

**HOLD****TP: Rs 1,113 | ▲ 10%****LAURUS LABS**

| Pharmaceuticals

| 26 January 2026

## Operational leverage expected to sustain

- Sales/EBITDA/PAT reported 9.4%/20.6%/38.5% above our estimates. EBITDA margin at 27%, was reported 250bps above estimates**
- On a normalized base, we expect custom synthesis to contribute 32% of sales by FY28E vs 27% in 9MFY26**
- Continue to ascribe 50x PE on roll forward Dec'27 EPS for TP of Rs 1,113, largely due to Custom Synthesis capacity (2<sup>nd</sup> highest in India)**

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**Earnings above estimates** - Sales grew by 25.7% YoY on the back of 39% YoY growth in the Formulations segment, 36% YoY growth in Generics API and 2% YoY growth in Custom Synthesis that was offset by 10% YoY decline in the Bio segment. Healthy product mix resulted in 406 bps YoY increase in gross margins to 60.9%. Subsequently, operational leverage aided in 685 bps YoY increase in EBITDA margin to 27% and 68% YoY growth in absolute EBITDA to Rs 4.8bn. Healthy operations led to PAT growth of 179% YoY to Rs 2.5bn.

**Formulations segment drove overall sales growth** – During the quarter, Formulations sales reported 16% above our estimates to Rs 6bn, contributing 34% of the sales. The growth was driven by 1) increasing market share in ARV formulation, 2) price hikes, 3) new product launches, 4) increase in North America and European CMO sales. The company has also ventured into JV with KRKA Pharma to manufacture formulations for the European market, which requires Laurus to set up additional 3bn tablets in phase 1 and 5bn tablets in phase 2. We expect the momentum in formulations to continue at 22% CAGR from FY26-28E to Rs 30.8bn in FY28E.

**Custom Synthesis grew weaker; likely to report growth over Q4FY25** - During the quarter, Custom Synthesis fell 9% below our estimates to Rs 4bn. The growth was affected by phasing of shipments to their partners. However, on a 9-month basis, the segment grew by 50% led by strong recurring business from the existing long-term customer relationship across various scales. Going forward, the segment is expected to report growth on the recurring business from commercial molecules. The company supplied 3 NCE molecules in the last 18 months and expects growth to continue coming from commercial molecules. There was a sales contribution of 23% from the segment in 3QFY26 and 27% in 9MFY26. We expect this to continue to scaling up to 32% by FY28E and in the long term, 50% of the sales.

## Key changes

	Target	Rating
	▲	◀ ▶

Ticker/Price	LAURUS IN/Rs 1,016
Market cap	US\$ 6.0bn
Free float	74%
3M ADV	US\$ 21.1mn
52wk high/low	Rs 1,141/Rs 501
Promoter/FPI/DII	27%/23%/5%

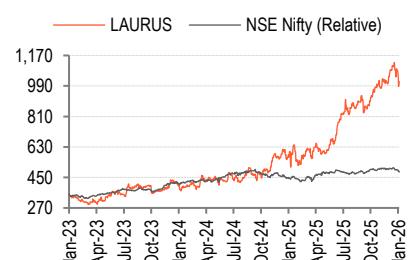
Source: NSE | Price as of 23 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,540	69,235	83,228
EBITDA (Rs mn)	10,553	17,655	21,639
Adj. net profit (Rs mn)	3,583	8,694	10,072
Adj. EPS (Rs)	6.7	16.2	18.8
Consensus EPS (Rs)	6.7	12.0	16.5
Adj. ROAE (%)	8.3	17.9	17.7
Adj. P/E (x)	152.2	62.7	54.1
EV/EBITDA (x)	49.3	29.4	24.0
Adj. EPS growth (%)	122.9	142.6	15.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**API grew on better volume** – During the quarter, API segment reported 22% growth above our estimates to Rs 7.2bn. The growth was driven by 1) healthy volume and 2) optimum utilization of expanded capacity resulted in higher growth rate. The ARV API business has become stable (70% of the API sales) and the company also gaining market share. As the prices have stabilised and the expanded capacity is operating at an optimum capacity, we expect the segment to grow at a CAGR of 10% from FY26-28E to Rs 33bn in FY28E.

**Margins hit an all-time high** - LAURUS reported an all-time high gross margin at 61%, and 27% EBITDA margin amidst a muted growth of 2% in high margin Custom Synthesis segment. Key drivers of this are — strong surge in the formulations and API segments and other expense rationalisation. Going forward, custom synthesis segment is also likely to grow on back of 1) recurring orders in the commercialised molecules, 2) better utilisation, 3) increase in the asset turnover ratio from 0.9x to 1.1x, 4) peak sales from animal health molecules supplies and 5) patented supplies of Crop protection. Thus, we anticipate the company to report 27% EBITDA margin by FY28E vs 25% in 9MFY26.

**Valuation** - As earnings have reported above our estimates, we have increased our earnings estimates by lowering interest cost and maintaining normal tax rate for FY26. Thus, our EPS increases by 26.6%, 4.9% and 0.1% for FY26E/27E and FY28E respectively. We continue to ascribe a PE of 50x on roll forward Dec'27EPS to arrive at TP of Rs 1,113 (earlier TP of Rs 1,031) and maintain Hold recommendation.

Laurus, has the 2<sup>nd</sup> highest capacity in Custom Synthesis (8500 kl), following the market leader Divi's (16500 kl). Thus, we ascribe 10% lower PE than market leader Divi's of 50x which we believe is justified. Laurus is also expected to finish bio expansion from 240 kl to 400 kl by the end of CY26 or FY27. We learn that the 400 kl fermentation capacity is equivalent to global companies like Wuxi Aptec and no other Indian companies have such large capacity. Growth in the near term would be driven by recurring order from Custom Synthesis, peak animal health supplies and patented crop protection supplies; thus, enabling the Custom Synthesis segment to contribute 32% in the near term and eventually 50% in the long haul.

## Financial Highlights

**Fig 1 – Quarterly snapshot**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var (%)
Net Sales	17,783	14,151	25.7	16,535	7.5	16,250	9.4
Total Expenses							
(%) of net sales							
Raw material consumed	6,946	6,102	13.8	6,634	4.7	6,500	6.9
(%) of net sales							
SG&A	3,743	3,306	13.2	3,712	0.8	3,738	0.1
(%) of net sales							
EBITDA	4,802	2,852	68.4	4,033	19.1	3,981	20.6
Depreciation	1,206	1,061	13.7	1,205	0.1	1,300	(7.2)
EBIT	3,596	1,791	100.8	2,828	27.2	2,681	34.1
Interest	388	578	(32.9)	400	(3.0)	350	10.8
Other Income	58	94	(38.9)	270	(78.6)	200	(71.2)
PBT	3,266	1,307	149.9	2,697	21.1	2,531	29.0
Less: Taxation	735	401	83.3	760	(3.3)	713	3.0
PAT	2,531	906	179.3	1,938	30.6	1,818	39.2
Less: Minority Interest	12	0	6,050.0	(7)	(266.2)	0	-
Recurring PAT	2,519	906	178.0	1,945	29.5	1,818	38.5
Exceptional Items	0	0	-	0	-	0	-
Reported PAT	2,519	906	178.0	1,945	29.5	1,818	38.5
<b>Key Ratios (%)</b>							
Gross Margin	60.9	56.9	406.0bps	59.9	106.6bps	60.0	94.2bps
EBITDA Margin	27.004	20.2	685.3bps	24.4	261.5bps	24.5	250.4bps
Tax / PBT	22.5	30.7	(817.1bps)	28.2	(567.7bps)	28.2	(567.7bps)
NPM	14.2	6.4	776.2bps	11.8	240.2bps	11.2	297.5bps
EPS	4.7	1.7	298.8bps	3.6	106.3bps	3.4	129.8bps

Source: Company, BOBCAPS Research

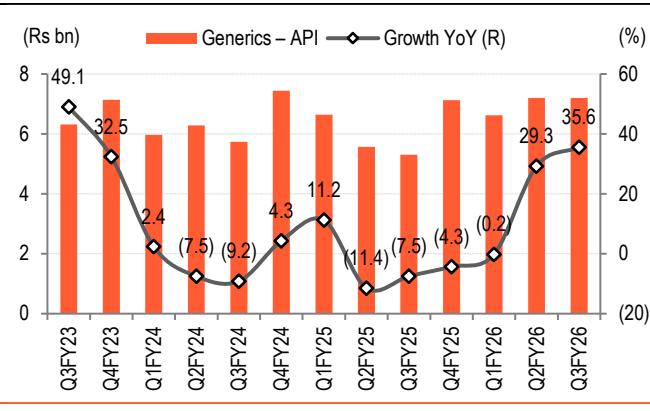
## Segmental revenue

**Fig 2 – segmental sales**

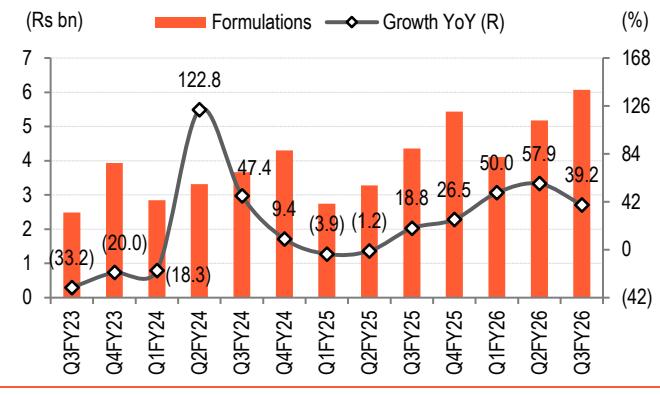
(Rs mn)	3QFY26	3QFY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var (%)
Generics – API	7,200	5,310	35.6	6,170	16.7	5,900	22.0
CDMO-Small Molecules	4,080	4,000	2.0	4,710	(13.4)	4,500	(9.3)
Formulations	6,070	4,360	39.2	5,180	17.2	5,250	15.6
Bio	430	480	(10.4)	470	(8.5)	600	(28.3)
Net Sales	17,780	14,150	25.7	16,530	7.6	16,250	9.4

Source: Company, BOBCAPS Research

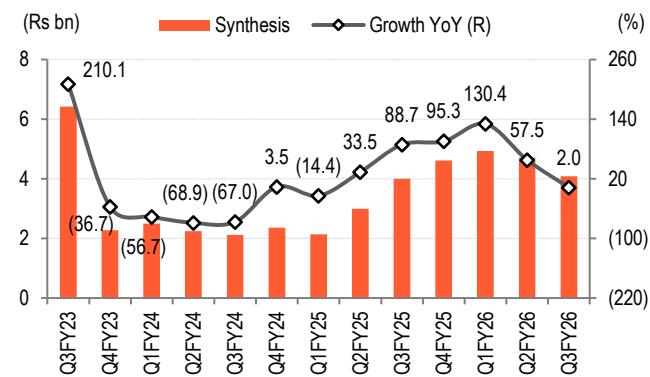
## Financial Charts

**Fig 3 – Generics API growth on better volume**


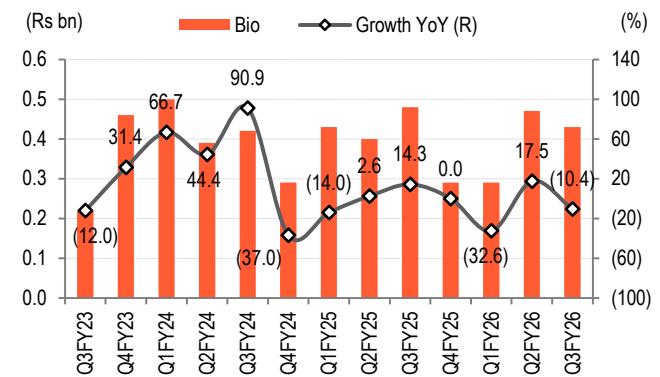
Source: Company, BOBCAPS Research

**Fig 4 – Formulation sales growth driven by better capacity utilization**


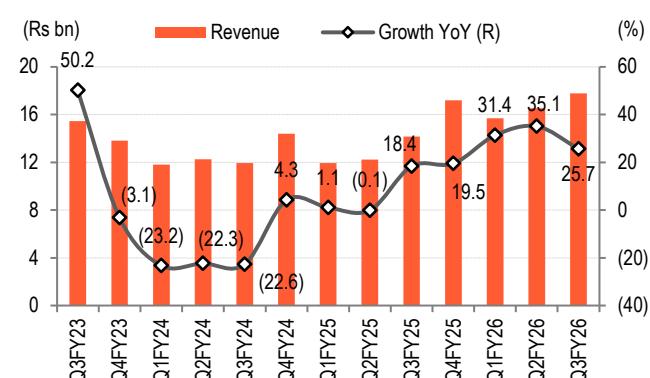
Source: Company, BOBCAPS Research

**Fig 5 – Synthesis sales affected due to shipment issue to partner**


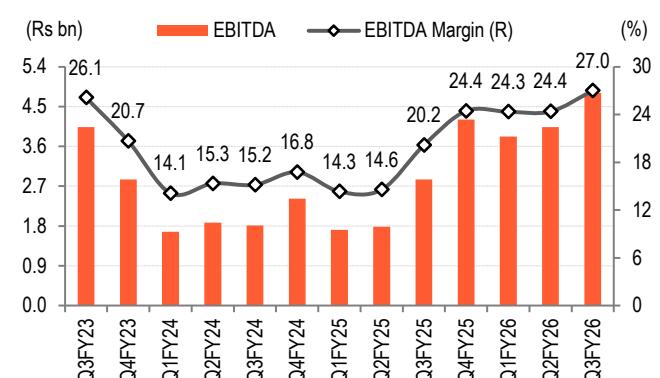
Source: Company, BOBCAPS Research

**Fig 6 – Bio sales continue to be volatile**


Source: Company, BOBCAPS Research

**Fig 7 – Sales growth lower QoQ due to lower custom synthesis sales**


Source: Company, BOBCAPS Research

**Fig 8 – Health product mix and operational leverage led to margin increment**


Source: Company, BOBCAPS Research

## Earnings Call Highlights

### Outlook

**Gross Margins** – Expect gross margins to be at 60% for the next quarter and for the next financial year.

**Capex** - FY26E capex expected at Rs 10bn and continues to be Rs 10bn in FY27E.

**Debt** – Expected to increase slightly, though Net debt / EBITDA to be at similar levels.

**CDMO**– Expect Q4FY26 to report growth over Q4FY25 and FY27 to report growth over FY26.

**Peptides** – to invest in Peptide commercial manufacturing facilities. Expect qualification during CY26. The company intends to become fully integrated, i.e. – manufacture amino acids, unnatural amino acids, fragments, peptides, purification and isolation. So, the capacity being created is fully integrated.

**ADC** – still at nascent stage currently. Has allocated \$25mn to the GMP facility, which is currently under construction and would be ready in next 12 months. They don't expect any meaningful revenues coming from ADCs in the next two years.

**Gross Margin Chronology** – From the highest to the lowest, gross margins as follows: CDMO, Formulations & API.

**Laurus Bio** – Expect to commercialise new capacity with 400kl by end of CY26.

**JV KRKA**- JV with KRKA Pharma is to manufacture formulations for European market, where APIs will be supplied by Laurus labs. And in phase 1, they will be creating \$3bn solid world capacity, out of which \$1mn solid world capacity for potent molecules. In Phase 2, they will create another \$5bn tablet capacity in the solid world space. Phase 1 likely to get over by mid-April 2027. This unit would primarily do formulations, packaging for various European markets, as also for some markets in Asia-Pac.

**Animal Health** - There are ongoing commercial supplies for a few compounds, continue to do validations and filings for partners in other programs. Expect some meaningful revenue for FY26 and FY27E.

**Crop Science** - Has commercialised one particular supply for one partner and shipments likely to continue in the coming years. Look forward to adding more partners in the crop science space, but meaningful revenue will start from 1-2 years from now.

**Commercial molecules** – supplied three NCE molecules in the last 18 months.

**Custom Synthesis Pipeline** - Pipeline momentum has remained very healthy with well-balanced mix of big pharma and mid and small size clients. Majority of the pipeline programs under execution utilize several advanced technology platforms and in line with that, continue investment for large scale capacity expansion in Vizag sites and expanding capabilities including peptides, flow chemistry, high energy chemistries, purifications, etc.

## Valuation Methodology

As earnings have reported above our estimates, we have increased our earnings estimates by lowering interest cost and maintaining normal tax rate for FY26. Thus, our EPS increases by 26.6%, 4.9% and 0.1% for FY26E/27E and FY28E respectively. We continue to ascribe a PE of 50x on roll forward Dec'27EPS to arrive at TP of Rs 1,113 (earlier TP of Rs 1,031) and maintain Hold recommendation.

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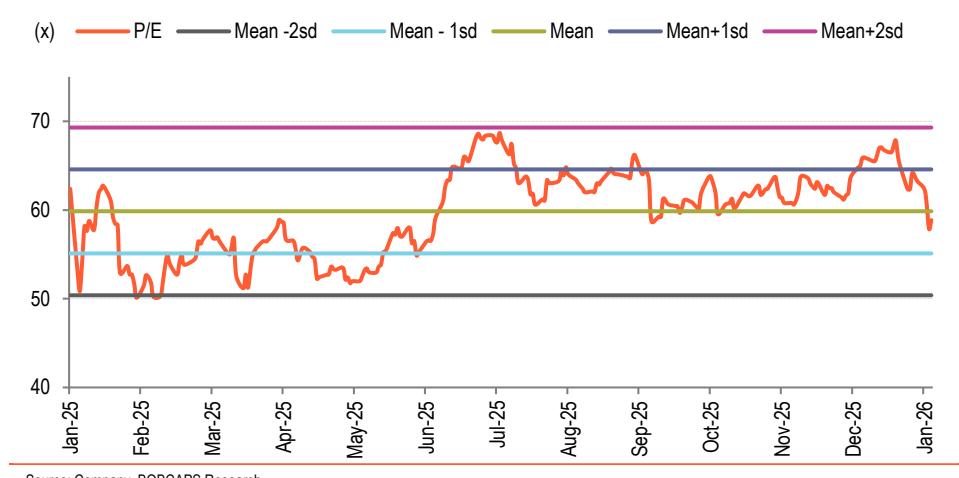
Post FY28E, Laurus is expected scale its Bio segment as sales commercializes for ADC (USD 25 mn investment) and peptides with backward integration. Though the bio sales is expected to pick up from FY28, we believe the company would continue to be small molecule focus as it would hold larger contribution. Formulation segment is also expected to grow with increase in market share in the existing products and commercialization of 8bn tablets in two phases through JV with KRKA. Hence, we believe that the increase in margins is likely to continue.

**Fig 9 – Change in estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	69,235	83,228	96,632	64,364	76,009	90,803	7.6	9.5	6.4
EBITDA	17,655	21,639	26,091	16,091	20,142	25,425	9.7	7.4	2.6
EBITDA margin (%)	25.5	26.0	27.0	25.0	26.5	28.0	50bps	(50bps)	(100bps)
PAT	8,694	10,072	12,569	6,870.0	9,579.0	12,550.0	26.6	5.1	0.1
EPS (Rs)	16.2	18.8	23.4	12.8	17.9	23.4	26.6	4.9	0.1

Source: Company, BOBCAPS Research

**Fig 10 – PE Band**



## Key Risks

### Key upside risk

- Faster than expected growth in custom synthesis segment poses upside risk to our estimates
- Higher asset turn than 1.1 in the near term poses upside risk to our estimates

### Key downside risk

- Slower than expected growth in custom synthesis segment poses upside risk to our estimates
- Lower asset turn than 1.1 in the near term poses upside risk to our estimates
- Pricing pressure in api prices poses downward risk to our estimates

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>50,410</b>	<b>55,540</b>	<b>69,235</b>	<b>83,228</b>	<b>96,632</b>
EBITDA	7,777	10,553	17,655	21,639	26,091
Depreciation	3,846	4,301	4,861	6,359	7,209
EBIT	3,931	6,252	12,794	15,281	18,882
Net interest inc./exp.)	(1,829)	(2,160)	(1,721)	(2,267)	(2,607)
Other inc./exp.)	263	751	519	416	483
Exceptional items	0	0	0	0	0
EBT	2,365	4,843	11,592	13,430	16,758
Income taxes	682	1,299	2,898	3,357	4,190
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	77	(39)	0	0	0
<b>Reported net profit</b>	<b>1,607</b>	<b>3,583</b>	<b>8,694</b>	<b>10,072</b>	<b>12,569</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,607</b>	<b>3,583</b>	<b>8,694</b>	<b>10,072</b>	<b>12,569</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	10,512	9,585	11,950	14,365	16,679
Other current liabilities	3,858	5,378	9,000	9,987	9,663
Provisions	1,183	1,354	1,490	1,639	1,803
Debt funds	27,162	31,013	26,361	30,315	34,863
Other liabilities	0	0	0	0	0
Equity capital	1,078	1,078	1,078	1,078	1,078
Reserves & surplus	40,078	44,947	52,630	61,692	73,250
Shareholders' fund	41,156	46,025	53,708	62,770	74,328
<b>Total liab. and equities</b>	<b>83,870</b>	<b>93,355</b>	<b>102,510</b>	<b>119,077</b>	<b>137,335</b>
Cash and cash eq.	1,417	1,505	764	1,771	5,040
Accounts receivables	16,629	20,072	22,762	29,643	34,417
Inventories	18,454	19,365	22,193	25,082	29,122
Other current assets	3,002	4,265	2,769	4,161	6,764
Investments	1,240	2,333	2,566	2,822	3,105
Net fixed assets	36,247	38,576	43,715	47,357	50,148
CWIP	4,228	4,584	5,084	5,584	6,084
Intangible assets	2,653	2,656	2,656	2,656	2,656
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>83,870</b>	<b>93,355</b>	<b>102,510</b>	<b>119,077</b>	<b>137,335</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>4,902</b>	<b>3,032</b>	<b>15,655</b>	<b>8,820</b>	<b>10,514</b>
Capital expenditures	(6,783)	(6,410)	(10,000)	(10,000)	(10,000)
Change in investments	(741)	(1,093)	(233)	(257)	(282)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(7,524)</b>	<b>(7,503)</b>	<b>(10,233)</b>	<b>(10,257)</b>	<b>(10,282)</b>
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	5,087	3,852	(4,652)	3,954	4,547
Interest expenses	2	0	0	0	0
Dividends paid	(539)	(808)	(1,011)	(1,011)	(1,011)
Other financing cash flows	(997)	1,516	(500)	(500)	(500)
<b>Cash flow from financing</b>	<b>3,554</b>	<b>4,559</b>	<b>(6,162)</b>	<b>2,444</b>	<b>3,037</b>
Chg in cash & cash eq.	932	88	(740)	1,007	3,268
<b>Closing cash &amp; cash eq.</b>	<b>1,417</b>	<b>1,505</b>	<b>764</b>	<b>1,771</b>	<b>5,040</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	3.0	6.7	16.2	18.8	23.4
Adjusted EPS	3.0	6.7	16.2	18.8	23.4
Dividend per share	0.8	1.2	1.5	1.5	1.5
Book value per share	76.6	83.3	97.7	114.6	136.1

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	10.4	9.4	7.5	6.3	5.4
EV/EBITDA	67.4	49.3	29.4	24.0	19.9
Adjusted P/E	339.3	152.2	62.7	54.1	43.4
P/BV	13.3	12.2	10.4	8.9	7.5

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	67.9	74.0	75.0	75.0	75.0
Interest burden (PBT/EBIT)	60.2	77.5	90.6	87.9	88.8
EBIT margin (EBIT/Revenue)	7.8	11.3	18.5	18.4	19.5
Asset turnover (Rev./Avg TA)	19.3	19.1	22.0	24.0	23.9
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.6	1.5	1.5
Adjusted ROAE	3.9	8.3	17.9	17.7	18.7

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	(16.6)	10.2	24.7	20.2	16.1
EBITDA	(51.2)	35.7	67.3	22.6	20.6
Adjusted EPS	(79.7)	122.9	142.6	15.8	24.8
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.4	19.0	25.5	26.0	27.0
EBIT margin	7.8	11.3	18.5	18.4	19.5
Adjusted profit margin	3.2	6.5	12.6	12.1	13.0
Adjusted ROAE	3.9	8.3	17.9	17.7	18.7
ROCE	6.4	9.6	16.9	18.1	19.1
<b>Working capital days (days)</b>					
Receivables	120	132	120	130	130
Inventory	134	127	117	110	110
Payables	76	63	63	63	63
<b>Ratios (x)</b>					
Gross asset turnover	0.9	0.9	1.0	1.0	1.1
Current ratio	2.5	2.8	2.2	2.3	2.7
Net interest coverage ratio	2.1	2.9	7.4	6.7	7.2
Adjusted debt/equity	0.6	0.7	0.5	0.5	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: 1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051

SEBI Research Analyst Registration No: INH000000040 valid till 03 February 2025

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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

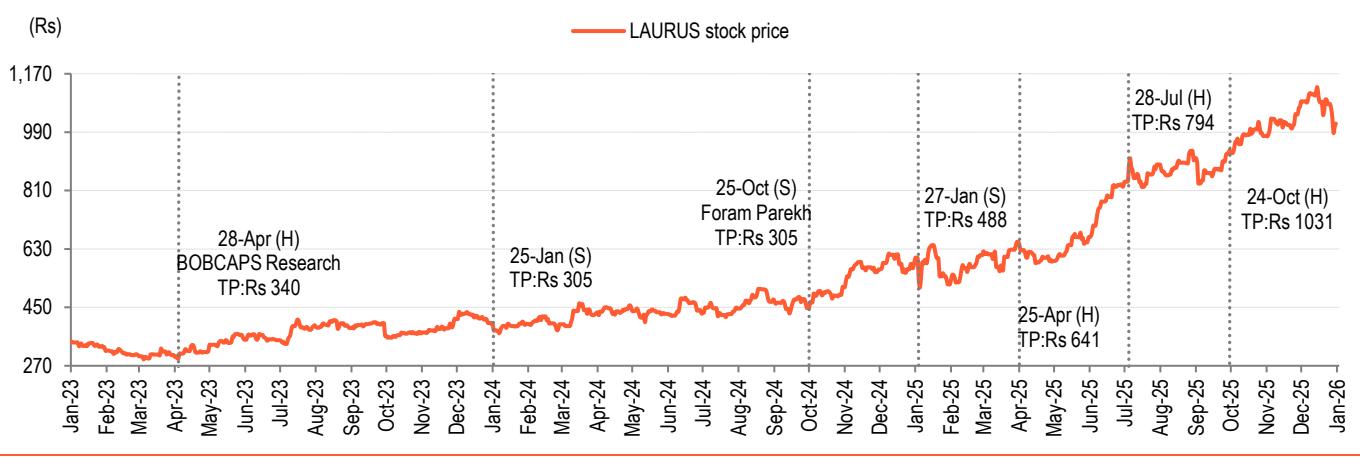
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): LAURUS LABS (LAURUS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

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