

BUY

TP: Rs 2,626 | ▲ 42%

LUPIN

| Pharmaceuticals

| 07 August 2025

Healthy product pipeline post Tolvaptan's exclusivity

- Earnings above our estimates on all fronts. US sales in cc terms were at 282mn vs our estimate of USD264 mn
- 25% EBITDA margin post Tolvaptan's exclusivity due to the rise in R&D cost to 8.5% (70% spend is towards complex gx and specialty)
- As new product launches are on track, we continue to ascribe 26x on June'27 roll forward to arrive at TP of Rs 2,626; Maintain BUY

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Results above expectations: LPC reported earnings above our estimates on all fronts where sales/EBITDA/PAT grew by 11.9%/27.6%/41%. US sales in the cc terms for the quarter were reported the highest-ever at USD282 mn, primarily driven by the Tolvaptan launch. In INR terms, all geographies contributed to the growth; domestic sales grew by 7.8%, while that in North America increased by 24%. Other developed market grew by 17.4% and emerging market (EM) rose by 5.2%. Healthy product mix led to the gross margin being at 71.73% and EBITDA margin at 26.2%. PAT grew by 41% YoY, driven by healthy operations.

US sales to grow in late single digit post Tolvaptan's exclusivity: During the quarter, US sales growth was driven by Tolvaptan, which is under a 180-day exclusivity. Post the completion of exclusivity, growth in H2FY26 would be driven by injectable products like Glucagon, Victoza and complex injectable like Risperdal Consta launch in FY27, and launch of biosimilars (higher margin than complex generics) like Pegfilgrastim and Ranibizumab.

Domestic sales growth to be driven by Rx portfolio: During the quarter, domestic sales grew by 7.8% where the Rx business grew in line with Rx sales at 8.6% from 8200 MRs. The decline in domestic sales was due to the tender business that is lumpy by nature. However, the contribution of in-license portfolio has lowered to 6% from its peak of 12%. The company intends to participate in the Semaglutide launch in the first wave through partner and participate in oral solids through own development in FY28.

Valuation: Overall, we remain positive on the new product launches in the US market. We do not factor major headwinds on the tariff front (10-15% manageable) and have introduced FY28 estimates to arrive at a sales/EBITDA/PAT CAGR of 10%/14%/14%. We maintain our BUY recommendation on the stock and continue to ascribe a similar PE multiple of 26x on June'27 EPS, as the launches are on track to arrive at a TP of Rs 2,626.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LPC IN/Rs 1,852
Market cap	US\$ 9.6bn
Free float	53%
3M ADV	US\$ 24.0mn
52wk high/low	Rs 2,403/Rs 1,795
Promoter/FPI/DII	46%/14%/29%

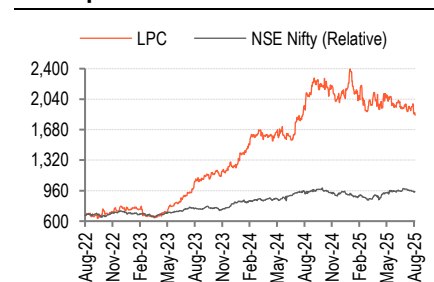
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	227,079	256,002	279,398
EBITDA (Rs mn)	52,775	62,511	71,192
Adj. net profit (Rs mn)	32,816	37,845	44,200
Adj. EPS (Rs)	72.5	83.6	97.7
Consensus EPS (Rs)	72.5	88.0	88.6
Adj. ROAE (%)	20.7	21.0	21.9
Adj. P/E (x)	25.5	22.1	19.0
EV/EBITDA (x)	16.2	13.5	11.6
Adj. EPS growth (%)	71.4	15.3	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings Call Highlights

North America

Outlook: Confident about sustaining growth in the US market in the mid to long-term, with a strong pipeline across complex product categories, such as injectables, respiratory biosimilars, and 505B2 products, targeting brand sales of \$150 bn.

GLP-1- First Indian company to get approval for a GLP-1 product in the US market. Liraglutide (gVictoza) received approval and expected to launch by Sep/25 and Liraglutide (gSaxenda) to receive approval in FY27.

Tolvaptan - LPC does not see any tentative approval in Tolvaptan. Also, with it being a specialty product, the company expects substitution to not be very easy compared to oral solid generics.

Dulera – Management plans to respond to CRL in FY26 and expects potential launch either by the end of FY27 or early FY28.

Glucagon - Glucagon was launched in Aug'25 and the company is targeting the entire market including 505(b)(2).

Albuterol - LPC's Albuterol market share is close to 19-20%. Amphastar entered the market and witnessed some price impact.

Spiriva - Alvogen and Teva filed for gSpiriva. Management expects them to take 5 years to get approval.

Mirabegron – The product is still under litigation and the company will get better clarity in H2FY26.

Biosimilars

Pegfilgrastim - Expects to file in FY26

Certolizumab - The company is planning to start clinical development

Tariff - In order to mitigate tariff, management plans either to raise the price of products, transfer production to US facilities or outsource. However, the company feels a 10-15% tariff is manageable.

Domestic

GLP - Expects Semaglutide injectable to launch by FY26 through partner in the first wave and oral version by FY28 through own.

Therapy focus - Deepening our presence in GI and aiming to establish this as the 4th major therapy area. Focused on expanding presence in oncology and CNS segments going ahead.

R&D - Nearly 70% of R&D investments are directed towards complex and specialty products.

Valuation Methodology

LPC earnings exceeded estimates on all fronts, where the sales/EBITDA/PAT was reported 3.2%/11.7%/20% above our estimates. This was largely due to US sales in cc terms at USD 282 mn vs our estimate of USD 264 mn. Due to better product mix, EBITDA margin was 200 bps higher vs estimates at 26.2%

Post the Tolvaptan exclusivity, we believe EBITDA margin can report at a stated guidance of 24-25%, driven by recouping of 1% loss in adjacencies in the domestic business and a slew of new product launches in the US market in complex generics and biosimilars. Post exclusivity and due to complexity, we do not expect Tolvaptan to lose market share significantly as it is a part of the rem's portfolio. Domestic region is also expected to grow, driven by the chronic portfolio that contributes 65% of domestic sales including GLP products where it would participate through partner in injectable launch and through own in oral solids.

Overall, we remain positive on the new product launches in the US market. We do not factor major headwinds on the tariff front (10-15% manageable) and have introduced FY28 estimates to arrive at a sales/EBITDA/PAT CAGR of 10%/14%/14%. We maintain BUY and continue to ascribe a similar PE multiple of 26x on June'27 EPS, as the launches are on track to arrive at a TP of Rs 2,626.

Fig 1 – Change in Estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	256,002	279,398	256,002	279,398	0.0	(0.0)
EBITDA	62,511	71,192	62,511	71,192	(0.0)	(0.0)
EBITDA margin (%)	24.4	25.5	24.4	25.5	(0bps)	(0bps)
EPS (Rs)	83.6	97.7	84	98	0.0	(0.0)

Source: BOBCAPS Research, Company

Key Risks

- Key downside risks to our estimates:
- Delay in launches of key products
- Regulatory events on key facilities

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	200,106	227,079	256,002	279,398	303,942
EBITDA	38,105	52,775	62,511	71,192	77,579
Depreciation	11,968	11,693	11,330	11,850	12,370
EBIT	26,137	41,083	51,181	59,342	65,209
Net interest inc./(exp.)	(3,116)	(2,949)	(1,827)	(1,735)	(1,649)
Other inc./(exp.)	1,202	2,016	1,500	1,800	1,800
Exceptional items	0	0	0	0	0
EBT	24,223	40,150	50,854	59,407	65,361
Income taxes	4,867	7,087	12,714	14,852	16,340
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	211	246	296	355	426
Reported net profit	19,145	32,816	37,845	44,200	48,595
Adjustments	0	0	0	0	0
Adjusted net profit	19,145	32,816	37,845	44,200	48,595

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	29,581	29,632	33,232	35,060	38,139
Other current liabilities	30,954	31,664	31,664	31,664	31,664
Provisions	9,003	7,093	18,902	21,750	23,915
Debt funds	26,699	50,767	31,449	29,877	28,383
Other liabilities	0	0	0	0	0
Equity capital	911	913	913	913	913
Reserves & surplus	142,823	172,029	187,225	214,952	245,436
Shareholders' fund	143,734	172,942	188,139	215,866	246,349
Total liab. and equities	239,972	292,097	303,385	334,216	368,451
Cash and cash eq.	12,736	46,231	52,855	75,413	101,375
Accounts receivables	46,921	54,971	57,435	62,684	68,190
Inventories	49,539	54,764	58,794	64,167	69,804
Other current assets	39,734	43,162	44,162	45,162	46,162
Investments	10,746	10,868	10,868	10,868	10,868
Net fixed assets	51,089	56,221	52,891	49,041	44,672
CWIP	5,957	3,555	4,055	4,555	5,055
Intangible assets	23,250	22,326	22,326	22,326	22,326
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	239,972	292,097	303,385	334,216	368,451

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	30,803	26,979	58,916	50,840	55,715
Capital expenditures	(7,361)	(13,498)	(8,500)	(8,500)	(8,500)
Change in investments	(5,577)	(122)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,938)	(13,620)	(8,500)	(8,500)	(8,500)
Equities issued/Others	1	2	0	0	0
Debt raised/repaid	(15,741)	24,067	(19,318)	(1,572)	(1,494)
Interest expenses	(3,116)	(2,949)	(1,827)	(1,735)	(1,649)
Dividends paid	(5,249)	(2,732)	(14,105)	(16,473)	(18,111)
Other financing cash flows	6,045	1,747	(8,544)	0	0
Cash flow from financing	(18,060)	20,135	(43,793)	(19,781)	(21,254)
Chg in cash & cash eq.	(195)	33,495	6,624	22,559	25,961
Closing cash & cash eq.	12,736	46,231	52,855	75,413	101,375

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	42.0	72.0	83.0	97.0	106.6
Adjusted EPS	42.3	72.5	83.6	97.7	107.4
Dividend per share	15.8	27.0	31.2	36.4	40.0
Book value per share	315.8	380.2	413.8	475.0	542.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.3	3.8	3.3	2.9	2.6
EV/EBITDA	22.7	16.2	13.5	11.6	10.3
Adjusted P/E	43.8	25.5	22.1	19.0	17.2
P/BV	5.9	4.9	4.5	3.9	3.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	79.0	81.7	74.4	74.4	74.3
Interest burden (PBT/EBIT)	92.7	97.7	99.4	100.1	100.2
EBIT margin (EBIT/Revenue)	13.1	18.1	20.0	21.2	21.5
Asset turnover (Rev./Avg TA)	21.3	21.3	21.5	21.9	21.6
Leverage (Avg TA/Avg Equity)	1.7	1.7	1.6	1.6	1.5
Adjusted ROAE	14.2	20.7	21.0	21.9	21.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	20.2	13.5	12.7	9.1	8.8
EBITDA	111.9	38.5	18.4	13.9	9.0
Adjusted EPS	345.1	71.4	15.3	16.8	9.9

Profitability & Return ratios (%)

EBITDA margin	19.0	23.2	24.4	25.5	25.5
EBIT margin	13.1	18.1	20.0	21.2	21.5
Adjusted profit margin	9.6	14.5	14.8	15.8	16.0
Adjusted ROAE	14.2	20.7	21.0	21.9	21.0
ROCE	12.4	17.3	17.2	19.0	18.6

Working capital days (days)

Receivables	84	82	82	82	82
Inventory	86	84	84	84	84
Payables	151	158	158	158	158

Ratios (x)

Gross asset turnover	1.3	1.3	1.4	1.5	1.6
Current ratio	2.1	2.9	2.5	2.8	3.0
Net interest coverage ratio	8.4	13.9	28.0	34.2	39.6
Adjusted debt/equity	0.0	0.0	(0.2)	(0.3)	(0.3)

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

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

BUY – Expected return >+15%

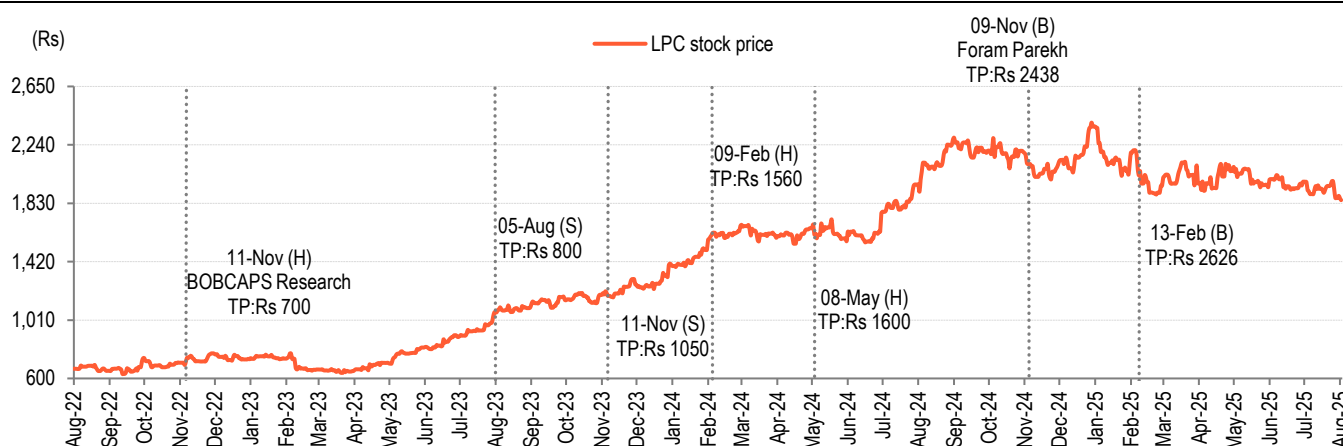
HOLD – Expected return from -6% to +15%

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): LUPIN (LPC IN)



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

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