) from Associates/JV	-	-	-	-	-
PBT before EO	(11.05)	102.85	194.52	41.16	59.56
Exceptional items	-	-	-	-	-
PBT after EO	(11.05)	102.85	194.52	41.16	59.56
Taxation	5.84	11.85	60.16	15.59	16.26
PAT	(16.89)	91.01	134.36	25.56	43.30
EPS (Rs)*	-	5.5	8.2	#	#
* EPS is annualized on post issue equity capital of Rs 16.47 crore of face value of Re 1 each					
# EPS is not annualised due to seasonality of business					
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax					
Figures in Rs crore					
Source: Capitaline Corporate Database					