Investorstack Research Report

Innova Captab Limited

What Innova Captab Limited does

Innova Captab is an integrated pharmaceutical company built on two engines: a B2B contract development and manufacturing organization (CDMO) and a front-end branded generics business. It manufactures formulations for other pharmaceutical companies under the CDMO model while also selling its own branded generic medicines directly to distributors, stockists, and retailers in India and abroad.

The company operates 9 manufacturing blocks across 5 facilities in Baddi, Dehradun, Taloja, and Kathua (Jammu). It was incorporated in 2005 and began with a single manufacturing plant in Baddi, Himachal Pradesh. Over two decades, it has expanded capacity, added dosage forms, built a R&D center, acquired Sharon Bio-Medicine in 2023, and commissioned a large greenfield facility in Jammu in January 2025.

As of FY26, Innova Captab serves over 350 clients across 60-plus countries with a product portfolio of over 4,200 formulations. Exports contributed 31.3% of revenue in FY26, up from 25.9% in FY25. The company employs over 3,300 people.

> *"FY '26 has been a defining year for Innova Captab as we achieved our highest ever annual performance" – Vinay Lohariwala, Managing Director, Q4 FY26 concall (May 2026)*

Business segments

CDMO Services & Products (~70% of revenue)

This is the core of the business. Innova manufactures pharmaceutical formulations on a B2B basis for other pharma companies. Think of it as a contract manufacturer that also handles development, scale-up, regulatory filings, and commercial production. The CDMO segment includes legacy CDMO operations, the Sharon Bio-Medicine acquisition, and the portion of international branded generic business that operates under a CDMO framework (Aug 2025 concall).

The CDMO revenue in FY26 was approximately ₹1,133 Cr. The segment grew 24% year-on-year despite API price headwinds that compressed pricing in anti-infective categories. Growth came from volume increases at the Baddi facility and the initial ramp-up of the Jammu facility.

This segment serves domestic Indian pharma companies and global clients across regulated markets (UK, Canada, Europe, Australia) and semi-regulated markets (Africa, Southeast Asia, Rest of the World). Key regulatory certifications include UK-MHRA approval for the Baddi cephalosporin block and PIC/S certification through Ukraine's SMDC for all Jammu blocks (May 2026 concall).

Branded Generics (~30% of revenue)

This is the front-end business where Innova sells its own branded medicines through a distribution network. It includes the domestic trade generic brand Univentis and the international branded generic portfolio. The domestic business is pure trade generic – sold through distributors, stockists, and retailers without a field force visiting doctors (Aug 2025 concall). The company has a hybrid model with on-ground staff working with stockists and retailers to push sales.

Branded generics revenue in FY26 was approximately ₹497 Cr, growing 51% year-on-year. The domestic component is roughly 65-70% of this segment, with the balance from international markets (Feb 2026 concall). The company has over 2,50,000 touchpoints across India.

The two segments are complementary: CDMO provides scale, stability, and revenue visibility through long-term contracts, while branded generics offers higher-margin growth and direct market access. This dual-engine model diversifies Innova's revenue base and reduces dependency on any single type of customer.

Products and business detail

Innova manufactures across multiple dosage forms, a capability that took years to build and is a key reason pharma companies outsource to them rather than build their own capacity.

Tablets and capsules are the largest volume category. The Baddi general block has capacity of 8,192 million tablets/capsules per year. Dehradun adds another 2,012 million. These cover immediate-release, sustained-release, and modified-release formulations. This is the workhorse of the CDMO business.

Dry syrups and liquid orals serve pediatric and geriatric patients primarily. Capacity is at Baddi (311 million dry syrups, 54 million liquid orals). The company has noted capacity constraints in oral liquids and is planning a new general block at Baddi to address this (May 2026 concall).

Dry powder injectables are sterile formulations for hospital use. Capacity: 547 million units at Baddi. These require higher manufacturing standards and command better margins.

BFS parenterals and respules are newer, more complex dosage forms manufactured at the Jammu facility. BFS (blow-fill-seal) is a sterile packaging technology for liquid injectables. Respules are inhalation solutions for respiratory conditions. These represent a move up the value chain and are the type of complex products that differentiate Innova from simpler CMOs.

Ointments and topicals are manufactured at Taloja (23 million units), a smaller facility acquired through Sharon.

Cephalosporins, beta-lactams, and penems are manufactured in dedicated blocks at both Baddi (UK-MHRA approved) and Jammu. These are high-volume anti-infective categories but with significant API price volatility. The cephalosporin block at Baddi was the first to receive UK-MHRA approval, opening regulated markets for this product line.

APIs: Sharon Bio-Medicine adds API manufacturing capability, which provides some vertical integration and allows Innova to offer combined API-formulation packages to CDMO clients.

The Jammu facility, commissioned in January 2025, is the crown jewel. It has 4 blocks covering general oral solids, cephalosporins, beta-lactams/penems, and injectables including BFS and respules. Total investment was approximately ₹480 Cr. At optimal utilization of 65-75%, it has potential revenue capacity of over ₹1,400 Cr. In FY26, it operated at roughly 10% utilization and generated about ₹300 Cr in revenue (May 2026 concall).

The R&D center in Baddi, with 60-plus scientists, is DSIR-recognized and works on super-bioavailability capsules, nano-size formulations, and modified-release technologies. An additional R&D center is planned in Panchkula. R&D spend was approximately ₹7 Cr in FY26.

Customers

Innova's CDMO business serves over 350 clients, including "several leading pharmaceutical companies in India" (May 2026 concall). The company does not name specific clients, but management stated they "cater to some of the most

prominent pharmaceutical companies in India as our CDMO client" (Aug 2025 concall).

The customer base is well-diversified. Management says there is no over-reliance on any single customer, product, or geography (May 2026 concall). For the Jammu facility specifically, "14 out of 15 clients where we have the relationship have either validated, visited the facility, done their quality assurance audit, we have started the business, or we are in the pipeline" (Feb 2026 concall).

Buying relationship: Pharmaceutical companies choose CDMO partners based on regulatory certifications, manufacturing reliability, capacity availability, pricing, and technical expertise. The decision is made by procurement and technical teams at the client, typically after plant audits, stability data reviews, and batch validation. Switching costs are high – once a product is validated, moving to another manufacturer requires regulatory filings, new stability studies, and re-validation. This creates long-term, multi-year relationships.

Contract structure: The CDMO business operates on a cost-plus pricing model. API price changes are largely passed through to customers (May 2026 concall). This protects margins from raw material volatility but means top-line revenue fluctuates with API prices.

Customer concentration: While management asserts diversification, the Jammu ramp-up depends on a few marquee clients completing audits and starting commercial supplies. This creates near-term concentration risk until the facility achieves broader customer penetration.

Competitive landscape

The Indian CDMO/formulation manufacturing market is large and fragmented. Innova competes with a mix of large listed players, mid-sized unlisted companies, and smaller regional manufacturers.

Listed peers: The broad CDMO space includes Divis Laboratories, Laurus Labs, Syngene International, and Piramal Pharma. However, these companies have different focus areas – Divis and Laurus are heavy on API manufacturing and complex chemistry; Syngene focuses more on discovery and clinical services; Piramal has a large inhalation and biologics business. Innova is primarily a formulation-focused CDMO with growing complex dosage capabilities.

Direct formulation competitors: Companies like Leeford (mentioned in Aug 2025 concall as having added capacity) compete in the same space of manufacturing oral solids and injectables for domestic and semi-regulated markets. Other regional CMOs also compete on pricing.

Where Innova wins:

- Integrated model combining CDMO and branded generics, giving it scale and distribution reach that pure CMOs lack.
- Jammu facility with GST incentives (5% benefit) and PIC/S certification provides a cost advantage over facilities in non-hill states.
- UK-MHRA approval for cephalosporins opens regulated market opportunities that many Indian CMOs lack.
- Diversified dosage forms (tablets to injectables to BFS) allow cross-selling to existing customers.
- Strong relationships with top Indian pharma companies built over 20 years.

Where Innova loses:

- In pure price competition for simple oral solids, there are lower-cost manufacturers with less overhead.
- The branded generics business competes with larger players like Leeford, Alkem, and Mankind in trade generics, where brand recall and distribution depth matter.

- For complex biologics or peptide-based products, Innova is still building capabilities (the semaglutide opportunity is described as "wave-2 type concept" – not first-mover).

Management acknowledged competition risk: "a few CMO players like Leeford have also come up with capacity" (Aug 2025 concall) – implying potential oversupply and pricing pressure in formulation manufacturing.

Industry

Demand drivers: The global pharmaceutical outsourcing trend is structural. Drug companies increasingly prefer CDMOs to reduce capital expenditure, access specialized capabilities, and shorten time-to-market. Patent expirations of blockbuster drugs (GLP-1s like semaglutide, plus others) create generic opportunities that drive demand for manufacturing capacity. Rising chronic disease prevalence, aging populations, and growing healthcare spending in emerging markets provide sustained demand.

Market size: The global CDMO market was valued at USD 255.01 billion in CY 2025 and is projected to reach USD 580.72 billion by CY 2034, a CAGR of 9.9% (source: Annual Report FY26, citing Fortune Business Insights). The Indian CDMO market is estimated at USD 25.51 billion in CY 2025, expected to grow to USD 71.14 billion by CY 2035 at a CAGR of 10.8%. India's domestic pharmaceutical market is projected to reach ~USD 130 billion by CY 2030.

India's place: India supplies over 20% of global generic medicine volume by volume, fulfills 55-60% of global vaccine demand, and reached pharmaceutical exports of USD 30.47 billion in FY 2025 (annual report). India's cost advantage, English-speaking workforce, and US FDA-compliant facilities make it the preferred destination for global pharma outsourcing. The Indian CDMO sector is transitioning from volume-driven to capability-driven, moving into biologics, sterile injectables, and complex formulations.

Import substitution: The government has implemented policies like Schedule M (revised GMP standards) that raise compliance costs for smaller players, potentially driving consolidation toward organized manufacturers like Innova. The PLI scheme for pharmaceuticals incentivizes domestic manufacturing of key starting materials and APIs.

Regulation: Innova operates under multiple regulatory frameworks. Domestically, it must comply with Schedule M (GMP standards enforced by CDSCO). Internationally, its facilities have UK-MHRA approval (Baddi cephalosporin block) and PIC/S certification (Jammu blocks). These certifications are critical for accessing regulated markets – without them, revenue is limited to semi-regulated and domestic markets. The Jammu facility also holds WHO-GMP certification and EU marketing authorizations for specific products.

Cyclicality: The business is subject to API price cycles. In FY26, cephalosporin and anti-infective API prices declined 15-20% (potassium clavulanate from ₹18,500 to ₹13,000 per kg according to Aug 2025 concall). This directly impacted CDMO revenue because the cost-plus model passes price changes through to the top line. The company's fixed costs, however, remain constant, compressing margins when prices fall. Additionally, the GST incentive reduction at Jammu (from 12% to 5%) compressed the benefit available, requiring higher revenue to achieve the same subsidy level. These are inherent characteristics of the industry – API price volatility and policy changes create earnings variability that investors must understand.

Growth triggers

- Jammu facility ramp-up from current ~10% utilization toward optimum 65-75% capacity (peak potential ₹1,400+ Cr revenue). This provides multi-year volume-led growth with fixed costs already absorbed. (Q4 FY26 concall, May 2026; Q3 FY26 concall, Feb 2026; Q2 FY26 concall, Nov 2025; Q1 FY26 concall, Aug 2025)

- New Baddi general block expansion (capex ~₹150-170 Cr, potential revenue ₹450-500 Cr at optimum). This addresses current capacity constraints in the general oral solid and liquid portfolio, with construction expected across FY27 and FY28. (Q4 FY26 concall, May 2026)
- Semaglutide opportunity as a wave-2 entrant. R&D has shown positive initial results; the company is not aiming for first-mover but preparing for the second wave of launches as the market scales. (Q4 FY26 concall, May 2026)
- UK-MHRA approval for the Baddi cephalosporin block and PIC/S certification (via SMDC Ukraine) for all Jammu blocks. These certifications open regulated international markets (UK, Europe, Canada) for higher-margin exports. (Q4 FY26 concall, May 2026; Q3 FY26 concall, Feb 2026)
- Branded generics geographic expansion. This segment grew 51% in FY26, driven by deeper domestic penetration (now over 2,50,000 touchpoints) and international market expansion across semi-regulated and regulated geographies. The hybrid distribution model (stockists plus on-field staff) is the engine. (Q4 FY26 concall, May 2026; Annual Report FY26)
- Sharon Bio-Medicine integration. FY26 was Sharon's first full year under SAP, with revenue of ~₹240 Cr and better-than-average EBITDA margins due to its regulated market exposure. (Q4 FY26 concall, May 2026)
- Schedule M implementation in India. Stricter regulatory norms are forcing smaller, non-compliant manufacturers out, benefiting compliant players like Innova that already hold international certifications. (Q4 FY26 concall, May 2026; Q2 FY26 concall, Nov 2025)

Key risks

- **API price volatility**: The CDMO business uses a cost-plus model, but a portion of the gross conversion is fixed per unit. When API prices dropped 15-20% in certain categories (e.g., potassium clavulanate from ₹18,500 to ₹13,000), absolute revenue per tablet fell even though margins held. This directly impacted Jammu's top-line trajectory and forced a guidance revision from ₹400 Cr to ₹280-300 Cr. (Q2 FY26 concall, Nov 2025; Q1 FY26 concall, Aug 2025)
- **GST incentive reduction for Jammu**: The central government reduced the GST rate on pharmaceutical formulations from 12% to 5%. Since Jammu's incentive is a fixed ₹75 Cr cap, the same benefit now requires ~₹1,400 Cr of revenue (vs ~₹650 Cr earlier) to be fully availed. This shortens the effective benefit window and puts near-term margin pressure until Jammu scales sufficiently. (Q2 FY26 concall, Nov 2025)
- **Customer concentration risk in CDMO**: While management claims diversification (350+ clients), the Jammu ramp-up depends on a few marquee clients completing audits and validation. If onboarding takes longer than expected, utilization improvement may lag. In Q3 FY26, 14 out of 15 marquee clients had completed audits, but revenue concentration among top clients remains a sensitivity. (Q3 FY26 concall, Feb 2026)
- **Regulatory and compliance risk**: Non-compliance with Schedule M or international GMP norms could lead to import alerts, plant shutdowns, or loss of certifications. The company mitigates this through robust SOPs and audits, but any adverse regulatory action would directly impact revenue from regulated markets. (Annual Report FY26)
- **Competition and capacity addition**: Other CMO players like Leeford have added capacity, potentially creating oversupply in the formulation space and putting pressure on pricing. The company's cost-plus model and GST incentive provide some buffer, but pricing intensity could compress margins if demand growth slows. (Q1 FY26 concall, Aug 2025)

- **Raw material availability and conflict-driven price spikes**: The Middle East conflict has led to an uptick in raw material prices, particularly for APIs sourced globally. While cost-plus pricing allows passing through increases, the company faces a lag in realization and potential volume disruption if supply chains tighten. (Q4 FY26 concall, May 2026)

Walk the talk

Management's credibility on Jammu guidance has been tested and refined through the year. In August 2025 (Q1 FY26 call), the company confidently guided for ₹400 Cr of Jammu revenue in FY26, built on constant API pricing and the expectation of a GST rate of 12%.

> *"The Jammu revenue anticipated for this financial year as we submitted in our earlier discussions is ₹ 400 crores."*
>
> **CFO, Q1 FY26 CONCALL (AUG 2025)**

By November 2025 (Q2 FY26 call), the picture had changed. API prices in cephalosporin and anti-infective categories had declined 15-20%, and the GST rate had been cut from 12% to 5%. Management revised the guidance downwards transparently:

> *"Let us correct our guidance from INR400 crores to let's say, INR280 crores, INR270 crores."*
>
> **MD, Q2 FY26 CONCALL (NOV 2025)**

By the February 2026 call, Jammu had achieved ₹89 Cr in Q3, and the full-year guidance was pegged at ₹270-280 Cr, with "optimistic side" language. The final outcome, disclosed in May 2026, was ₹300 Cr for the full year – exceeding the revised guidance by ~7%, though still well below the original ₹400 Cr target. The delta was attributed entirely to API price erosion and GST changes, not to demand or execution failure.

On the promise of 20%+ revenue growth, management has been more consistent. In the Feb 2026 call they stated:

> *"on an overall business area, at an entity level, we are looking at it, we would be able to maintain the 20% growth year-on-year."*
>
> **CFO, Q3 FY26 CONCALL (FEB 2026)**

Actual FY26 revenue growth came in at 31.1%, well above the 20% commitment. This was helped by strong branded generics performance (51% growth) and the Jammu facility adding ₹300 Cr.

On Jammu profitability, management's trajectory has been tracked publicly. In August 2025 they said the EBITDA loss was "hardly ₹1 crore" and projected PAT breakeven at ₹100 Cr quarterly revenue. By February 2026, they stated Jammu was "nearing breakeven at EBITDA level." In May 2026, they confirmed:

> *"Jammu is achieved around INR300 crores. And this quarter, we are nearing EBITDA."*
>
> **CFO, Q4 FY26 CONCALL (MAY 2026)**

PAT breakeven remains a few quarters away, consistent with the earlier target of ₹100 Cr quarterly revenue for that milestone. The narrative has been one of gradual, honest disclosure rather than over-promising.

On certification milestones, management announced UK-MHRA approval for the Baddi cephalosporin plant and PIC/S certification for Jammu blocks in the November 2025 call. These were subsequently confirmed in the Annual Report.

No revision or delay was reported.

Overall, the company's walk-the-talk track record shows: conservative on revenue growth (under-promised, over-delivered), transparent on Jammu (corrected guidance early and beat the revised number), and consistent on margin outlook (15%+ sustainable, with Jammu EBITDA breakeven progressing on schedule).

Scenarios

Bull case

The Jammu facility scales faster than anticipated, reaching 40-50% utilization within 3 years as marquee clients complete validation and place larger orders. The new Baddi general block comes online in FY28, adding ₹450-500 Cr of revenue capacity just as the existing Baddi plant hits full utilization. Semaglutide generics launch in the wave-2 window, capturing meaningful market share in the domestic and semi-regulated markets, with higher margins than traditional generics. Branded generics continues its 50%-plus growth trajectory as the distribution network expands beyond 2,50,000 touchpoints and new international registrations come through. API prices stabilize and then gradually rise, removing the top-line headwind and allowing the cost-plus model to benefit from operating leverage. EBITDA margins expand from 15% toward 18-19% as the ex-Jammu business sustains its current profitability and Jammu adds incremental margin. Regulatory certifications (UK-MHRA, PIC/S) unlock regulated market exports that command 2-3x domestic margins, and the company successfully enters the EU and Canadian markets at scale. The dual-engine model (CDMO + branded generics) proves resilient across cycles, and the company doubles revenue within 4 years as management has historically done.

Base case

Jammu ramps steadily as guided, reaching ~65-75% utilization over 4-5 years, delivering ₹1,000-1,200 Cr from that facility alone by FY30. The new Baddi block is commissioned on schedule in FY28 and reaches breakeven within 18 months. Branded generics grows at 20-25% annually, slightly decelerating from the 51% burst as the base effect kicks in, but still a strong contributor. Semaglutide remains an R&D project with no material revenue in the medium term – a watch-and-wait approach. API prices remain volatile but trend sideways, causing occasional quarterly noise but no structural damage. EBITDA margins stay in the 14-16% band as the benefit of Jammu's operating leverage is partly offset by investments in R&D, new facility depreciation, and competitive pricing pressure. Customer concentration remains moderate, with no single client exceeding 10% of revenue. The company delivers 20%+ revenue growth for the next 2-3 years, consistent with its stated guidance. PAT grows faster than EBITDA as depreciation and interest from Jammu are already fixed. The stock of regulatory certifications (UK-MHRA, PIC/S) drives incremental exports but not at a pace that dramatically changes the revenue mix.

Bear case

Jammu's ramp-up stalls. Several marquee clients delay validation or shift orders to competitors with faster turnaround times. Utilization remains below 20% for 2 more years, and the facility continues to be EBITDA-negative or barely breakeven, dragging group margins below 12%. The new Baddi block's capex of ₹150-170 Cr strains the balance sheet, especially if interest rates remain elevated or working capital cycles lengthen further (already at 101 days in FY26). API prices resume their decline, and the cost-plus model cannot fully offset the impact because the fixed conversion component per unit becomes a larger drag. GST incentive erosion (12% to 5%) proves more damaging than expected, as pricing with B2B clients is renegotiated downward, and the ₹75 Cr cap becomes unachievable without unsustainable revenue levels. Competition from other CDMO players (Leeford, Divi's, Laurus) intensifies, leading to price wars in oral solids and injectables. Branded generics growth slows to low teens as

domestic market share gains saturate and international entry faces regulatory hurdles. One of the facilities faces a regulatory warning letter or import alert due to a compliance lapse during a scheduled inspection, temporarily losing access to a key regulated market. Revenue growth falls below 15%, and the company's 20% growth narrative loses credibility.