

RESEARCH**INDIA STRATEGY | NEW GST RATES IMPACT**

Domestic earnings should pick up, with a lag

BOB ECONOMICS RESEARCH | MONSOON UPDATE

Monsoon and Sowing progress

LUPIN | TARGET: Rs 2,626 | +35% | BUY

Product approvals in place

SUMMARY**INDIA STRATEGY: NEW GST RATES IMPACT**

- Multiple fiscal and monetary measures since the start of 2025 seek to keep domestic economy healthy as external environment turns hostile
- A shift from capex to consumption driven growth and within that a push towards a broad based one instead of a K-shaped one should be good for earnings of multiple sectors, more so in FY27
- While some stocks have moved +vely in response there are some one can still look at - Banks, Cement, Consumer durables and Insurance

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INDIA ECONOMICS: MONSOON UPDATE

Aided by strong rainfall, kharif acreage has picked up pace and registered an improvement since last year. Crop wise, higher sown area has been noted for rice, pulses and coarse cereals, while oilseed and cotton registered lower sowing. Out of 36, 33 sub-divisions (81% of the country) have received normal to excess rainfall during this period, while 4 states are in deficient zone. Region-wise, with the exception of East and North eastern India which has reported deficient rainfall (-18%), other regions such as North Western (36%), Southern Peninsula (10%) followed by central region (9%) have reported surplus rainfall.

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LUPIN

- Received USFDA approval for 3rd complex injectable Risperdal Consta; we anticipate full-year sales of USD 17 mn in FY27
- 70% of R&D spend (~USD 176 mn) is attributed to complex and specialty products. We anticipate the higher end of R&D guidance
- LPC remains our top pick as it has no risk of Revlimid LoE in the base. Continue to value at 26x on June'27 to arrive at TP of Rs 2,626

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NEW GST RATES IMPACT

05 September 2025

Domestic earnings should pick up, with a lag

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Rationalization of GST one among many monetary and fiscal measures that will offset a harsh external environment: We believe it started with loosening of liquidity by the RBI in early 2025, easing of regulations including risk-weights, front loading of repo rate cuts (with another 25-50bps likely in the next 6 months), lowering of the CRR, Rs1trn tax give away and GST rate rationalization announced on 3 September 2025. These, combined with lower inflation, transmission of lower interest rates and 8th pay commission award, which is likely over the next 12-24 months, will drive domestic growth. While many of these were not specifically planned for it, they have all come together in a reinforcing fashion to offset likely softness in demand due to the first and second order impact of higher Tariffs imposed by US not just on India but also on other countries. GST Council announced a new two rate structure – 5% and 18% with special rate of 40% for sin and luxury goods and removed the 12% and 28% rates. The new GST rates are applicable from 22 September 2025.

See mixed earnings picture in 2HFY26 but should see material revival in FY27: We think a combination of weak NIMs (with likely further cuts to repo rates in 2HFY26) and lower treasury income (due to higher Gsec yields) should lead to downgrade of earnings for the banks in FY26. This could be offset to some extent by higher earnings by some domestic sectors. But we think the cumulative impact of all of these should lead to possibly mid-teen or higher earnings growth in FY27

Some stocks are already reflecting the potential support or upturn in earnings but others are not: Fig 1 indicates the price performance of NSE 100 stocks CYTD, MTD, Since 14 August (GST rate rationalization was announced) and 4 September 2025 (post official announcement GST rate rationalization). This shows that Auto OEM stocks have reacted +vely to the various monetary and fiscal measures and so did some of the NBFCs. The life Insurance companies have also likely reacted to easing of regulatory pressure that they saw in 2024. However, Banks (because of near term earnings pressure), consumer (staples and discretionary) companies, cement, consumer durable and even insurance firms have not responded adequately to the likely pick-up in demand/earnings in 2HFY26/FY27.



MONSOON UPDATE

04 September 2025

Monsoon and Sowing progress

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Jahnvi Prabhakar
Economist

Month wise, surplus rains has also been noted in Aug'25, though it has been lower than last year. As per the NOAA, the ENSO neutral conditions are expected to prevail through Oct'25 and will be followed by La Nina conditions for a brief period, before reverting back to ENSO neutral.

Where does Kharif sowing stand?

As of 29nd Aug 2025, overall Kharif acreage has grown by 3.1% compared with last year. With this, the total sown area has covered 99.7% of the normal area. Steady pickup has been noted in sown area for coarse cereals (6.3%) and rice (6.6%). Acreage of pulse have also inched up by 0.9% led by urad and moong bean. Higher acreage has also been noted for sugarcane for the same period. On the other hand, sown area for oilseeds and cotton continue to lag behind. Within oilseeds, lower acreage has been reported for soybean and groundnut. Jute & Mesta sowing has declined by (-) 3.3% for this period.

Table 1: Kharif Sowing

	Area sown in 2024-25 (lakh ha)	Area sown in 2025- 26 (Lakh ha)	Growth (YoY %)
Coarse Cereals	178.48	189.67	6.3
Rice	405.34	431.96	6.6
Pulses	113.47	114.46	0.9
Oilseeds	190.27	185.17	(2.7)
Cotton	111.39	108.77	(2.4)
Sugarcane	55.68	57.31	2.9
Jute and Mesta	5.73	5.54	(3.3)
All Crops	1060.36	1092.87	3.1

Source: CEIC, Bank of Baroda | Data as of 29 Aug 2025



BUY**TP: Rs 2,626 | ▲ 35%****LUPIN**

| Pharmaceuticals

| 04 September 2025

Product approvals in place

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Foram Parekh

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Another 180-day exclusive product approval: Lupin announced receiving approval for Risperidone – an extended-release injectable suspension, (RLD Risperdal Consta) with sales of USD 190 mn, as per IQVIA MAT July'25). LPC has received approval for 3 strengths single dose vial 25 mg per vial, 37.5 mg per vial, and 50 mg per vial. This is LPC's first product using proprietary Nanomi B.V.'s technology and has a 180-day CGT exclusivity. Nanomi, a Lupin subsidiary from 2014, is focused on the development of innovative long-acting injectable (LAI).

Walking the talk: Lupin received approval for Risperdal Consta in Sep'25 as indicated by the management in the earnings call. This is the 3rd complex injectable product after launching Glucagon in Aug'25 and Victoza launch Slated for Oct'25 Oct'25. These products would witness full year sales impact from FY27. We expect sales of USD 15mn from Glucagon, USD 17 mn from Risperdal Consta and USD 15 mn from Victoza. In H2FY27, the company expects to launch Saxenda and 4-5 injectables launches spread across FY29.

Slew of product launches in FY27: FY26 marks a high base with Tolvaptan exclusivity and higher sales from Mirabegron and Spiriva. LPC is likely to grow in FY27, amidst high base of FY26, driven by new product launches across segments like inhalers, biosimilars, injectables, specialty and complex generic. In our view, though LPC would not participate in the first wave of launch across the product segment, they can clock ~USD100 mn sales from new products in FY27 from the US region, given the numerous incremental launches cumulatively.

Valuation: US launches remain healthy with momentum likely to sustain, given the 60 products filings planned over the years. We factor new launches like Duler, Pegfilgrastim, Ranibizumab, Saxenda in FY27e and H2FY26 launches with full year impact for Glugacon, Risperdal Consta and Victoza to arrive at sales of USD 1048 mn in FY27. We see limited risk with no impact from Revlimid LOE and minimal competition in Spiriva and Mirabegron. We maintain BUY, applying a 26x PE on June'27 EPS, arriving at TP of Rs2,626.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LPC IN/Rs 1,939
Market cap	US\$ 10.0bn
Free float	53%
3M ADV	US\$ 22.7mn
52wk high/low	Rs 2,403/Rs 1,795
Promoter/FPI/DII	46%/14%/29%

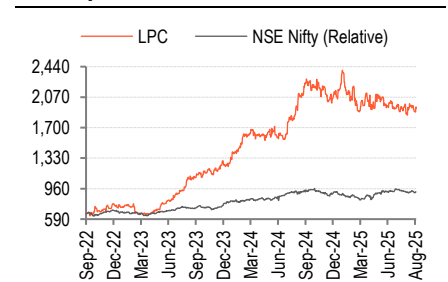
Source: NSE | Price as of 4 Sep 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	227,079	255,562	278,518
EBITDA (Rs mn)	52,775	62,413	70,988
Adj. net profit (Rs mn)	32,816	37,772	44,047
Adj. EPS (Rs)	72.5	83.5	97.3
Consensus EPS (Rs)	72.5	90.4	88.6
Adj. ROAE (%)	20.7	20.9	21.8
Adj. P/E (x)	26.7	23.2	19.9
EV/EBITDA (x)	17.0	14.1	12.2
Adj. EPS growth (%)	71.4	15.1	16.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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