



India

ADD (previously HOLD)

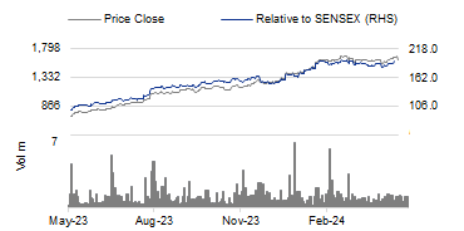
Consensus ratings*: Buy 12 Hold 13 Sell 14

Current price:	Rs1,611
Target price: ▲	Rs1,780
Previous target:	Rs759
Up/downside:	10.5%
InCred Research / Consensus:	17.2%
Reuters:	LUPN.NS
Bloomberg:	LPC IN
Market cap:	US\$8,789m Rs734,031m
Average daily turnover:	US\$22.6m Rs1883.8m
Current shares o/s:	454.8m
Free float:	5,290.0%

*Source: Bloomberg

Key changes in this note

- ▶ Reinitiate coverage with an ADD rating and a target price of Rs1,780.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.7	1.0	128.7
Relative (%)	2.4	(1.8)	92.1

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

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Lupin Ltd**Moving in the right direction**

- 4QFY24 was healthy, with a largely in-line performance. Management gave guidance of 10%+ revenue growth and 20%+ margin in FY25F.
- US market growth is likely to remain strong on new launches & a benign pricing environment, despite a large FY24 base. India biz to outperform the industry.
- We resume coverage on the stock with an ADD rating and a target price of Rs1,780, valuing the stock at 26x FY26F EPS.

A substantial course correction

In FY24, Lupin successfully addressed long-standing challenges, including plant compliance, low margins, and high taxes, marking a significant turnaround in its performance. gSpiriva approval helped the margin trajectory further to move to the 18-20% range, addressing investor concerns on weak execution. 4QFY24 results/commentary further validated this momentum in the base driven by the US/India and ROW markets as well as margins sustaining above the 20% level, despite loss-funding of adjacent business (diagnostics, neuro rehab, digital health, etc.) continuing and increased R&D expenses. The guidance of 10%+ revenue growth and 20%+ margins imply a strong FY25F. Mirabegron launch could bring an additional surprise to revenue growth as well as margin expansion.

US pipeline is healthy; India should outperform IPM growth

While FY24 was a strong year – led by gSpiriva launch and product exclusivities (gPrezista, Darunavir, gProlensa), we believe the momentum should largely continue with multiple good launches in FY25F (Mirabegron, Peg-GCF and Glucagon) and FY26F (Tolvaptan, Risperdal Consta, gSaxenda and gEdarbi – sole marketing exclusivity) with upside potential from products contingent on favourable litigation outcomes. Further, the shift in the US trajectory from plain vanilla generics to complex generics (inhalation products now account for 40% of US sales; complex products like injectables/inhalations likely to touch 60% in the next few years) augurs well for sustained growth in this market. On a large base, we expect the US business to post a 8.7% CAGR over FY24-26F. India business should outperform IPM growth as the share of in-licensed products has come off to ~11% (17-18% earlier) apart from the recent field force addition (+20% in the last two years).

Other highlights

a) gSyInd – Litigation outcome/product nod likely around Aug 2024F. b) Has two-to-three settled product launches in FY25F. c) Competition impact on gSuprep to be felt in 1QFY25F. d) gSpiriva – current market share is 30% and likely to touch 35% in FY25F.

Our view and valuation

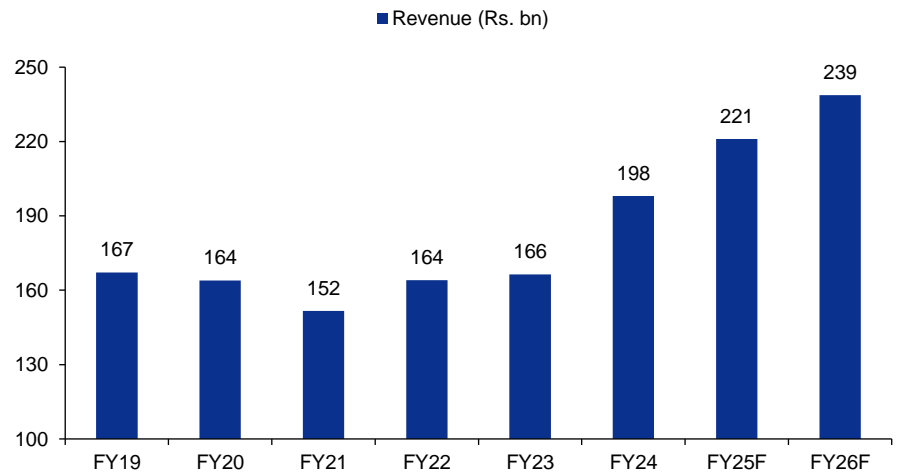
We resume coverage on Lupin with an ADD rating and a target price of Rs1,780, valuing the stock at 26x FY26 EPS – in line with its historical average. The earlier-than-expected competition in gSpiriva or gAlbuterol are key downside risks to our thesis.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	164,055	166,417	198,055	221,081	238,731
Operating EBITDA (Rsm)	20,972	17,206	36,195	44,341	49,295
Net Profit (Rsm)	(15,280)	4,301	17,533	26,662	31,096
Core EPS (Rs)	23.3	9.5	38.5	58.6	68.4
Core EPS Growth	(12.9%)	(59.4%)	307.7%	52.1%	16.6%
FD Core P/E (x)	69.23	170.32	41.78	27.47	23.56
DPS (Rs)	10.5	4.0	7.5	8.5	8.5
Dividend Yield	0.65%	0.25%	0.47%	0.53%	0.53%
EV/EBITDA (x)	36.01	44.14	20.41	16.51	14.49
P/FCFE (x)	(52.74)	43.44	20.82	46.53	18.65
Net Gearing	18.3%	21.5%	5.4%	0.4%	(8.7%)
P/BV (x)	6.03	5.88	5.13	4.41	3.80
ROE	8.2%	3.5%	13.1%	17.3%	17.3%
% Change In Core EPS Estimates				53.92%	
InCred Research/Consensus EPS (x)					

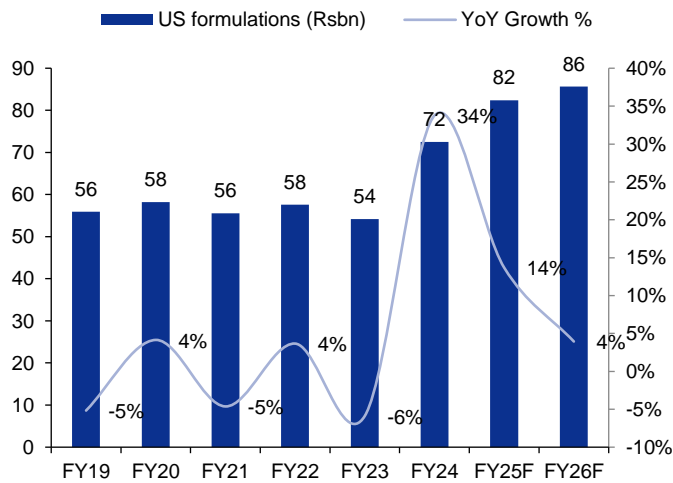
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Revenue expected to clock a CAGR of 9.8% over FY24-26F



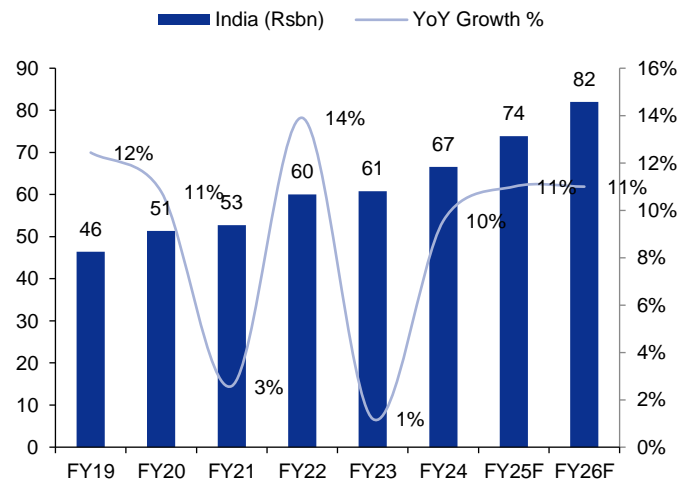
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Figure 2: US formulations to post 8.7% CAGR over FY24-26F



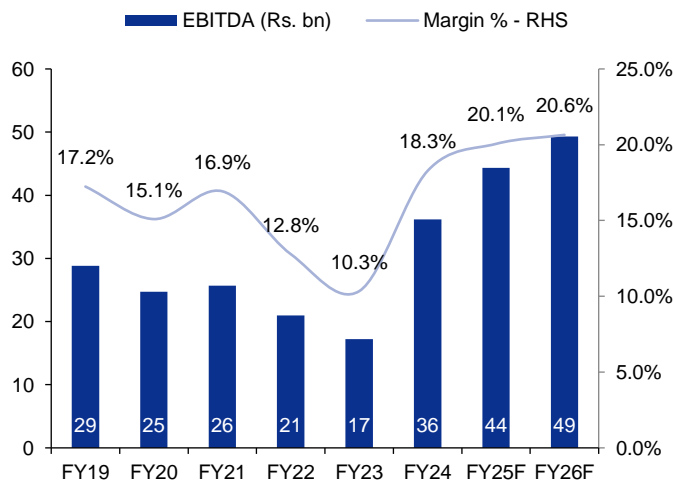
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Figure 3: India biz to register double-digit CAGR over FY24-26F



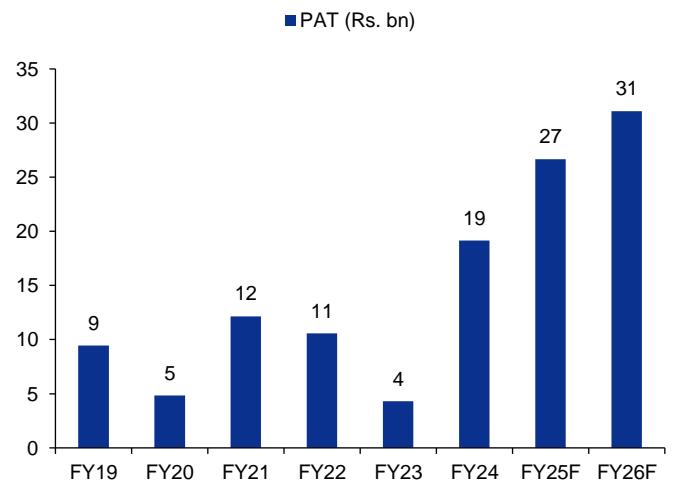
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Margin improvement of +200bp likely over FY24-26F



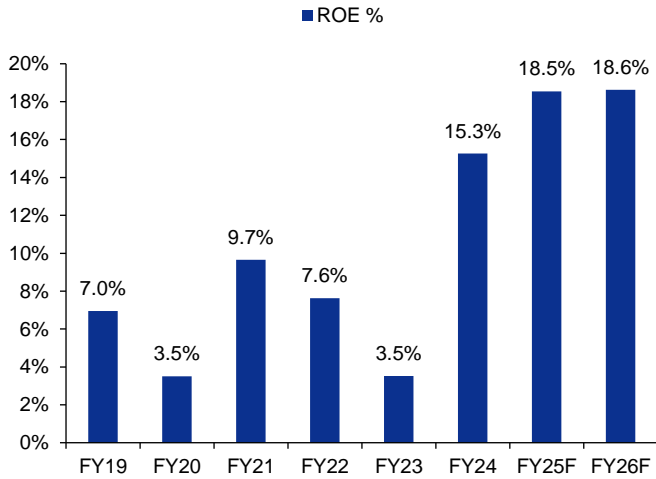
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: PAT to post a 27.5% CAGR over FY24-26F



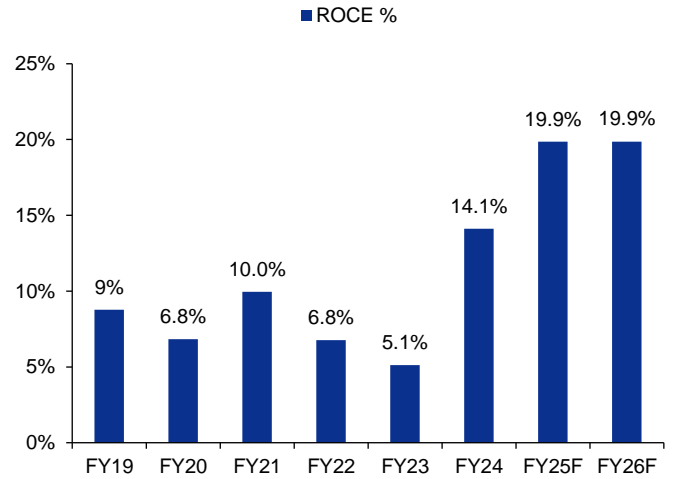
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: RoE expansion on the cards



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: RoCE to touch ~20% level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Financial summary

(Rs m)	4QFY22A	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24A	Y-o-Y (%)	Q-o-Q (%)
Revenue	38,830	37,438	41,455	43,222	44,301	46,088	50,384	51,974	49,608	12%	-5%
Consumption of raw materials	16,322	16,098	17,128	17,071	17,500	16,408	17,028	17,261	15,738	-10%	-9%
as % of sales	42.0%	43.0%	41.3%	39.5%	39.5%	35.6%	33.8%	33.2%	31.7%		
Employee costs	7,031	7,785	7,716	7,640	7,730	8,444	8,607	8,892	9,002	16%	1%
as % of sales	18.1%	20.8%	18.6%	17.7%	17.4%	18.3%	17.1%	17.1%	18.1%		
Other expenditure	9770	8438	8893	10455	9980	11045	11755	12034	10645	7%	-12%
as % of sales	25.2%	22.5%	21.5%	24.2%	22.5%	24.0%	23.3%	23.2%	21.5%		
EBITDA	2,265	1,639	4,342	5,160	6,041	6,512	9,230	10,220	9,968	65%	-2%
Margins (%)	5.8%	4.4%	10.5%	11.9%	13.6%	14.1%	18.3%	19.7%	20.1%		
Depreciation	3,272	1,928	2,035	2,204	2,640	2,347	2,479	2,572	4,571		
Other income	559	739	338	346	110	2,279	350	454	292		
Interest	415	428	549	841	926	857	806	740	713		
PBT	-863	23	2,096	2,461	2,585	5,588	6,295	7,361	4,975	92%	-32%
Total tax	4,267	891	751	885	161	1,055	1,344	1,174	1,295		
Tax rate (%)	-494.3%	3924.7%	35.8%	36.0%	6.2%	18.9%	21.3%	15.9%	26.0%		
PAT before MI	-5,131	-868	1,345	1,577	2,424	4,533	4,952	6,187	3,680	52%	-41%
Minority interest (MI)	-61	-23	-47	-42	-64	-11	-57	-56	-88		
Adj. PAT before extraordinary items	-5,192	-891	1,297	1,535	2,360	4,523	4,895	6,131	3,592	52%	-41%
Extraordinary expenses	12	0	0	0	0	0	0	0	0		
Reported PAT	-5,180	-891	1,297	1,535	2,360	4,523	4,895	6,131	3,592	52%	-41%
No. of shares	454	454.6	454.7	454.8	455.0	455.7	455.7	455.7	455.7		
EPS	-11.3	-1.9	2.8	3.3	5.1	9.9	10.7	13.4	7.8		
Core EPS	-18.6	-1.1	2.4	2.9	4.9	4.7	10.1	12.5	7.4		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Margin profile (%)

(Rs m)	4QFY22A	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24A	Y-o-Y (%)	Q-o-Q (%)
Margins (%)											
Gross	58%	57%	59%	61%	60%	64%	66%	67%	68%	778	148
EBITDA	6%	4%	10%	12%	14%	14%	18%	20%	20%	646	43
Adj. PAT	-13%	-2%	3%	4%	5%	10%	10%	12%	7%	192	-456
Effective tax rate	-494%	3925%	36%	36%	6%	19%	21%	16%	26%	1,979	1,008

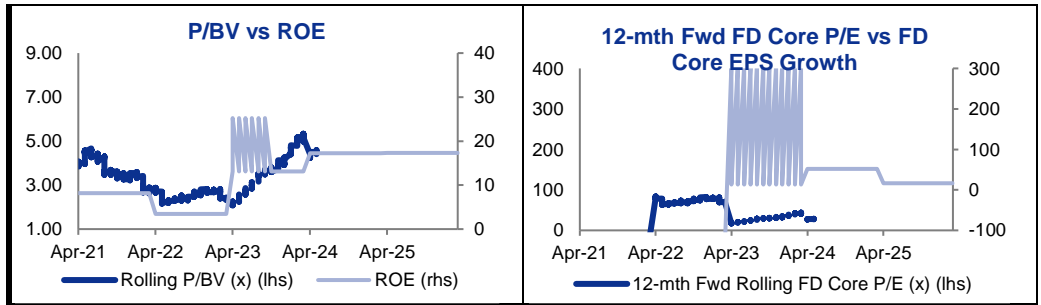
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Figure 10: Revenue break-up

(Rs mn)	Q4F22A	Q1F23A	Q2F23A	Q3F23A	Q4F23A	Q1F24A	Q2F24A	Q3F24A	Q4F24A	Y-o-Y (%)	Q-o-Q (%)
North America INR	14,162	10,104	13,295	15,271	15,503	15,905	18,666	18,885	19,006	23%	1%
% total revenue	36.5%	27.0%	32.1%	35.3%	35.0%	34.5%	37.0%	36.3%	38.3%		
EMEA	4,072	3,335	3,842	3,802	4,535	3,987	4,759	5,170	5,318	17%	3%
% total revenue	10.5%	8.9%	9.3%	8.8%	10.2%	8.7%	9.4%	9.9%	10.7%		
India	13,511	14,920	15,841	15,213	14,786	16,384	16,915	17,251	16,015	8%	-7%
% total revenue	34.8%	39.9%	38.2%	35.2%	33.4%	35.5%	33.6%	33.2%	32.3%		
RoW branded	4,697	5,130	5,435	5,345	5,253	5,722	6,367	6,714	6,031	15%	-10%
% total revenue	12.1%	13.7%	13.1%	12.4%	11.9%	12.4%	12.6%	12.9%	12.2%		
API	2,203	2,551	2,499	2,815	3,226	3,371	2,684	2,779	2,581	-20%	-7%
% total revenue	5.7%	6.8%	6.0%	6.5%	7.3%	7.3%	5.3%	5.3%	5.2%		
Others	185	1,398	543	776	998	719	993	1,175	657	-34%	-44%
% total revenue	0.5%	3.7%	1.3%	1.8%	2.3%	1.6%	2.0%	2.3%	1.3%		
Total Revenue	38,830	37,438	41,455	43,222	44,301	46,088	50,384	51,974	49,608	12%	-5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	164,055	166,417	198,055	221,081	238,731
Gross Profit	99,242	98,619	131,620	145,787	155,009
Operating EBITDA	20,972	17,206	36,195	44,341	49,295
Depreciation And Amortisation	(9,510)	(8,807)	(11,968)	(10,200)	(10,500)
Operating EBIT	11,462	8,399	24,227	34,141	38,795
Financial Income/(Expense)	(1,428)	(2,743)	(3,116)	(2,400)	(1,800)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,101	1,509	1,500	1,800	2,100
Profit Before Tax (pre-EI)	12,135	7,165	22,610	33,541	39,095
Exceptional Items					
Pre-tax Profit	12,135	7,165	22,610	33,541	39,095
Taxation	(1,372)	(2,688)	(4,867)	(6,708)	(7,819)
Exceptional Income - post-tax	(25,861)				
Profit After Tax	(15,097)	4,477	17,743	26,832	31,276
Minority Interests	(183)	(176)	(211)	(170)	(180)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(15,280)	4,301	17,533	26,662	31,096
Recurring Net Profit	10,580	4,301	17,533	26,662	31,096
Fully Diluted Recurring Net Profit	10,580	4,301	17,533	26,662	31,096

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	20,972	17,206	36,195	44,341	49,295
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(150)	3,263	855	(19,426)	(8,093)
(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)	(6,278)	(8,299)
Cashflow From Operations	3,673	16,327	30,990	11,371	25,638
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					
Cash Flow From Investing	(6,775)	(1,194)	20,359	4,371	13,638
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)	(600)	300
Cash Flow From Financing	(15,343)	(3,327)	(22,682)	(4,018)	(3,579)
Total Cash Generated	(22,117)	(4,521)	(2,323)	354	10,059
Free Cashflow To Equity	(13,888)	16,861	35,177	15,743	39,277
Free Cashflow To Firm	(1,674)	17,876	54,465	18,143	41,077

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	19,228	17,350	20,521	27,539	45,163
Total Debtors	42,619	44,807	46,921	53,059	62,070
Inventories	46,307	44,918	49,539	57,481	57,295
Total Other Current Assets	16,422	17,438	17,497	19,897	26,260
Total Current Assets	124,577	124,513	134,477	157,977	190,789
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
Total Non-current Assets	93,635	105,046	105,495	102,295	103,795
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	28,301	33,227
Other Current Liabilities	21,990	25,173	28,735	27,070	29,240
Total Current Liabilities	82,764	92,654	85,015	82,070	89,166
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
Total Non-current Liabilities	13,227	11,477	11,222	11,222	11,222
Total Provisions					
Total Liabilities	95,992	104,131	96,237	93,293	100,388
Shareholders Equity	121,533	124,645	142,903	165,978	193,014
Minority Interests	687	783	832	1,002	1,182
Total Equity	122,220	125,428	143,735	166,979	194,196

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	8.2%	1.4%	19.0%	11.6%	8.0%
Operating EBITDA Growth	(18.3%)	(18.0%)	110.4%	22.5%	11.2%
Operating EBITDA Margin	12.8%	10.3%	18.3%	20.1%	20.6%
Net Cash Per Share (Rs)	(49.15)	(59.27)	(17.00)	(1.57)	37.18
BVPS (Rs)	267.22	274.07	314.21	364.95	424.39
Gross Interest Cover	8.03	3.06	7.77	14.23	21.55
Effective Tax Rate	11.3%	37.5%	21.5%	20.0%	20.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	97.19	95.88	84.52	82.53	88.01
Inventory Days	245.62	245.56	259.48	259.40	250.19
Accounts Payables Days	121.01	129.60	150.80	140.30	134.12
ROIC (%)	5.6%	3.9%	11.4%	14.6%	15.7%
ROCE (%)	6.9%	5.0%	14.2%	18.6%	18.6%
Return On Average Assets	5.2%	2.9%	8.6%	11.4%	11.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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