

India

**ADD** (no change)

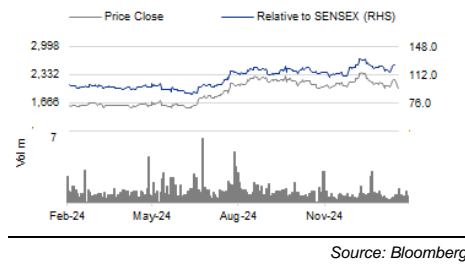
Consensus ratings\*: Buy 20 Hold 10 Sell 7

Current price:	Rs2,025
Target price:	Rs2,329
Previous target:	Rs2,329
Up/downside:	15.0%
InCred Research / Consensus:	1.3%
Reuters:	LUPN.NS
Bloomberg:	LPC IN
Market cap:	US\$10,634m Rs923,966m
Average daily turnover:	US\$26.4m Rs2294.6m
Current shares o/s:	454.8m
Free float:	5,290.0%

\*Source: Bloomberg

**Key changes in this note**

- FY26F EPS reduced by ~2%.



Price performance	1M	3M	12M
Absolute (%)	(7.6)	(3.1)	27.0
Relative (%)	(7.4)	(1.2)	19.3

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

**Research Analyst(s)**



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# Lupin Ltd

## Consistently delivering a strong performance

- Strong overall 3QFY25 performance led by better-than-expected margin.
- The US business guidance has been raised from high single-digit to double-digit for FY25F. The FY26F guidance at US\$1bn+ implies double-digit growth.
- Retain ADD rating on the stock with an unchanged target price of Rs2,329.

### Consistently strong performance

Lupin showed consistent strong earnings momentum in 3QFY25 as well, with a healthy double-digit growth in India business and a strong US performance (US\$235m, +7% QoQ), along with strong adjusted margin at 25.2% (one-off provision of Rs856m). Gross margin remained flat QoQ at 70.2%. R&D spending was lower sequentially by 40bp QoQ (at 7.5% of sales) and in 4QFY25F it is expected to be higher due to complex generics and injectables filing (R&D guidance of Rs18bn for FY25F). India business growth was healthy at 12% YoY; the Rx business grew 6% YoY, led by outperformance of key therapies. Tender business (a sizeable sum) is expected to remain flat in FY26F. The US business stood at US\$235m (estimated US\$232m) driven by Mirabegron (gained market share) and Pred-forte CGT 180-day marketing exclusivity. EMEA grew by 21% YoY led by the respiratory portfolio (in the UK and Germany) while growth markets declined by 3% YoY due to foreign currency depreciation. Higher PLI scheme benefits will come off in FY26F. Lupin revised its margin guidance to 23-23.5% (from 22-23% earlier).

### US business momentum likely to continue

Lupin has given guidance of double-digit growth in the US in FY25F and US\$1bn+ sales in FY26F, implying double-digit growth. We believe the US business momentum should largely continue with its existing products (Albuterol, Mirabegron, CGT launch of gPredForte with 180-day marketing exclusivity) and multiple good product launches going ahead (Glucagon in 2HFY25F and Tolvaptan, Dalbavancin, Risperdal Consta, gSaxenda and gEdarbi – sole 180-day marketing exclusivity in FY26F) with upside potential from products contingent on favourable litigation outcomes.

### Other highlights

- Considering acquisition opportunities in late-stage clinical assets due to low biotech funding.
- Tolvaptan – Expects to achieve a 30-40% market share; the product may see some competition in 2HFY26F.
- Lupin expects additional competition in Albuterol & Mirabegron in FY26F.
- Semaglutide – Targeting the first wave of generics. Injectables will be manufactured by its partner, and oral solids (under development) will be manufactured in-house.

### Our view and valuation

We cut our earnings estimates by ~2% for FY26F. We retain our ADD rating on the stock with an unchanged target price of Rs2,329. Downside risks: Any earlier-than-expected competition in gSpiriva or gAlbuterol.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	164,055	166,417	196,825	225,395	249,454
Operating EBITDA (Rsm)	20,972	17,206	34,965	53,121	60,289
Net Profit (Rsm)	(15,280)	4,301	16,302	33,297	39,711
Core EPS (Rs)	23.3	9.5	35.8	73.2	87.3
Core EPS Growth	(12.9%)	(59.4%)	279.1%	104.2%	19.3%
FD Core P/E (x)	87.05	214.16	56.50	27.66	23.19
DPS (Rs)	10.5	4.0	7.5	8.5	8.5
Dividend Yield	0.52%	0.20%	0.37%	0.42%	0.42%
EV/EBITDA (x)	45.00	55.10	26.52	17.32	14.88
P/FCFE (x)	(66.32)	54.63	28.15	29.88	14.02
Net Gearing	18.3%	21.5%	5.4%	0.0%	(11.0%)
P/BV (x)	7.58	7.39	6.45	5.34	4.42
ROE	8.2%	3.5%	12.2%	21.1%	20.9%
% Change In Core EPS Estimates				(0.50%)	(1.77%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Financial summary**

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	43,222	44,301	46,088	50,386	50,743	49,608	56,003	56,727	57,677	14%	2%
Consumption of raw materials	17,071	17,500	16,408	17,028	17,261	15,738	17,446	16,899	17,216	0%	2%
as % of sales	39.5%	39.5%	35.6%	33.8%	34.0%	31.7%	31.2%	29.8%	29.8%		
Employee costs	7,640	7,730	8,444	8,607	8,892	9,002	9,710	10,075	9,844	11%	-2%
as % of sales	17.7%	17.4%	18.3%	17.1%	17.5%	18.1%	17.3%	17.8%	17.1%		
Other expenditure	13351	13030	14724	15519	15601	14900	15984	16085	16103	3%	0%
as % of sales	30.9%	29.4%	31.9%	30.8%	30.7%	30.0%	28.5%	28.4%	27.9%		
EBITDA	5,160	6,041	6,512	9,232	8,988	9,968	12,864	13,668	14,515	61%	6%
Margins (%)	11.9%	13.6%	14.1%	18.3%	17.7%	20.1%	23.0%	24.1%	25.2%		
Depreciation	2,204	2,640	2,347	2,479	2,572	4,571	2,477	2,569	2,715		
Other income	346	110	2,279	350	454	292	224	744	438		
Interest	841	926	857	806	740	713	680	709	669		
PBT	2,461	2,585	5,588	6,297	6,129	4,975	9,930	11,134	11,569	89%	4%
Total tax	885	161	1,055	1,344	1,174	1,295	1,875	1,954	2,124		
Tax rate (%)	36.0%	6.2%	18.9%	21.3%	19.2%	26.0%	18.9%	17.5%	18.4%		
PAT before MI	1,577	2,424	4,533	4,953	4,955	3,680	8,055	9,180	9,445	91%	3%
Minority interest (MI)	-42	-64	-11	-57	-56	-88	-42	-69	-37		
Adj. PAT before extraordinary items	1,535	2,360	4,523	4,897	4,900	3,592	8,013	9,111	9,408	92%	3%
Extraordinary expenses	0	0	0	0	0	0	0	-585	-856		
Reported PAT	1,535	2,360	4,523	4,897	4,900	3,592	8,013	8,526	8,552	75%	0%
No. of shares	454.8	455.0	455.7	455.7	455.7	455.7	456.2	456.2	456.4		
EPS	3.3	5.1	9.9	10.7	10.7	7.8	17.4	19.8	20.5		
Core EPS	2.9	4.9	4.7	10.1	9.9	7.4	17.0	18.5	19.7		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Margin profile (%)**

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	61%	60%	64%	66%	66%	68%	69%	70%	70%	417	-6
EBITDA	12%	14%	14%	18%	18%	20%	23%	24%	25%	745	107
Adj. PAT	4%	5%	10%	10%	10%	7%	14%	16%	16%	665	25
Effective tax rate	36%	6%	19%	21%	19%	26%	19%	18%	18%	-79	81

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Revenue break-up**

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
North America INR	15,271	15,503	15,905	18,666	17,653	19,006	20,408	19,711	21,213	20%	8%
% total revenue	35.3%	35.0%	34.5%	37.0%	34.8%	38.3%	36.4%	34.7%	36.8%		
EMEA	3,802	4,535	3,987	4,759	5,170	5,318	5,031	5,693	6,249	21%	10%
% total revenue	8.8%	10.2%	8.7%	9.4%	10.2%	10.7%	9.0%	10.0%	10.8%		
India	15,213	14,786	16,384	16,915	17,251	16,015	19,259	20,096	19,305	12%	-4%
% total revenue	35.2%	33.4%	35.5%	33.6%	34.0%	32.3%	34.4%	35.4%	33.5%		
RoW branded	5,345	5,253	5,722	6,368	6,714	6,031	6,823	6,525	6,528	-3%	0%
% total revenue	12.4%	11.9%	12.4%	12.6%	13.2%	12.2%	12.2%	11.5%	11.3%		
API	2,815	3,226	3,371	2,684	2,779	2,581	3,622	2,944	2,891	4%	-2%
% total revenue	6.5%	7.3%	7.3%	5.3%	5.5%	5.2%	6.5%	5.2%	5.0%		
Others	776	998	719	994	1,175	657	860	1,758	1,492	27%	-15%
% total revenue	1.8%	2.3%	1.6%	2.0%	2.3%	1.3%	1.5%	3.1%	2.6%		
Total revenue	43,222	44,301	46,088	50,386	50,743	49,608	56,003	56,727	57,678	14%	2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Actuals versus estimates**

	Actuals	Inc red Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue (Rs m)	57,677	56,368	2%	56,829	1%
EBITDA (Rs m)	14,515	13,309	9%	12,828	13%
Margin (%)	25.2	23.6		22.6	
PAT (Rs m)	8,552	8,252		7,927	8%

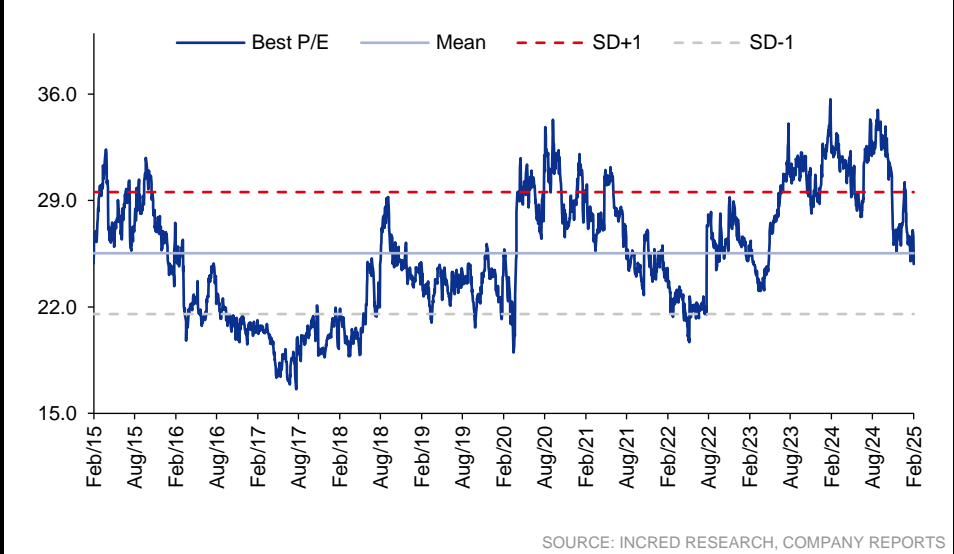
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Our revised earnings estimates**

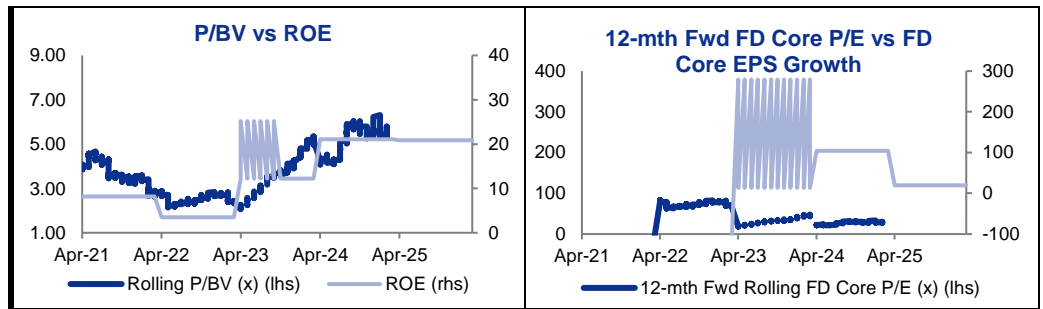
	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rsm)	2,25,553	2,25,395	-0.1	2,50,738	2,49,454	-0.5
EBITDA (Rsm)	53,231	53,121	-0.2	61,182	60,289	-1.5
Margin (%)	23.6	23.6		24.4	24.2	
PAT (Rsm)	33,465	33,297	-0.5	40,425	39,711	-1.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: The recent price correction has softened Lupin's valuation to the long-term mean level**



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>196,825</b>	<b>225,395</b>	<b>249,454</b>
<b>Gross Profit</b>	<b>99,242</b>	<b>98,619</b>	<b>130,390</b>	<b>156,649</b>	<b>173,370</b>
<b>Operating EBITDA</b>	<b>20,972</b>	<b>17,206</b>	<b>34,965</b>	<b>53,121</b>	<b>60,289</b>
Depreciation And Amortisation	(9,510)	(8,807)	(11,968)	(10,400)	(10,500)
<b>Operating EBIT</b>	<b>11,462</b>	<b>8,399</b>	<b>22,996</b>	<b>42,721</b>	<b>49,789</b>
Financial Income/(Expense)	(1,428)	(2,743)	(3,116)	(2,750)	(2,000)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,101	1,509	1,500	1,900	2,100
<b>Profit Before Tax (pre-EI)</b>	<b>12,135</b>	<b>7,165</b>	<b>21,380</b>	<b>41,871</b>	<b>49,889</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>12,135</b>	<b>7,165</b>	<b>21,380</b>	<b>41,871</b>	<b>49,889</b>
Taxation	(1,372)	(2,688)	(4,867)	(8,374)	(9,978)
Exceptional Income - post-tax	(25,861)				
<b>Profit After Tax</b>	<b>(15,097)</b>	<b>4,477</b>	<b>16,513</b>	<b>33,497</b>	<b>39,911</b>
Minority Interests	(183)	(176)	(211)	(200)	(200)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(15,280)</b>	<b>4,301</b>	<b>16,302</b>	<b>33,297</b>	<b>39,711</b>
Recurring Net Profit	10,580	4,301	16,302	33,297	39,711
<b>Fully Diluted Recurring Net Profit</b>	<b>10,580</b>	<b>4,301</b>	<b>16,302</b>	<b>33,297</b>	<b>39,711</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>34,965</b>	<b>53,121</b>	<b>60,289</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(150)	3,263	855	(25,532)	(11,252)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(16,679)	(1,134)	(4,372)	661	1,711
Net Interest (Paid)/Received	(1,428)	(2,743)	(1,125)	(1,611)	(1,611)
Tax Paid	959	(265)	(562)	(7,724)	(10,278)
<b>Cashflow From Operations</b>	<b>3,673</b>	<b>16,327</b>	<b>29,760</b>	<b>18,915</b>	<b>38,860</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>19,129</b>	<b>11,915</b>	<b>26,860</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)	(850)	100
<b>Cash Flow From Financing</b>	<b>(15,343)</b>	<b>(3,327)</b>	<b>(22,682)</b>	<b>(4,268)</b>	<b>(3,779)</b>
Total Cash Generated	(22,117)	(4,521)	(3,553)	7,647	23,080
<b>Free Cashflow To Equity</b>	<b>(13,888)</b>	<b>16,861</b>	<b>32,717</b>	<b>30,830</b>	<b>65,719</b>
<b>Free Cashflow To Firm</b>	<b>(1,674)</b>	<b>17,876</b>	<b>52,005</b>	<b>33,580</b>	<b>67,719</b>

SOURCE: 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	28,267	51,348
Total Debtors	42,619	44,807	46,921	54,095	64,858
Inventories	46,307	44,918	49,539	58,603	59,869
Total Other Current Assets	16,422	17,438	17,497	20,286	27,440
<b>Total Current Assets</b>	<b>124,577</b>	<b>124,513</b>	<b>134,477</b>	<b>161,250</b>	<b>203,514</b>
Fixed Assets	53,973	55,398	54,942	51,542	53,042
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>102,095</b>	<b>103,595</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	26,481	31,778
Other Current Liabilities	21,990	25,173	28,735	25,330	27,964
<b>Total Current Liabilities</b>	<b>82,764</b>	<b>92,654</b>	<b>85,015</b>	<b>78,510</b>	<b>86,441</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>89,732</b>	<b>97,664</b>
Shareholders Equity	121,533	124,645	142,903	172,582	208,214
Minority Interests	687	783	832	1,032	1,232
<b>Total Equity</b>	<b>122,220</b>	<b>125,428</b>	<b>143,735</b>	<b>173,614</b>	<b>209,446</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%	18.3%	14.5%	10.7%
Operating EBITDA Growth	(18.3%)	(18.0%)	103.2%	51.9%	13.5%
Operating EBITDA Margin	12.8%	10.3%	17.8%	23.6%	24.2%
Net Cash Per Share (Rs)	(49.15)	(59.27)	(17.00)	0.03	50.78
BVPS (Rs)	267.22	274.07	314.21	379.47	457.81
Gross Interest Cover	8.03	3.06	7.38	15.53	24.89
Effective Tax Rate	11.3%	37.5%	22.8%	20.0%	20.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	97.19	95.88	85.05	81.79	87.03
Inventory Days	245.62	245.56	259.48	287.09	284.18
Accounts Payables Days	121.01	129.60	150.80	148.83	139.74
ROIC (%)	5.6%	3.9%	10.8%	17.7%	19.2%
ROCE (%)	6.9%	5.0%	13.5%	22.9%	22.7%
Return On Average Assets	5.2%	2.9%	8.0%	14.1%	14.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.