BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,708 | ▲ 7%

LAURUS LABS | Pharmaceuticals | 27 July 2026

All optimism baked into valuations

- **Sales/EBITDA/PAT reported 19%/29%/40% higher than our estimates; EBITDA Margin reported 250 bps above our estimates at 31.5%**
- **CDMO sales guidance of 50% contribution by FY30 was retained. However, CDMO sales reported 43% contribution in Q1FY27**
- **Increase ascribed PE to 55x (earlier 50x) on Jun'28 EPS roll forward; Maintain Hold on 7% Implied Upside, PT of Rs 1,708 (earlier Rs 1160)**

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Strong earnings - Sales grew 29% YoY and 12% QoQ to Rs 20.263 bn. The growth was driven by commercialized molecules in the CDMO segment. Segment-wise, the Custom Synthesis segment grew by 69% YoY and 59.4% QoQ to Rs 8.35 bn, followed by 22% YoY growth in the formulations segment, 21% YoY growth in Laurus Bio, and 2.7% YoY growth in the API segment. A healthy product mix led to 36% YoY growth in Gross Profit to Rs 12.7 bn. Consequently, Gross Margin increased by 330 bps YoY and 134 bps QoQ to 62.7%. R&D cost grew substantially by 73.5% YoY and 55% QoQ to Rs 1.18 bn in 1QFY27; SG&A cost (excluding R&D) declined by 4.5% to Rs 2.553 bn (12.6% contribution in 1QFY27 vs 17% in 1QFY26). A healthy operating mix and operating leverage led to 67% YoY and 24.6% QoQ growth in EBITDA to Rs 6.383 bn. Consequently, EBITDA Margin increased by 715 bps YoY and 323 bps QoQ to 31.5%. Subsequently, PAT grew by 125% YoY to Rs 3.676 bn.

Custom Synthesis sales continue to grow on the back of increased commercialized molecules – CS sales grew by 69% YoY to Rs 8.35 bn, mainly due to an increase in commercial molecules and late-stage development molecules. Commercialized sales contribution increased to 55% vs. 50% in FY26. Sales from commercialization are well diversified across molecules and customers. The company retained its guidance of achieving 50% sales from the CDMO segment by FY30; thus, we expect the segment to grow at a CAGR of 20% over FY27-29E.

Increasing Capex to meet global demand – Capex spend was raised from Rs 15 bn for FY27 to Rs 20 bn for FY27E. The rise in capex is to meet customer demand and augment the Vizag greenfield fermentation capacity from 240 KL to 400 KL, and also to invest in newer modalities**.**

Valuation - On a roll-forward basis, at CMP, the stock trades at 51x Jun'28 EPS of Rs 31 per share. We increase our ascribed PE to 55x (earlier 50x), in line with Divi's, due to: 1) increased EBITDA margin on account of the surge in CDMO business, 2) large capex in Laurus Bio, and 3) presence across modalities — to arrive at a PT of Rs 1,708 (earlier PT Rs 1,160).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LAURUS IN/Rs 1,601
Market cap	US$ 9.1bn
Free float	74%
3M ADV	US$ 33.1mn
52wk high/low	Rs 1,610/Rs 810
Promoter/FPI/DII	27%/23%/5%

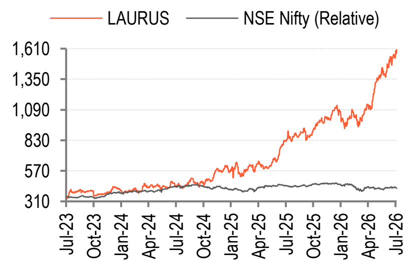
Source: NSE | Price as of 24 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	68,129	82,501	91,805
EBITDA (Rs mn)	17,463	26,400	30,296
Adj. net profit (Rs mn)	8,574	14,408	16,134
Adj. EPS (Rs)	16.0	26.9	30.1
Consensus EPS (Rs)	16.0	20.3	24.6
Adj. ROAE (%)	17.5	24.1	21.8
Adj. P/E (x)	100.2	59.6	53.3
EV/EBITDA (x)	47.8	31.6	27.4
Adj. EPS growth (%)	139.3	68.0	12.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly financial Highlights

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Net Sales	20,263	15,696	29.1	18,116	11.9	17,027	19.0
Total Expenses	13,880	11,874	16.9	12,995	6.8	12,089	14.8
(%) of net sales	69	76		72		71	
Raw material consumed	7,560	6,374	18.6	7,001	8.0	6,470	16.8
(%) of net sales	37	41		39		38	
Gross Profit	12,703	9,322	36.3	11,115	14.3	10,556	
Staff cost	2,587	2,148	20.4	2,359	9.7	2,213	16.9
(%) of net sales	13	14		13		13	
R&D cost	1,180	680	73.5	760	55.3	681	73.3
(%) of net sales	6	4		4		4	
SG&A	2,553	2,673	(4.5)	2,875	(11.2)	2,724	(6.3)
(%) of net sales	12.6	17.0		15.9		16.0	
EBITDA	6,383	3,821	67.0	5,121	24.6	4,938	29.3
Depreciation	1,239	1,168	6.0	1,221	1.4	1,226	1.0
EBIT	5,144	2,653	93.9	3,900	31.9	3,712	38.6
Interest	422	515	(18.0)	404	4.4	450	(6.2)
Other Income	92	104	(12.0)	118	(22.2)	120	(23.5)
PBT	4,814	2,242	114.7	3,614	33.2	3,382	42.3
Less: Taxation	1,194	631	89.1	795	50.2	744	60.4
Less: Minority Interest	(56)	(19)	189.2	28	(302.5)	28	(302.5)
Recurring PAT	3,676	1,630	125.5	2,791	31.7	2,610	40.8
Key Ratios (%)							
Gross Margin	62.7	59.4	330	61.4	134	62.0	69
EBITDA Margin	31.5	24.3	715	28.3	323	29.0	250
Tax / PBT	24.8	28.2	(336)	22.0	281	22.0	280
NPM	18.1	10.4	776	15.4	273	15.3	281
EPS (Rs)	6.8	3.0	125.5	5.2	31.7	4.8	40.8

Source: Company, BOBCAPS Research

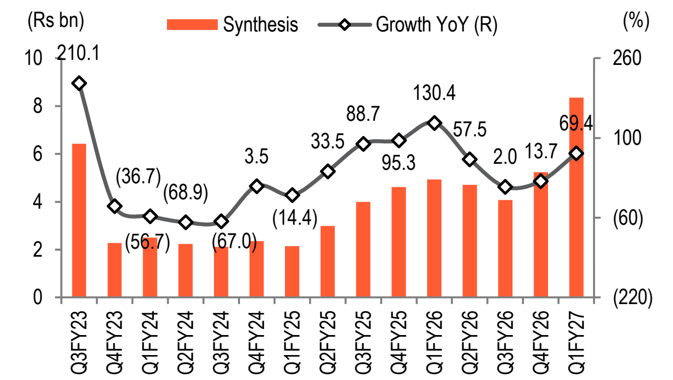
Fig 2 – Segmental mix

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Generics – API	6,540	6,370	2.7	7,720	(15.3)	6,600	(0.9)
Custom Synthesis	8,350	4,930	69.4	5,240	59.4	5,177	61.3
Formulations	5,020	4,110	22.1	4,510	11.3	4,931	1.8
Bio	350	290	20.7	650	(46.2)	319	9.7
Net Sales	20,260	15,700	29.0	18,120	11.8	17,027	19.0

Source: Company, BOBCAPS Research

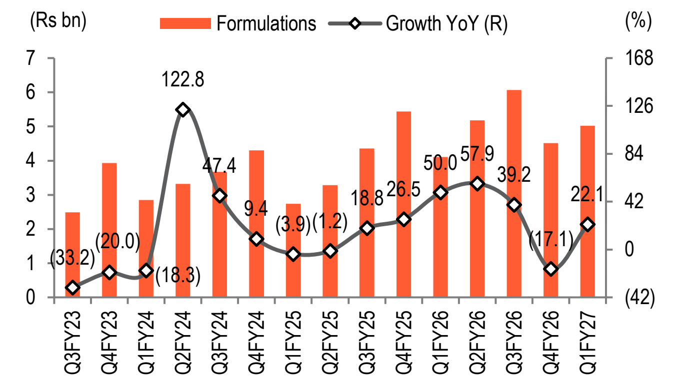
Financial Charts

Fig 3 – Custom Synthesis sales reported at an all time high due to higher commercialized sales



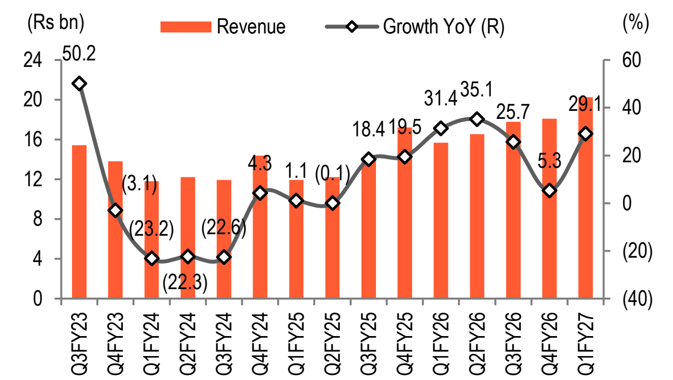
Source: Company, BOBCAPS Research

Fig 4 – Formulation sales reported growth due to increase in higher capacity



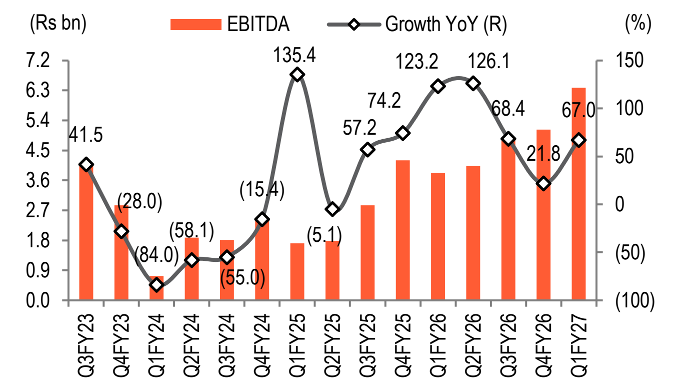
Source: Company, BOBCAPS Research

Fig 5 – Sales growth driven by higher CS sales



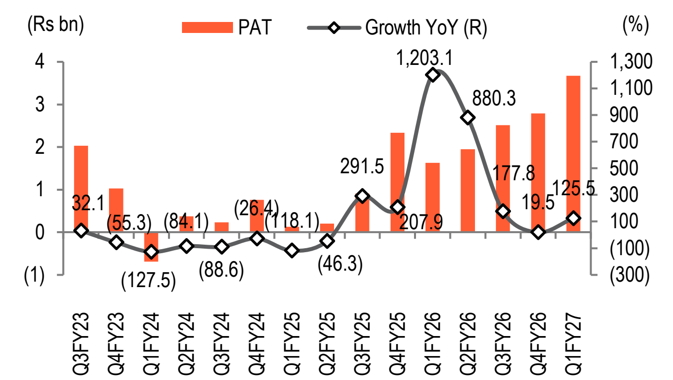
Source: Company, BOBCAPS Research

Fig 6 – Higher product mix led to higher EBITDA



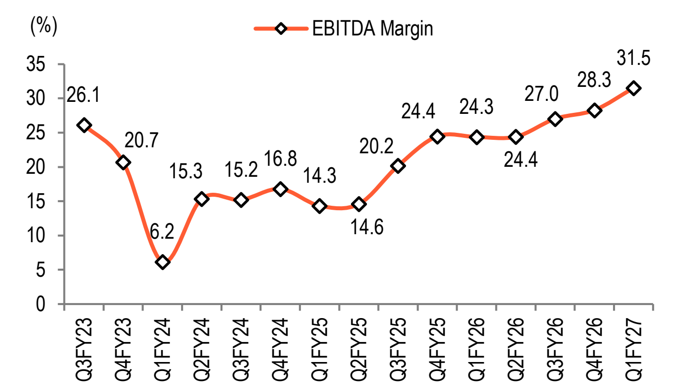
Source: Company, BOBCAPS Research

Fig 7 – Healthy operations led to healthy PAT



Source: Company, BOBCAPS Research

Fig 8 – EBITDA Margin at an all time high due to contribution from Custom Synthesis sales



Source: Company, BOBCAPS Research

Valuation methodology

Earnings were above our estimates on all fronts, primarily due to significantly higher-than-estimated Custom Synthesis sales. This led to a 250 bps higher than expected EBITDA Margin of 31.5%.

Custom Synthesis sales are expected to sustain their momentum, driven by higher traction in both human and animal programs, the onboarding of one large pharma client, and increasing capex to fulfil global demand; hence, the company has increased its capex outflow estimate from Rs 15 bn to Rs 20 bn for FY27.

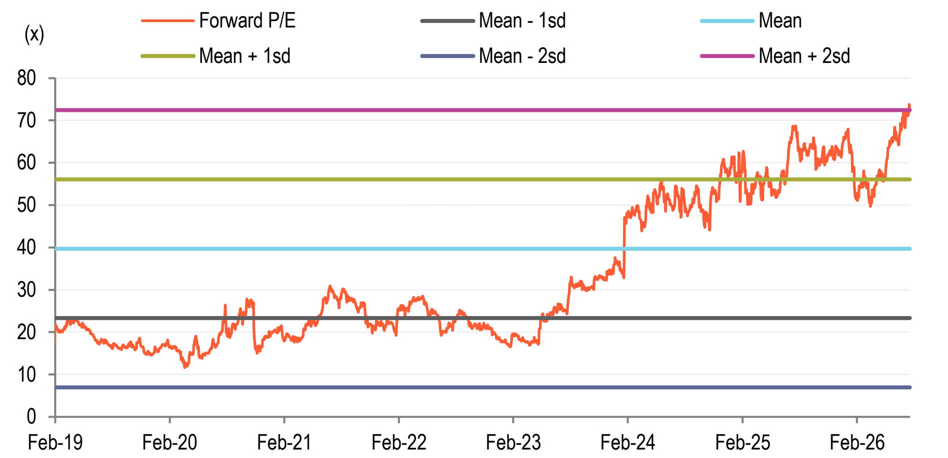
Factoring in all the positivity, we have increased our EPS by 35%/29%/25% for FY27/FY28E/FY29E to Rs 27/30/34 per share, respectively. Thus, we arrive at a sales/EBITDA/PAT CAGR of 12%/15%/13%, respectively. On a roll-forward basis, at CMP, the stock trades at 51x Jun'28 EPS of Rs 31 per share. We increase our ascribed PE to 55x (earlier 50x), in line with Divi's, due to: 1) increased EBITDA margin on account of the surge in CDMO business, 2) large capex in Laurus Bio, and 3) presence across modalities — to arrive at a PT of Rs 1,708 (earlier PT Rs 1,160).

Fig 9 – Change in estimates

(Rs mn)	New			Old			Change (%)		
Particulars	FY27E	FY28E	FY29 E	FY27E	FY28E	FY29 E	FY27E	FY28E	FY29 E
Revenue	82,501	91,805	102,586	79,304	91,368	103,983	4	0	(1)
EBITDA	26,400	30,296	34,879	21,808	25,583	29,635	21	18	18
EBITDA M (%)	32.0	33.0	34.0	27.5	28.0	28.5	450bps	500bps	550bps
EPS (Rs)	26.9	30.1	34.0	19.9	23.3	27.2	35	29	25

Source: Company, BOBCAPS Research

Fig 10 – 1Y F PE Laurus labs



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Total revenue	**50,410**	**55,540**	**68,129**	**82,501**	**91,805**
EBITDA	7,777	10,553	17,463	26,400	30,296
Depreciation	3,846	4,301	4,801	5,746	6,986
EBIT	3,931	6,252	12,663	20,654	23,309
Net interest inc./(exp.)	(1,829)	(2,160)	(1,707)	(1,840)	(2,239)
Other inc./(exp.)	263	751	550	454	505
Exceptional items	0	0	0	0	0
EBT	2,365	4,843	11,505	19,268	21,575
Income taxes	682	1,299	2,920	4,850	5,431
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	77	(39)	11	11	11
Reported net profit	**1,607**	**3,583**	**8,574**	**14,408**	**16,134**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,607**	**3,583**	**8,574**	**14,408**	**16,134**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Accounts payables	10,512	9,585	12,521	14,692	16,097
Other current liabilities	3,858	5,378	8,057	10,725	11,017
Provisions	1,183	1,354	1,700	1,870	2,057
Debt funds	27,162	31,013	28,521	32,799	36,079
Other liabilities	0	0	0	0	0
Equity capital	1,078	1,078	1,079	1,079	1,079
Reserves & surplus	40,078	44,947	53,234	66,631	81,754
Shareholders' fund	41,156	46,025	54,312	67,709	82,832
Total liab. and equities	**83,870**	**93,355**	**105,111**	**127,795**	**148,082**
Cash and cash eq.	1,417	1,504	1,136	1,410	1,690
Accounts receivables	16,629	20,072	21,550	24,863	27,919
Inventories	18,454	19,365	23,422	27,802	30,434
Other current assets	3,002	4,266	4,471	4,125	4,590
Investments	1,240	2,333	3,093	3,402	3,742
Net fixed assets	36,247	38,576	41,059	55,313	68,327
CWIP	4,228	4,584	7,733	8,233	8,733
Intangible assets	2,653	2,656	2,647	2,647	2,647
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**83,870**	**93,355**	**105,111**	**127,795**	**148,082**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Cash flow from operations	**4,902**	**3,031**	**13,595**	**17,816**	**18,852**
Capital expenditures	(6,783)	(6,410)	(10,000)	(20,000)	(20,000)
Change in investments	(741)	(1,093)	(760)	(309)	(340)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(7,524)**	**(7,503)**	**(10,760)**	**(20,309)**	**(20,340)**
Equities issued/Others	1	0	1	0	0
Debt raised/repaid	5,087	3,852	(2,493)	4,278	3,280
Interest expenses	2	0	0	0	0
Dividends paid	(539)	(808)	(1,011)	(1,011)	(1,011)
Other financing cash flows	(997)	1,516	300	(500)	(500)
Cash flow from financing	**3,554**	**4,559**	**(3,202)**	**2,767**	**1,769**
Chg in cash & cash eq.	**932**	**87**	**(368)**	**274**	**280**
Closing cash & cash eq.	**1,417**	**1,504**	**1,136**	**1,410**	**1,690**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26A	FY27E	FY28E
Reported EPS	3.0	6.7	16.0	26.9	30.1
Adjusted EPS	3.0	6.7	16.0	26.9	30.1
Dividend per share	0.8	1.2	1.5	1.5	1.5
Book value per share	76.6	83.3	98.8	123.7	151.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26A	FY27E	FY28E
EV/Sales	16.6	15.0	12.2	10.1	9.0
EV/EBITDA	107.9	79.1	47.8	31.6	27.4
Adjusted P/E	534.6	239.8	100.2	59.6	53.3
P/BV	20.9	19.2	16.2	12.9	10.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26A	FY27E	FY28E
Tax burden (Net profit/PBT)	67.9	74.0	74.5	74.8	74.8
Interest burden (PBT/EBIT)	60.2	77.5	90.9	93.3	92.6
EBIT margin (EBIT/Revenue)	7.8	11.3	18.6	25.0	25.4
Asset turnover (Rev./Avg TA)	19.3	19.1	21.3	22.5	20.9
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.6	1.5	1.5
Adjusted ROAE	3.9	8.3	17.5	24.1	21.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26A	FY27E	FY28E
YoY growth (%)					
Revenue	(16.6)	10.2	22.7	21.1	11.3
EBITDA	(51.2)	35.7	65.5	51.2	14.8
Adjusted EPS	(79.7)	122.9	139.3	68.0	12.0
Profitability & Return ratios (%)					
EBITDA margin	15.4	19.0	25.6	32.0	33.0
EBIT margin	7.8	11.3	18.6	25.0	25.4
Adjusted profit margin	3.2	6.5	12.6	17.5	17.6
Adjusted ROAE	3.9	8.3	17.5	24.1	21.8
ROCE	6.4	9.6	16.5	23.0	21.7
Working capital days (days)					
Receivables	120	132	115	110	111
Inventory	134	127	125	123	121
Payables	76	63	67	65	64
Ratios (x)					
Gross asset turnover	0.9	0.9	1.0	0.9	0.8
Current ratio	2.5	2.8	2.3	2.1	2.2
Net interest coverage ratio	2.1	2.9	7.4	11.2	10.4
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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Note: Recommendation structure changed with effect from 21 June 2021

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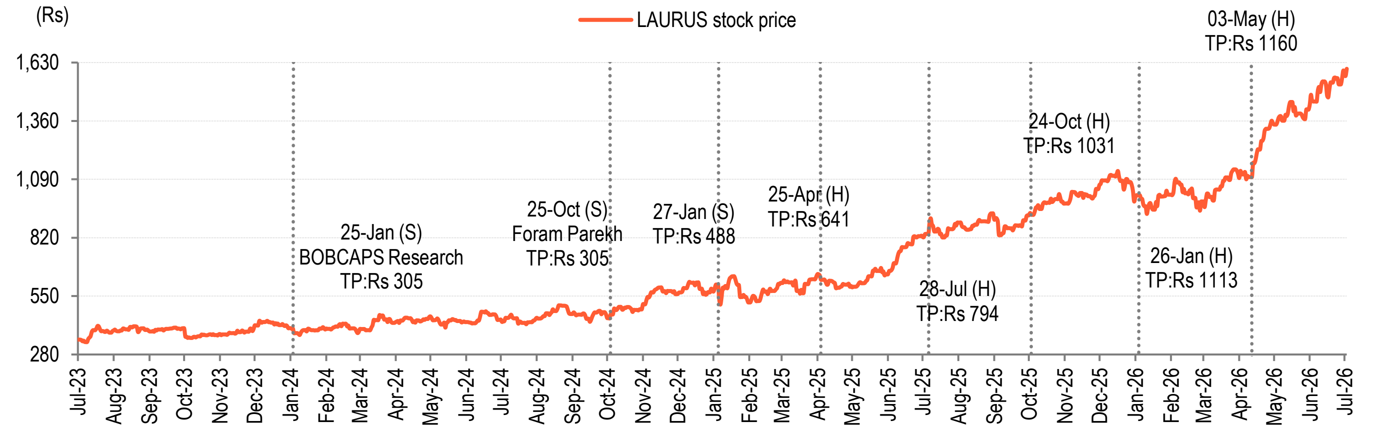
Ratings and Target Price (3-year history): LAURUS LABS (LAURUS IN)



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

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