

BUY

TP: Rs 2,626 | ▲ 27%

LUPIN

| Pharmaceuticals

| 16 May 2025

Exciting new product launches across geographies

- Sales/EBITDA/PAT reported 4.5%/0.9%/9.4% above our estimates; EBITDA margin 80 bps lower vs estimates on higher R&D cost
- At USD245mn, North America sales in cc terms reported highest ever; we expect USD260mn quarterly run-rate in FY26 with new launches
- Expect LPC to stay in high growth trajectory with EPS CAGR of 16% from FY25-27E. Maintain BUY; ascribe PE 26x on FY27 EPS of Rs97

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Healthy 4Q – LPC has reported a good set of numbers where sales/EBITDA/PAT grew by 14.2%/ 29.6% and 115% respectively. Sales growth was driven by healthy growth across geographies; US grew by 19%, India by 7%; Other developed markets and Emerging markets grew by 30% and 10% respectively. Healthy product mix resulted in 70% gross margin, but higher R&D cost forming 9.4% of sales resulted in EBITDA margin at 22.8%. Healthy operation, lower depreciation cost and taxes led to 114.9% growth in PAT.

North America growth driven by Mirabegron and Spiriva - North America sales grew 19% YoY to Rs 22.6bn. In cc terms, it grew 17% to USD245 mn — the highest ever. During the quarter, Mirabegron sales was meaningful, and Lupin remains the sole player in gSpiriva, offsetting the decline in Suprep and Albutrol. Going forward, Lupin expects meaningful contribution from Mirabegron and Tolvaptan; and expects to be the sole player in Spiriva apart from the new launches in injectables like Glucagon, Risperdal Consta, Liraglutide in FY26E. Post Tolvaptan losing exclusivity, sales would come on the back of specialty product sales like Respiamat and Ellipta and biosimilar launches like Pegfilgrastim and Ranibizumab in FY27E. Hence, we expect US sales to grow at 4% CAGR from FY25-27E to Rs 91.2bn.

India region to grow higher than IPM – India region grew by 6.9% in 4QFY25 due to patent expiry in its license product. However, growth would be in double digits, driven by higher field force expansion (increased from 5k 5 years ago to 10k) and increasing chronic share (64% of domestic sales likely to reach 70%), inorganic activities in innovative products and reducing losses in adjacencies. Hence, we expect sales to grow by 11% CAGR from FY25-27 to Rs 92.7bn.

Valuation - With competition expected in Tolvaptan, we have revised our estimates lower in FY27E but expect LPC to remain in a high growth trajectory by clocking 16% earnings CAGR from FY25-27E. Hence, we maintain BUY. At CMP, the stock is trading at 21x. Due to a healthy US product pipeline and narrowing of losses in adjacencies, we continue to ascribe a PE of 27x on FY27E EPS of Rs 97.7 per share to arrive at TP of Rs 2,626.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LPC IN/Rs 2,073
Market cap	US\$ 11.0bn
Free float	53%
3M ADV	US\$ 24.1mn
52wk high/low	Rs 2,403/Rs 1,493
Promoter/FPI/DII	46%/14%/29%

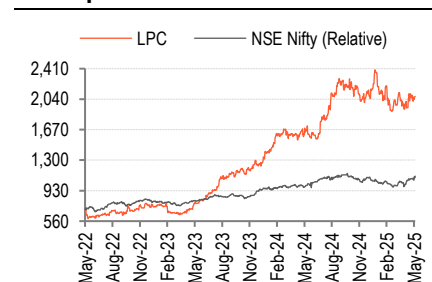
Source: NSE | Price as of 15 May 2025

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)	67.0	83.0	100.0
Adj. ROAE (%)	20.7	21.0	21.9
Adj. P/E (x)	28.6	24.8	21.2
EV/EBITDA (x)	18.1	15.1	13.0
Adj. EPS growth (%)	71.4	15.3	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Concall Highlights

US – third largest company by prescription

Plants – has 12 plants, including Pune Biotech (awaiting USFDA approval), that serve the US market

Generic portfolio – 50% of the generic portfolio is vertically integrated through own APIs

Injectables – FY26 is going to be a material year for the injectables and biosimilars

Tolvaptan – going to be a material contributor in FY26

Spiriva – continues to be the sole generic in the market. 1-2 filers are there, but the launch will likely be in at least 3-4 years due to the complexity of the product

Mirabegron - material contributor in FY25 and will continue to be a material contributor in FY26

MDI DPI business – 33% of the US portfolio by revenue

India – eighth largest company organically

Growth – focus remains on delivering growth above market, expects 1.2 to 1.3x above-market growth

Insulin – recently acquired insulin brand from Eli Lilly, which enabled to get end-to-end economics on the product

Field force – expanded field force from 5000 five years ago to 10,000

Chronic share – 64% of the IPM business is chronic and this is expected to go up 69-70%

Australia – fourth largest company on the generic front

South Africa – eight largest company on the generic front

Europe – Namuscla – the first orphan drug in brand has grown well over the last five years

Guidance

R&D costs expected to stay high at 8.5% of sales

EBITDA margin to increase 100 BPS higher in FY26 from FY25

Financial Highlights

Fig 1 – Key Financial Highlights

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Net Sales	56,671	49,608	14.2	57,677	(1.7)	200,106	227,079	256,002	279,398
Total Expenses	43,750	39,640	10.4	44,018	(0.6)	162,001	174,304	193,492	208,206
(%) of net sales	77.2	79.9		76.3		81	77	76	75
Raw material consumed	16,862	15,738	7.1	17,216	(2.1)	66,435	68,423	76,801	81,025
(%) of net sales	29.8	31.7		29.8		33	30	30	29
Staff cost	10,013	9,002	11.2	9,843	1.7	34,946	39,642	40,960	44,704
(%) of net sales	17.7	18.1		17.1		17	17	16	16
R&D cost	5,346	4,255	25.6	4,344	23.1	15,265	17,672	21,760	23,749
(%) of net sales	9.4	8.6		7.5		8	8	9	9
SG&A	11,530	10,645	8.3	12,615	(8.6)	45,356	48,567	53,970	58,728
(%) of net sales	20.3	21.5		21.9		23	21	21	21
EBITDA	12,921	9,968	29.6	13,659	(5.4)	38,105	52,775	62,511	71,192
Depreciation	3,932	4,571	(14.0)	2,715	44.8	11,968	11,693	11,330	11,850
EBIT	8,989	5,397	66.6	10,945	(17.9)	26,137	41,083	51,181	59,342
Interest	891	713	25.0	669	33.2	3,116	2,949	1,827	1,735
Other Income	860	293	193.1	438	96.5	1,202	2,016	1,500	1,800
PBT	8,958	4,977	80.0	10,714	(16.4)	24,223	40,150	50,854	59,407
Less: Taxation	1,135	1,295		2,124		4,867	7,087	12,714	14,852
Less: Minority Interest	99	88		38		211	246	296	355
Recurring PAT	7,725	3,594	114.9	8,552	(9.7)	19,145	32,816	37,845	44,200
Exceptional items	0	0		0		0	0	0	0
Reported PAT	7,725	3,594	114.9	8,552	(9.7)	19,145	32,816	37,845	44,200
Key Ratios (%)									
Gross Margin	70.2	68.3	197	70.2	9	66.8	69.9	70.0	71.0
EBITDA Margin	22.8	20.1	271	23.7	(88)	19.0	23.2	24.4	25.5
Tax / PBT	12.7	26.0		19.8		20.1	17.7	25.0	25.0
NPM	13.6	7.2		14.8		9.6	14.5	14.8	15.8
EPS (Rs)	17.0	7.9		18.8		42.1	72.2	83.3	97.3

Source: Company, BOBCAPS Research

Valuation Methodology

LPC reported a healthy set of 4QFY25 and FY25 earnings, driven by better sales across geographies. At USD 245mn, sales in the North America region grew to the highest-ever, driven by meaningful contributions from Mirabegron and Spiriva offsetting the decline in Albutrol and Suprep. EBITDA margin for FY25 stood at 23.5% amidst higher R&D expense contributing 8% to sales.

We expect US sales growth momentum to continue being driven by Tolvaptan (USD 1.4bn market size and 180-day exclusivity) and ongoing sales of Mirabegron that would also remain a meaningful product. Post the exclusivity, Lupin has a slew of injectables launches in FY26 and biosimilar & specialty product launches in FY27E, coupled with Lupin Diagnostic business turning profitable in FY27 and narrowing losses in adjacencies. Hence, we expect EBITDA margin to increase to 25.5% by FY27E.

With competition expected in Tolvaptan, we have revised our estimates lower in FY27E but expect LPC to remain in a high growth trajectory by clocking 16% earnings CAGR from FY25-27E. Hence, we maintain BUY. At CMP, the stock is trading at 21x. Due to a healthy US product pipeline and narrowing of losses in adjacencies, we continue to ascribe a PE of 27x on FY27E EPS of Rs 97.7 per share to arrive at TP of Rs 2,626.

Fig 2 – Change in estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	256,002	279,398	261,969	298,700	(2.3)	(6.5)
EBITDA	62,511	71,192	65,143	78,651	(4.0)	(9.5)
EBITDA margin (%)	24.4	25.5	24.9	26.3	(45bps)	(85bps)
EPS (Rs)	83.6	97.7	82	103	2.0	(5.5)

Source: Company, BOBCAPS Research

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)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	166,417	200,106	227,079	256,002	279,398
EBITDA	17,982	38,105	52,775	62,511	71,192
Depreciation	8,807	11,968	11,693	11,330	11,850
EBIT	9,175	26,137	41,083	51,181	59,342
Net interest inc./(exp.)	(2,743)	(3,116)	(2,949)	(1,827)	(1,735)
Other inc./(exp.)	734	1,202	2,016	1,500	1,800
Exceptional items	0	0	0	0	0
EBT	7,165	24,223	40,150	50,854	59,407
Income taxes	2,688	4,867	7,087	12,714	14,852
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	176	211	246	296	355
Reported net profit	4,301	19,145	32,816	37,845	44,200
Adjustments	0	0	0	0	0
Adjusted net profit	4,301	19,145	32,816	37,845	44,200

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	25,315	29,581	29,632	33,232	35,060
Other current liabilities	27,794	30,954	31,664	31,664	31,664
Provisions	8,581	9,003	7,093	18,902	21,750
Debt funds	42,441	26,699	50,767	31,449	29,877
Other liabilities	0	0	0	0	0
Equity capital	910	911	913	913	913
Reserves & surplus	124,518	142,823	172,029	187,225	214,952
Shareholders' fund	125,428	143,734	172,942	188,139	215,866
Total liab. and equities	229,559	239,972	292,097	303,385	334,216
Cash and cash eq.	12,931	12,736	46,231	52,855	75,413
Accounts receivables	44,807	46,921	54,971	57,435	62,684
Inventories	44,918	49,539	54,764	58,794	64,167
Other current assets	36,830	39,734	43,162	44,162	45,162
Investments	5,169	10,746	10,868	10,868	10,868
Net fixed assets	53,768	51,089	56,221	52,891	49,041
CWIP	8,948	5,957	3,555	4,055	4,555
Intangible assets	22,188	23,250	22,326	22,326	22,326
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	229,559	239,972	292,097	303,385	334,216

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	3,964	30,803	26,979	58,916	50,840
Capital expenditures	(11,420)	(7,361)	(13,498)	(8,500)	(8,500)
Change in investments	3,831	(5,577)	(122)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(7,589)	(12,938)	(13,620)	(8,500)	(8,500)
Equities issued/Others	1	1	2	0	0
Debt raised/repaid	3,999	(15,741)	24,067	(19,318)	(1,572)
Interest expenses	(2,743)	(3,116)	(2,949)	(1,827)	(1,735)
Dividends paid	(5,151)	(5,249)	(2,732)	(14,105)	(16,473)
Other financing cash flows	8,702	6,045	1,747	(8,544)	0
Cash flow from financing	4,808	(18,060)	20,135	(43,793)	(19,781)
Chg in cash & cash eq.	1,183	(195)	33,495	6,624	22,559
Closing cash & cash eq.	12,931	12,736	46,231	52,855	75,413

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	9.5	42.0	72.0	83.0	97.0
Adjusted EPS	9.5	42.3	72.5	83.6	97.7
Dividend per share	3.5	15.8	27.0	31.2	36.4
Book value per share	275.5	315.8	380.2	413.8	475.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	5.7	4.8	4.2	3.7	3.3
EV/EBITDA	52.6	25.3	18.1	15.1	13.0
Adjusted P/E	218.1	49.0	28.6	24.8	21.2
P/BV	7.5	6.6	5.5	5.0	4.4

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	60.0	79.0	81.7	74.4	74.4
Interest burden (PBT/EBIT)	78.1	92.7	97.7	99.4	100.1
EBIT margin (EBIT/Revenue)	5.5	13.1	18.1	20.0	21.2
Asset turnover (Rev./Avg TA)	18.8	21.3	21.3	21.5	21.9
Leverage (Avg TA/Avg Equity)	1.8	1.7	1.7	1.6	1.6
Adjusted ROAE	3.5	14.2	20.7	21.0	21.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	1.4	20.2	13.5	12.7	9.1
EBITDA	(13.5)	111.9	38.5	18.4	13.9
Adjusted EPS	63.2	345.1	71.4	15.3	16.8

Profitability & Return ratios (%)

EBITDA margin	10.8	19.0	23.2	24.4	25.5
EBIT margin	5.5	13.1	18.1	20.0	21.2
Adjusted profit margin	2.6	9.6	14.5	14.8	15.8
Adjusted ROAE	3.5	14.2	20.7	21.0	21.9
ROCE	3.6	12.4	17.3	17.2	19.0

Working capital days (days)

Receivables	96	84	82	82	82
Inventory	100	86	84	84	84
Payables	130	151	158	158	158

Ratios (x)

Gross asset turnover	1.2	1.3	1.3	1.4	1.5
Current ratio	2.3	2.1	2.9	2.5	2.8
Net interest coverage ratio	3.3	8.4	13.9	28.0	34.2
Adjusted debt/equity	0.2	0.0	0.0	(0.2)	(0.3)

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

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BUY – Expected return >+15%

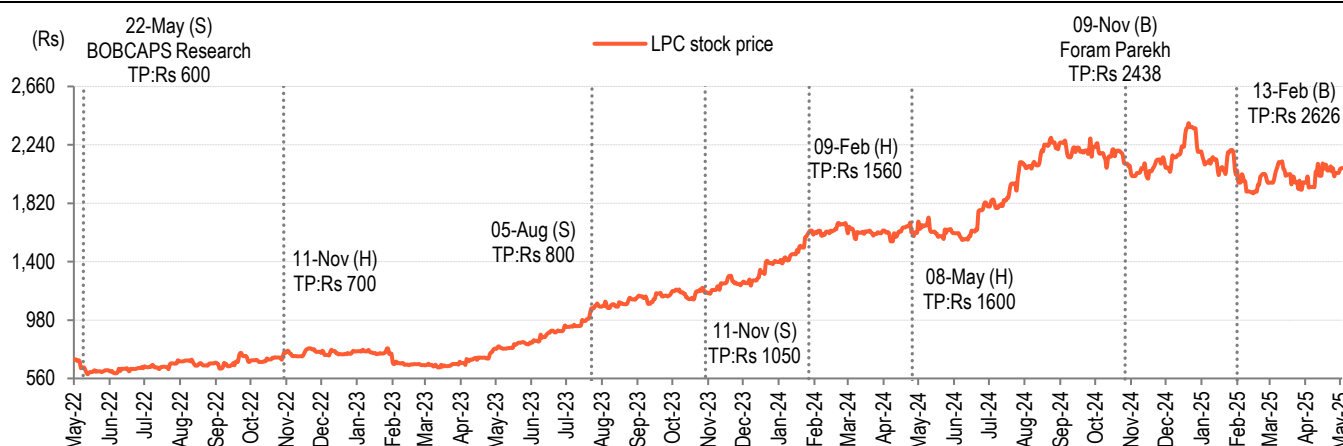
HOLD – Expected return from -6% to +15%

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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