

India

**ADD** (no change)

Consensus ratings\*: Buy 13 Hold 10 Sell 12

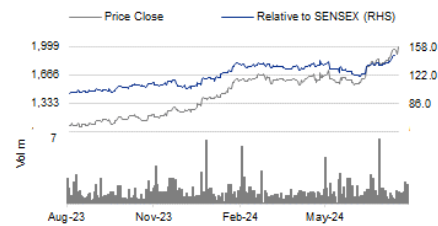
Current price:	Rs1,994
Target price: ▲	Rs2,329
Previous target:	Rs1,780
Up/downside:	16.8%
InCred Research / Consensus:	41.9%

Reuters:	
Bloomberg:	LPC IN
Market cap:	US\$12,525m Rs909,502m
Average daily turnover:	US\$31.2m Rs2262.3m
Current shares o/s:	454.8m
Free float:	5,290.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY25F/26F estimates by 11%/15%.
- Raise the target price to Rs2,329 (from Rs1,780 earlier).



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.7	23.8	84.5
Relative (%)	13.4	14.5	52.9

Major shareholders	% held
PROMOTER	47.1
LIC	8.2
ICICI Pru MF	5.5

**Research Analyst(s)**



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# Lupin Ltd

## Strong 1Q performance and outlook

- Lupin reported a big beat in 1QFY25, led by strong growth across the US and Indian markets. Adjusted margin topped 24%, a healthy beat of 300bp.
- Lupin raised its margin guidance from 20% to 21% for FY25F, with a possible increase in R&D spending. Loss-making businesses to be demerged.
- We raise FY25F/26F earnings estimates by 11%/15%, respectively. Retain ADD rating on the stock with a higher target price of Rs2,329 (Rs1,780 earlier).

### All-round strong performance

1QFY25 had everything going right for Lupin, with a healthy growth in India and the US markets, followed by strong operating leverage driving margins higher. While R&D expenses were lower (-230bp QoQ), the same are likely to inch up after its guidance of Rs18bn for FY25F. India business growth stood at 17.5% YoY, but it was mainly on account of an Rx growth in the institutional business (from Rs150m to Rs1.2bn YoY); the Rx business grew 10.5% YoY, in line with expectations. The US business stood at US\$227m (estimated US\$218m), largely led by channel filling in Mirabegron. EMEA and growth markets grew 25%+ YoY. Gross margin was up by 50bp QoQ. Other expenses include one-time Rs750m costs relating to Glumetza litigation provisioning.

### US pipeline is healthy; India should outperform IPM growth

We believe the US market momentum should largely continue with multiple good product launches in FY25F (Mirabegron, Peg-GCF, CGT launch of gPred Forte with 180-day marketing exclusivity and Glucagon) and FY26F (Tolvaptan, gRisperdal Consta, gSaxenda and gEdarbi – sole marketing exclusivity) with upside potential from products contingent on favourable litigation outcomes. Lupin expects its US business to grow in high single digits in FY25F. In its existing products, Lupin has around 30% market share in gSpiriva and 20% share in gAlbuterol. gAlbuterol may face additional competition from Amphastar soon, but that shouldn't derail the US growth trajectory.

### Other highlights

a) gSynd – litigation outcome/product nod likely soon. b) Witnessing a single-digit erosion in the base US business. c) Mirabegron – hearing soon on the 780 patent which will determine the launch of the 50mg version. d) Expects additional competition in Tolvaptan post 180-day marketing exclusivity, but might not go the usual generic pathway, given that it's a REMS product. e) Around 1.5-2% impact currently on EBITDA due to adjacent businesses like diagnostics, OTC, API CDMO, digital etc; core margin can go to 23-24% in the medium term.

### Our view and valuation

Our earnings estimates have been increased by 11%/15% for FY25F/26F, respectively. We retain ADD rating on Lupin with a higher target price of Rs2,329 (Rs1,780 earlier). The earlier-than-expected competition in gSpiriva or gAlbuterol is the key downside risk.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	164,055	166,417	195,761	220,761	238,701
Operating EBITDA (Rsm)	20,972	17,206	33,901	48,524	55,121
Net Profit (Rsm)	(15,280)	4,301	15,239	29,689	35,757
Core EPS (Rs)	23.3	9.5	33.5	65.3	78.6
Core EPS Growth	(12.9%)	(59.4%)	254.3%	94.8%	20.4%
FD Core P/E (x)	85.73	210.91	59.52	30.55	25.37
DPS (Rs)	10.5	4.0	7.5	8.5	8.5
Dividend Yield	0.53%	0.20%	0.38%	0.43%	0.43%
EV/EBITDA (x)	44.34	54.29	26.94	18.67	16.04
P/FCFE (x)	(65.31)	53.80	29.65	48.20	19.01
Net Gearing	18.3%	21.5%	5.4%	0.0%	(10.8%)
P/BV (x)	7.46	7.28	6.35	5.37	4.52
ROE	8.2%	3.5%	11.4%	19.0%	19.3%
% Change In Core EPS Estimates				11.35%	14.99%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24A	1QFY25A	Y-o-Y (%)	Q-o-Q (%)
Revenue	37,438	41,455	43,222	44,301	46,088	49,323	50,743	49,608	56,003	22%	13%
Consumption of raw materials	16,098	17,128	17,071	17,500	16,408	17,028	17,261	15,738	17,446	6%	11%
<i>as % of sales</i>	<i>43.0%</i>	<i>41.3%</i>	<i>39.5%</i>	<i>39.5%</i>	<i>35.6%</i>	<i>34.5%</i>	<i>34.0%</i>	<i>31.7%</i>	<i>31.2%</i>		
Employee costs	7,785	7,716	7,640	7,730	8,444	8,607	8,892	9,002	9,710	15%	8%
<i>as % of sales</i>	<i>20.8%</i>	<i>18.6%</i>	<i>17.7%</i>	<i>17.4%</i>	<i>18.3%</i>	<i>17.5%</i>	<i>17.5%</i>	<i>18.1%</i>	<i>17.3%</i>		
Other expenditure	8438	8893	10455	9980	11045	11755	12034	10645	11734	6%	10%
<i>as % of sales</i>	<i>22.5%</i>	<i>21.5%</i>	<i>24.2%</i>	<i>22.5%</i>	<i>24.0%</i>	<i>23.8%</i>	<i>23.7%</i>	<i>21.5%</i>	<i>21.0%</i>		
EBITDA	1,639	4,342	5,160	6,041	6,512	8,168	8,988	9,968	13,614	109%	37%
<i>Margins (%)</i>	<i>4.4%</i>	<i>10.5%</i>	<i>11.9%</i>	<i>13.6%</i>	<i>14.1%</i>	<i>16.6%</i>	<i>17.7%</i>	<i>20.1%</i>	<i>24.3%</i>		
Depreciation	1,928	2,035	2,204	2,640	2,347	2,479	2,572	4,571	2,477		
Other income	739	338	346	110	2,279	350	454	292	224		
Interest	428	549	841	926	857	806	740	713	680		
PBT	23	2,096	2,461	2,585	5,588	5,234	6,129	4,975	10,680	91%	115%
Total tax	891	751	885	161	1,055	1,344	1,174	1,295	1,875		
<i>Tax rate (%)</i>	<i>3924.7%</i>	<i>35.8%</i>	<i>36.0%</i>	<i>6.2%</i>	<i>18.9%</i>	<i>25.7%</i>	<i>19.2%</i>	<i>26.0%</i>	<i>17.6%</i>		
PAT before MI	-868	1,345	1,577	2,424	4,533	3,890	4,955	3,680	8,805	94%	139%
Minority interest (MI)	-23	-47	-42	-64	-11	-57	-56	-88	-42		
Adj. PAT before extraordinary items	-891	1,297	1,535	2,360	4,523	3,834	4,900	3,592	8,763	94%	144%
Extraordinary expenses	0	0	0	0	0	0	0	0	-750		
Reported PAT	-891	1,297	1,535	2,360	4,523	3,834	4,900	3,592	8,013	77%	123%
No. of shares	454.6	454.7	454.8	455.0	455.7	455.7	455.7	455.7	456.4		
EPS	-1.9	2.8	3.3	5.1	9.9	8.3	10.7	7.8	19.1		
Core EPS	-1.1	2.4	2.9	4.9	4.7	7.8	9.9	7.4	18.7		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile (%)

(Rs m)	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24A	1QFY25A	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	57%	59%	61%	60%	64%	65%	66%	68%	69%	445	57
EBITDA	4%	10%	12%	14%	14%	17%	18%	20%	24%	1,018	422
Adj. PAT	-2%	3%	4%	5%	10%	8%	10%	7%	16%	583	841
Effective tax rate	3,925%	36%	36%	6%	19%	26%	19%	26%	18%	-132	-847

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24A	1QFY25A	Y-o-Y (%)	Q-o-Q (%)
North America INR	10,104	13,295	15,271	15,503	15,905	17,604	17,653	19,006	20,408	28%	7%
<i>% total revenue</i>	<i>27.0%</i>	<i>32.1%</i>	<i>35.3%</i>	<i>35.0%</i>	<i>34.5%</i>	<i>35.7%</i>	<i>34.8%</i>	<i>38.3%</i>	<i>36.4%</i>		
EMEA	3,335	3,842	3,802	4,535	3,987	4,759	5,170	5,318	5,031	26%	-5%
<i>% total revenue</i>	<i>8.9%</i>	<i>9.3%</i>	<i>8.8%</i>	<i>10.2%</i>	<i>8.7%</i>	<i>9.6%</i>	<i>10.2%</i>	<i>10.7%</i>	<i>9.0%</i>		
India	14,920	15,841	15,213	14,786	16,384	16,915	17,251	16,015	19,259	18%	20%
<i>% total revenue</i>	<i>39.9%</i>	<i>38.2%</i>	<i>35.2%</i>	<i>33.4%</i>	<i>35.5%</i>	<i>34.3%</i>	<i>34.0%</i>	<i>32.3%</i>	<i>34.4%</i>		
RoW branded	5,130	5,435	5,345	5,253	5,722	6,367	6,714	6,031	6,823	19%	13%
<i>% total revenue</i>	<i>13.7%</i>	<i>13.1%</i>	<i>12.4%</i>	<i>11.9%</i>	<i>12.4%</i>	<i>12.9%</i>	<i>13.2%</i>	<i>12.2%</i>	<i>12.2%</i>		
API	2,551	2,499	2,815	3,226	3,371	2,684	2,779	2,581	3,622	7%	40%
<i>% total revenue</i>	<i>6.8%</i>	<i>6.0%</i>	<i>6.5%</i>	<i>7.3%</i>	<i>7.3%</i>	<i>5.4%</i>	<i>5.5%</i>	<i>5.2%</i>	<i>6.5%</i>		
Others	1,398	543	776	998	719	993	1,175	657	860	20%	31%
<i>% total revenue</i>	<i>3.7%</i>	<i>1.3%</i>	<i>1.8%</i>	<i>2.3%</i>	<i>1.6%</i>	<i>2.0%</i>	<i>2.3%</i>	<i>1.3%</i>	<i>1.5%</i>		
Total revenue	37,438	41,455	43,222	44,301	46,088	49,323	50,743	49,608	56,003	22%	13%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue (Rsm)	56,003	50,640	11%	52,263	7%
EBITDA (Rsm)	13,614	10,537	29%	10,547	29%
Margin (%)	24.3	20.8		20.2	
PAT (Rsm)	8,013	5,861	37%	5,637	42%

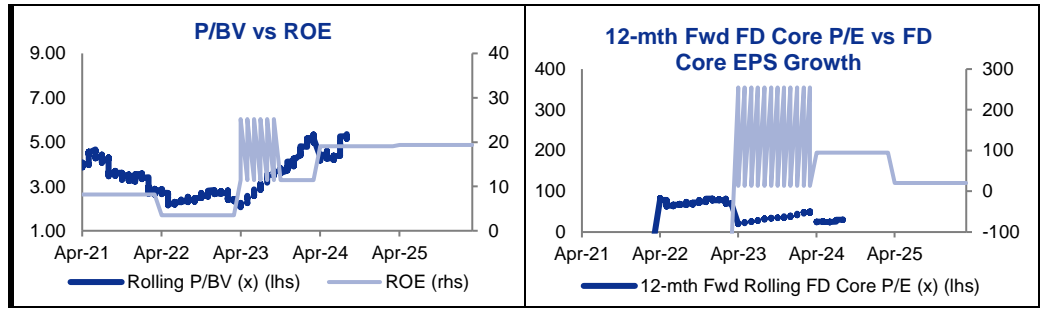
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rsm)	2,21,081	2,20,761	-0.1	2,38,731	2,38,701	-0.0
EBITDA (Rsm)	44,341	48,524	9.4	49,295	55,121	11.8
Margin (%)	20.1	22.0		20.6	23.1	
PAT (Rsm)	26,662	29,689	11.4	31,096	35,757	15.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>164,055</b>	<b>166,417</b>	<b>195,761</b>	<b>220,761</b>	<b>238,701</b>
<b>Gross Profit</b>	<b>99,242</b>	<b>98,619</b>	<b>129,326</b>	<b>149,606</b>	<b>159,430</b>
<b>Operating EBITDA</b>	<b>20,972</b>	<b>17,206</b>	<b>33,901</b>	<b>48,524</b>	<b>55,121</b>
Depreciation And Amortisation	(9,510)	(8,807)	(11,968)	(10,200)	(10,500)
<b>Operating EBIT</b>	<b>11,462</b>	<b>8,399</b>	<b>21,933</b>	<b>38,324</b>	<b>44,621</b>
Financial Income/(Expense)	(1,428)	(2,743)	(3,116)	(2,500)	(1,800)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,101	1,509	1,500	1,500	2,100
<b>Profit Before Tax (pre-EI)</b>	<b>12,135</b>	<b>7,165</b>	<b>20,317</b>	<b>37,324</b>	<b>44,921</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>12,135</b>	<b>7,165</b>	<b>20,317</b>	<b>37,324</b>	<b>44,921</b>
Taxation	(1,372)	(2,688)	(4,867)	(7,465)	(8,984)
Exceptional Income - post-tax	(25,861)				
<b>Profit After Tax</b>	<b>(15,097)</b>	<b>4,477</b>	<b>15,450</b>	<b>29,859</b>	<b>35,937</b>
Minority Interests	(183)	(176)	(211)	(170)	(180)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(15,280)</b>	<b>4,301</b>	<b>15,239</b>	<b>29,689</b>	<b>35,757</b>
Recurring Net Profit	10,580	4,301	15,239	29,689	35,757
<b>Fully Diluted Recurring Net Profit</b>	<b>10,580</b>	<b>4,301</b>	<b>15,239</b>	<b>29,689</b>	<b>35,757</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>20,972</b>	<b>17,206</b>	<b>33,901</b>	<b>48,524</b>	<b>55,121</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(150)	3,263	855	(21,714)	(8,539)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(16,679)	(1,134)	(4,372)	(5,654)	(5,654)
Net Interest (Paid)/Received	(1,428)	(2,743)	(1,125)	(1,611)	(1,611)
Tax Paid	959	(265)	(562)	(6,635)	(9,464)
<b>Cashflow From Operations</b>	<b>3,673</b>	<b>16,327</b>	<b>28,697</b>	<b>12,910</b>	<b>29,853</b>
Capex	(8,980)	(14,611)	(9,166)	(7,000)	(12,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,468)	(2,910)	(1,465)		
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(6,775)</b>	<b>(1,194)</b>	<b>18,065</b>	<b>5,910</b>	<b>17,853</b>
Debt Raised/(repaid)	(10,787)	1,728	(16,171)		
Proceeds From Issue Of Shares	2	19	146		
Shares Repurchased					
Dividends Paid	(2,951)	(1,825)	(1,828)	(3,418)	(3,879)
Preferred Dividends					
Other Financing Cashflow	(1,606)	(3,249)	(4,828)	(1,000)	300
<b>Cash Flow From Financing</b>	<b>(15,343)</b>	<b>(3,327)</b>	<b>(22,682)</b>	<b>(4,418)</b>	<b>(3,579)</b>
Total Cash Generated	(22,117)	(4,521)	(4,617)	1,493	14,274
<b>Free Cashflow To Equity</b>	<b>(13,888)</b>	<b>16,861</b>	<b>30,591</b>	<b>18,820</b>	<b>47,706</b>
<b>Free Cashflow To Firm</b>	<b>(1,674)</b>	<b>17,876</b>	<b>49,878</b>	<b>21,320</b>	<b>49,506</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	19,228	17,350	20,521	28,278	50,117
Total Debtors	42,619	44,807	46,921	52,983	62,062
Inventories	46,307	44,918	49,539	57,398	57,288
Total Other Current Assets	16,422	17,438	17,497	19,868	26,257
<b>Total Current Assets</b>	<b>124,577</b>	<b>124,513</b>	<b>134,477</b>	<b>158,527</b>	<b>195,724</b>
Fixed Assets	53,973	55,398	54,942	51,742	53,242
Total Investments	303	771	2,277	2,277	2,277
Intangible Assets	31,306	40,534	41,566	41,566	41,566
Total Other Non-Current Assets	8,053	8,343	6,710	6,710	6,710
<b>Total Non-current Assets</b>	<b>93,635</b>	<b>105,046</b>	<b>105,495</b>	<b>102,295</b>	<b>103,795</b>
Short-term Debt	37,946	42,165	26,699	26,699	26,699
Current Portion of Long-Term Debt					
Total Creditors	22,829	25,315	29,581	27,035	31,763
Other Current Liabilities	21,990	25,173	28,735	25,860	27,951
<b>Total Current Liabilities</b>	<b>82,764</b>	<b>92,654</b>	<b>85,015</b>	<b>79,594</b>	<b>86,414</b>
Total Long-term Debt	3,638	2,139	1,553	1,553	1,553
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	9,590	9,338	9,670	9,670	9,670
<b>Total Non-current Liabilities</b>	<b>13,227</b>	<b>11,477</b>	<b>11,222</b>	<b>11,222</b>	<b>11,222</b>
Total Provisions					
<b>Total Liabilities</b>	<b>95,992</b>	<b>104,131</b>	<b>96,237</b>	<b>90,816</b>	<b>97,636</b>
Shareholders Equity	121,533	124,645	142,903	169,004	200,702
Minority Interests	687	783	832	1,002	1,182
<b>Total Equity</b>	<b>122,220</b>	<b>125,428</b>	<b>143,735</b>	<b>170,006</b>	<b>201,884</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	8.2%	1.4%	17.6%	12.8%	8.1%
Operating EBITDA Growth	(18.3%)	(18.0%)	97.0%	43.1%	13.6%
Operating EBITDA Margin	12.8%	10.3%	17.3%	22.0%	23.1%
Net Cash Per Share (Rs)	(49.15)	(59.27)	(17.00)	0.06	48.08
BVPS (Rs)	267.22	274.07	314.21	371.60	441.30
Gross Interest Cover	8.03	3.06	7.04	15.33	24.79
Effective Tax Rate	11.3%	37.5%	24.0%	20.0%	20.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	97.19	95.88	85.51	82.59	87.96
Inventory Days	245.62	245.56	259.48	274.27	264.03
Accounts Payables Days	121.01	129.60	150.80	145.21	135.37
ROIC (%)	5.6%	3.9%	10.3%	16.2%	17.8%
ROCE (%)	6.9%	5.0%	12.8%	20.7%	20.8%
Return On Average Assets	5.2%	2.9%	7.6%	12.7%	13.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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