



India

ADD (no change)

Consensus ratings*: Buy 17 Hold 10 Sell 9

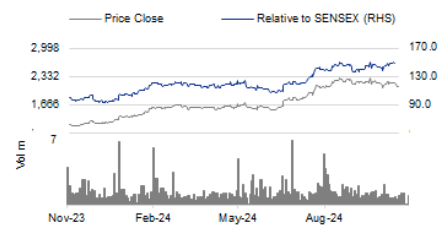
Current price:	Rs2,105
Target price:	Rs2,329
Previous target:	Rs2,329
Up/downside:	10.6%
InCred Research / Consensus:	13.4%

Reuters:	
Bloomberg:	LPC IN
Market cap:	US\$13,222m Rs960,108m
Average daily turnover:	US\$37.3m Rs2711.4m
Current shares o/s:	454.8m
Free float:	5,290.0%

*Source: Bloomberg

Key changes in this note

- Increase our FY25F/26F EPS by 13% each.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.1)	2.6	73.8
Relative (%)	(2.5)	1.8	42.1

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

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Lupin Ltd

Strong performance; upbeat outlook

- Strong overall 2QFY25 performance led by better-than-expected margin.
- US business and margin guidance upgraded, leading to a 13% upgrade in FY25F/26F EPS.
- Retain ADD rating on the stock with an unchanged target price of Rs2,329.

All-round beat

Lupin's strong earnings momentum continued in 2QFY25 as well, with a healthy growth in India business and a stable US performance QoQ, along with strong margin at 23.1%, despite a one-time provision of Rs585m (adj. margin at 24.1%). Margin was boosted by higher production-linked incentive or PLI scheme income of Rs1.65bn (vs. Rs860m in 1Q). Adjacent loss-making businesses had an impact of 0.8% on EBITDA in 2Q. Gross margin was up by 140bp QoQ led by a better mix and the PLI scheme income. R&D spending inched up by 160bp QoQ (at 7.9% of sales) and was in line with its guidance of Rs18bn for FY25F. India business growth was healthy at 19% YoY/4% QoQ; the Rx business grew 11% YoY, in line with expectations. The US business stood at US\$220m (estimated US\$222m) and was flattish QoQ, impacted by competition in gSuprep and gDoxycycline. EMEA and growth markets grew by 20%/12% YoY, respectively. Higher PLI scheme benefits are likely to continue in the rest of FY25F. The company revised its margin guidance to 22-23% (from 20-21% earlier).

US business momentum to continue

We believe the US business momentum should largely continue with multiple good product launches going ahead (Mirabegron 50mg, CGT launch of gPredForte with 180-day marketing exclusivity and Glucagon in 2HFY25F) and FY26F (Tolvaptan, Dalbavancin, Risperdal Consta, gSaxenda and gEdarbi – sole 180-day marketing exclusivity) with upside potential from products contingent on favourable litigation outcomes. Lupin expects its US business to grow in double digits in FY25F (from high single-digit guidance earlier).

Other highlights

a) Expects to sustain the gross margin at the 68-69% level. b) The US business margin is now higher than the corporate margin. c) Medical representatives' productivity has still not touched its earlier peak of Rs7,50,000-7,80,000. d) Expect the tax rate at 20-21% in FY25F. e) The tender business stood at Rs1.5bn in 2Q and is likely to sustain. f) Expects to launch GLP-1 products in a few emerging markets in FY26F.

Our view and valuation

We raise our earnings estimates by 13% each for FY25F/26F. We retain our ADD rating on the stock with an unchanged target price of Rs2,329. Any 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	196,825	225,553	250,738
Operating EBITDA (Rsm)	20,972	17,206	34,965	53,231	61,182
Net Profit (Rsm)	(15,280)	4,301	16,302	33,465	40,425
Core EPS (Rs)	23.3	9.5	35.8	73.6	88.9
Core EPS Growth	(12.9%)	(59.4%)	279.1%	105.3%	20.8%
FD Core P/E (x)	90.47	222.56	58.71	28.60	23.68
DPS (Rs)	10.5	4.0	7.5	8.5	8.5
Dividend Yield	0.50%	0.19%	0.36%	0.40%	0.40%
EV/EBITDA (x)	46.72	57.20	27.56	17.96	15.25
P/FCFE (x)	(68.92)	56.77	29.26	30.85	14.48
Net Gearing	18.3%	21.5%	5.4%	0.1%	(11.0%)
P/BV (x)	7.88	7.68	6.70	5.54	4.58
ROE	8.2%	3.5%	12.2%	21.2%	21.2%
% Change In Core EPS Estimates				12.72%	13.06%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	41,455	43,222	44,301	46,088	50,386	50,743	49,608	56,003	56,727	13%	1%
Consumption of raw materials	17,128	17,071	17,500	16,408	17,028	17,261	15,738	17,446	16,899	-1%	-3%
as % of sales	41.3%	39.5%	39.5%	35.6%	33.8%	34.0%	31.7%	31.2%	29.8%		
Employee costs	7,716	7,640	7,730	8,444	8,607	8,892	9,002	9,710	10,075	17%	4%
as % of sales	18.6%	17.7%	17.4%	18.3%	17.1%	17.5%	18.1%	17.3%	17.8%		
Other expenditure	12269	13351	13030	14724	15519	15601	14900	15984	16670	7%	4%
as % of sales	29.6%	30.9%	29.4%	31.9%	30.8%	30.7%	30.0%	28.5%	29.4%		
EBITDA	4,342	5,160	6,041	6,512	9,232	8,988	9,968	12,864	13,083	42%	2%
Margins (%)	10.5%	11.9%	13.6%	14.1%	18.3%	17.7%	20.1%	23.0%	23.1%		
Depreciation	2,035	2,204	2,640	2,347	2,479	2,572	4,571	2,477	2,569		
Other income	338	346	110	2,279	350	454	292	224	744		
Interest	549	841	926	857	806	740	713	680	709		
PBT	2,096	2,461	2,585	5,588	6,297	6,129	4,975	9,930	10,549	68%	6%
Total tax	751	885	161	1,055	1,344	1,174	1,295	1,875	1,954		
Tax rate (%)	35.8%	36.0%	6.2%	18.9%	21.3%	19.2%	26.0%	18.9%	18.5%		
PAT before MI	1,345	1,577	2,424	4,533	4,953	4,955	3,680	8,055	8,595	74%	7%
Minority interest (MI)	-47	-42	-64	-11	-57	-56	-88	-42	-69		
Adj. PAT before extraordinary items	1,297	1,535	2,360	4,523	4,897	4,900	3,592	8,013	8,526	74%	6%
Extraordinary expenses	0	0	0	0	0	0	0	0	0		
Reported PAT	1,297	1,535	2,360	4,523	4,897	4,900	3,592	8,013	8,526	74%	6%
No. of shares	454.7	454.8	455.0	455.7	455.7	455.7	455.7	456.2	456.2		
EPS	2.8	3.3	5.1	9.9	10.7	10.7	7.8	17.4	18.6		
Core EPS	2.4	2.9	4.9	4.7	10.1	9.9	7.4	17.0	17.2		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile (%)

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	59%	61%	60%	64%	66%	66%	68%	69%	70%	400	136
EBITDA	10%	12%	14%	14%	18%	18%	20%	23%	23%	474	9
Adj. PAT	3%	4%	5%	10%	10%	10%	7%	14%	15%	531	72
Effective tax rate	36%	36%	6%	19%	21%	19%	26%	19%	19%	-281	-36

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (%)	Q-o-Q (%)
North America INR	13,295	15,271	15,503	15,905	18,666	17,653	19,006	20,408	19,711	6%	-3%
% total revenue	32.1%	35.3%	35.0%	34.5%	37.0%	34.8%	38.3%	36.4%	34.7%		
EMEA	3,842	3,802	4,535	3,987	4,759	5,170	5,318	5,031	5,693	20%	13%
% total revenue	9.3%	8.8%	10.2%	8.7%	9.4%	10.2%	10.7%	9.0%	10.0%		
India	15,841	15,213	14,786	16,384	16,915	17,251	16,015	19,259	20,096	19%	4%
% total revenue	38.2%	35.2%	33.4%	35.5%	33.6%	34.0%	32.3%	34.4%	35.4%		
RoW branded	5,435	5,345	5,253	5,722	6,368	6,714	6,031	6,823	6,525	2%	-4%
% total revenue	13.1%	12.4%	11.9%	12.4%	12.6%	13.2%	12.2%	12.2%	11.5%		
API	2,499	2,815	3,226	3,371	2,684	2,779	2,581	3,622	2,944	10%	-19%
% total revenue	6.0%	6.5%	7.3%	7.3%	5.3%	5.5%	5.2%	6.5%	5.2%		
Others	543	776	998	719	994	1,175	657	860	1,758	77%	104%
% total revenue	1.3%	1.8%	2.3%	1.6%	2.0%	2.3%	1.3%	1.5%	3.1%		
Total revenue	41,455	43,222	44,301	46,088	50,386	50,743	49,608	56,003	56,727	13%	1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue (Rsm)	56,727	54,961	3%	55,601	2%
EBITDA (Rsm)	13,083	11,503	14%	12,034	9%
Margin (%)	23.1	20.9		21.6	
PAT (Rsm)	8,526	6,715	27%	7,423	15%

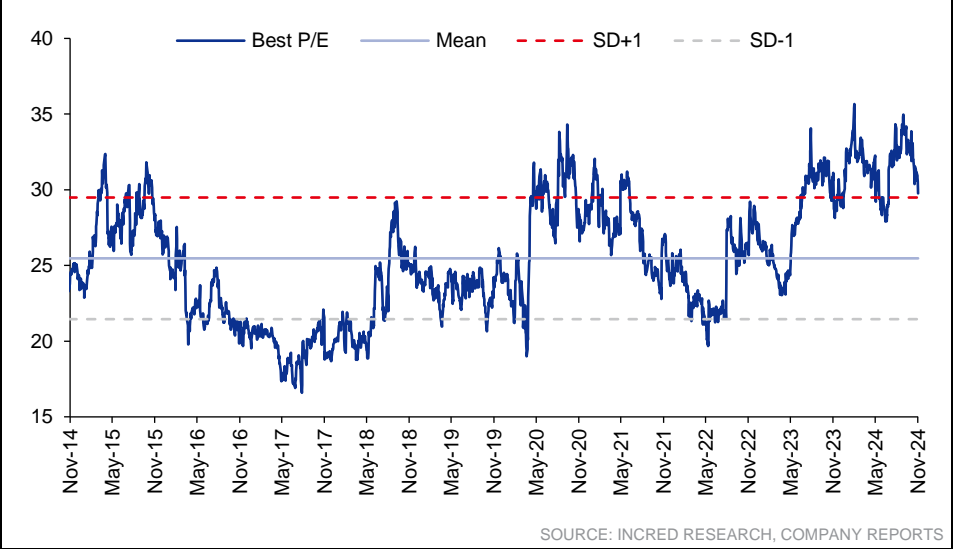
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

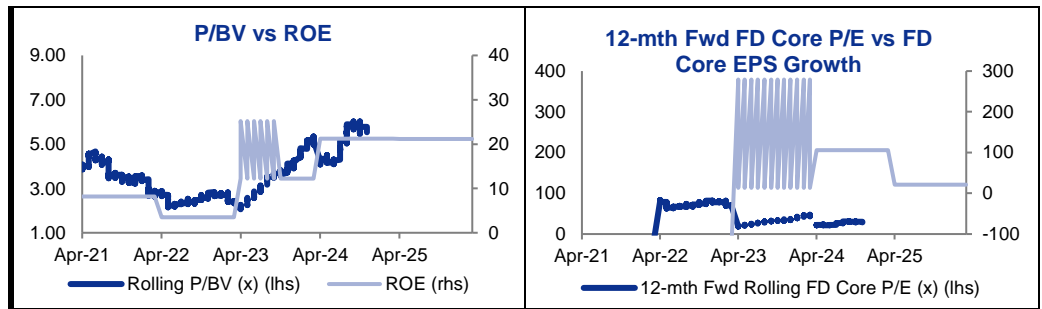
	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rsm)	2,20,761	2,25,553	2.2	2,38,701	2,50,738	5.0
EBITDA (Rsm)	48,524	53,231	9.7	55,121	61,182	11.0
Margin (%)	22.0	23.6		23.1	24.4	
PAT (Rsm)	29,689	33,465	12.7	35,757	40,425	13.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: The recent price correction has softened Lupin's valuation to SD+1



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	164,055	166,417	196,825	225,553	250,738
Gross Profit	99,242	98,619	130,390	156,759	174,263
Operating EBITDA	20,972	17,206	34,965	53,231	61,182
Depreciation And Amortisation	(9,510)	(8,807)	(11,968)	(10,200)	(10,500)
Operating EBIT	11,462	8,399	22,996	43,031	50,682
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	1,800	2,100
Profit Before Tax (pre-EI)	12,135	7,165	21,380	42,081	50,782
Exceptional Items					
Pre-tax Profit	12,135	7,165	21,380	42,081	50,782
Taxation	(1,372)	(2,688)	(4,867)	(8,416)	(10,156)
Exceptional Income - post-tax	(25,861)				
Profit After Tax	(15,097)	4,477	16,513	33,665	40,625
Minority Interests	(183)	(176)	(211)	(200)	(200)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(15,280)	4,301	16,302	33,465	40,425
Recurring Net Profit	10,580	4,301	16,302	33,465	40,425
Fully Diluted Recurring Net Profit	10,580	4,301	16,302	33,465	40,425

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	20,972	17,206	34,965	53,231	61,182
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(150)	3,263	855	(25,604)	(11,780)
(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)	(7,666)	(10,456)
Cashflow From Operations	3,673	16,327	29,760	19,011	39,046
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)	19,129	12,011	27,046
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)	(950)	100
Cash Flow From Financing	(15,343)	(3,327)	(22,682)	(4,368)	(3,779)
Total Cash Generated	(22,117)	(4,521)	(3,553)	7,644	23,267
Free Cashflow To Equity	(13,888)	16,861	32,717	31,023	66,092
Free Cashflow To Firm	(1,674)	17,876	52,005	33,773	68,092

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	28,164	51,430
Total Debtors	42,619	44,807	46,921	54,133	65,192
Inventories	46,307	44,918	49,539	58,644	60,177
Total Other Current Assets	16,422	17,438	17,497	20,300	27,581
Total Current Assets	124,577	124,513	134,477	161,240	204,380
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	26,492	31,876
Other Current Liabilities	21,990	25,173	28,735	25,340	28,051
Total Current Liabilities	82,764	92,654	85,015	78,531	86,626
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	89,754	97,848
Shareholders Equity	121,533	124,645	142,903	172,750	209,096
Minority Interests	687	783	832	1,032	1,232
Total Equity	122,220	125,428	143,735	173,782	210,328

Key Ratios

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	8.2%	1.4%	18.3%	14.6%	11.2%
Operating EBITDA Growth	(18.3%)	(18.0%)	103.2%	52.2%	14.9%
Operating EBITDA Margin	12.8%	10.3%	17.8%	23.6%	24.4%
Net Cash Per Share (Rs)	(49.15)	(59.27)	(17.00)	(0.19)	50.96
BVPS (Rs)	267.22	274.07	314.21	379.84	459.75
Gross Interest Cover	8.03	3.06	7.38	15.65	25.34
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	81.76	86.85
Inventory Days	245.62	245.56	259.48	286.99	283.55
Accounts Payables Days	121.01	129.60	150.80	148.75	139.29
ROIC (%)	5.6%	3.9%	10.8%	17.8%	19.5%
ROCE (%)	6.9%	5.0%	13.5%	23.0%	23.0%
Return On Average Assets	5.2%	2.9%	8.0%	14.2%	14.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

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.