

February 13, 2025

Q3FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	2,420		2,420	
Sales (Rs. m)	2,49,570	2,70,486	2,50,820	2,72,840
% Chng.	(0.5)	(0.9)		
EBITDA (Rs. m)	59,315	64,603	58,437	64,513
% Chng.	1.5	0.1		
EPS (Rs.)	84.5	94.6	83.5	95.0
% Chng.	1.2	(0.4)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,98,055	2,26,303	2,49,570	2,70,486
EBITDA (Rs. m)	35,947	51,235	59,315	64,603
Margin (%)	18.1	22.6	23.8	23.9
PAT (Rs. m)	18,999	32,135	38,491	43,122
EPS (Rs.)	41.7	70.5	84.5	94.6
Gr. (%)	341.0	69.1	19.8	12.0
DPS (Rs.)	5.9	7.0	7.0	7.0
Yield (%)	0.3	0.3	0.3	0.3
RoE (%)	14.2	20.4	20.3	19.0
RoCE (%)	15.4	22.3	23.0	21.8
EV/Sales (x)	4.7	4.1	3.6	3.1
EV/EBITDA (x)	26.1	17.9	15.0	13.2
PE (x)	48.6	28.7	24.0	21.4
P/BV (x)	6.5	5.4	4.5	3.7

Key Data LUPN.BO | LPC IN

52-W High / Low	Rs.2,403 / Rs.1,493
Sensex / Nifty	76,171 / 23,045
Market Cap	Rs.924bn/ \$ 10,634m
Shares Outstanding	456m
3M Avg. Daily Value	Rs.1949.52m

Shareholding Pattern (%)

Promoter's	46.94
Foreign	22.04
Domestic Institution	24.73
Public & Others	6.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.6)	(3.4)	27.0
Relative	(6.1)	1.0	18.5

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Margin surprise

Quick Pointers:

- Guided for \$1bn of US revenues in FY26.
- R&D spend to inch up in Q4; guided for Rs17.5-18bn in FY25.

Lupin's (LPC) Q3FY25 EBITDA adjusted for one time provision stood at Rs14.5bn (up 42% YoY) ~9% beat to our estimates on the back of higher US sales and other operating income. OPM rose to 25.2% (up 100bps QoQ) driven by niche launches (gMyrbetriq 50mg). LPC saw remarkable turnaround in profitability with ~2x jump in EBITDA over FY23-24 aided by better product mix, continued niche launches in the US, clearance from USFDA for facilities, domestic formulations regaining momentum and cost optimization measures. We expect margins to sustain given a strong pipeline in the US. Our FY26/27E EPS estimates broadly remain unchanged. We maintain BUY rating with TP of Rs2,420 (25x FY27E EPS. Any competition in gSpiriva and delay in new launches in the US will be key risks to our estimates.

- **In line revenues; US sales up 7% QoQ:** Revenues grew 11% YoY to Rs57.7bn, in line with our estimate. US revenues increased 7% QoQ at \$235mn, vs our est \$230mn. Such performance was backed by seasonality and higher gMyrbetriq sales post 50mg launch. India formulation business expanded 12% YoY to Rs19.3bn supported by key therapies such as Diabetics, Cardiology, Gastro & Anti-Infective with Rx growth at 5.8%. EMEA maintained strong momentum with 21% growth, while growth markets declined by 5% YoY given weak currency. API business saw 4% YoY increase.
- **EBITDA above est, adj margins higher at 25.2%:** The company reported EBITDA of Rs13.7bn. There was \$10mn one time provision towards ongoing litigation. Adjusted for this, EBITDA came in at Rs14.5bn ~9% beat to our est. OPM adj for provision improved 100bps QoQ to 25.2%. GM's remained strong at 70.2%, flat QoQ and up 340bps YoY. Other operating income came at Rs 1.5bn likely aided by PLI incentives. R&D expenses increased 22% YoY; 8% of sales. The company recorded forex loss of Rs99mn. Reported PAT came in at Rs8.5bn (up ~39% YoY), in line with our est.
- **Key concall takeaways: India business:** Strong YoY growth in both formulation and institutional segments. Key therapy areas (Diabetes, Cardiology, GI, Anti-infective, and VMS) outperformed the IPM. Chronic portfolio share increased to 65% of total revenues. Rx business grew 9.1% while In-licensed products contributed 12% of revenue for 9MFY25.. Mgmt stated it is strengthening the diabetes portfolio with the acquisition of the human insulin range from Eli Lilly. It also acquired 3 trademarks from Boehringer Ingelheim for the Indian market. MR strength stood at 7,700 and 11 brands launched across various therapies in 9MFY25. **US:** New product launches (gMyrbetriq) and higher volumes in base products, partially offset by additional competition in gSuprep, gAlbuterol. Base products experienced low single-digit price erosion. Complex generics now contribute 35% of revenues. 75% of LPC's R&D spend is allocated to complex generics. Respiratory market

share: gAlbuterol at 23%, gSpiriva steady at ~30%. Upcoming niche launches in FY26: gTolvaptan, gLiraglutide, gGlucagon and gRisperdal Consta. On gTolvaptan expect to be meaningful opportunity post 6-month exclusivity. Plans to shift complex products to over 50% of the portfolio in the next few years. Focus remains on expanding complex injectable platforms, including iron colloids, peptides, 505(b)(2) products, and long-acting injectables. Mgmt cited about investing in respiratory platforms such as Ellipta and Respimat and focusing on MDI, DPI and nebulization technologies. **Growth markets** showed healthy growth, on back of strong contribution from Luforbec and NaMuscla from UK and Germany markets. Focus remains on launching it in Spain and few other countries. Intends to launch **Semaglutide** in first wave of launch in FY27 for Canadian markets. **R&D** guidance at Rs 17.5-18bn in FY25 with increased focus towards complex generics in respiratory and injectable platform. **Other:** Reiterate margins guidance of 22-23% and ETR of 20-21% in FY25. **Net debt** stands at Rs 1bn.

Exhibit 1: Q3FY25 Result Overview (Rs mn): Revenue's higher, GMs improved YoY

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	57,678	51,974	11.0	56,727	1.7	1,70,409	1,50,500	13.2
Raw Material	17,216	17,261	(0.3)	16,899	1.9	51,561	50,696	1.7
<i>% of Net Sales</i>	<i>29.8</i>	<i>33.2</i>		<i>29.8</i>		<i>30.3</i>	<i>33.7</i>	
Personnel Cost	9,844	8,892	10.7	10,075	(2.3)	29,630	25,943	14.2
<i>% of Net Sales</i>	<i>17.1</i>	<i>17.1</i>		<i>17.8</i>		<i>17.4</i>	<i>17.2</i>	
Others	16,959	15,602	8.7	16,670	1.7	49,613	45,846	8.2
<i>% of Net Sales</i>	<i>29.4</i>	<i>30.0</i>		<i>29.4</i>		<i>29.1</i>	<i>30.5</i>	
Total Expenditure	44,019	41,755	5.4	43,645	0.9	1,30,803	1,22,485	6.8
EBITDA	13,659	10,219	33.7	13,083	4.4	39,605	28,015	41.4
<i>Margin (%)</i>	<i>23.7</i>	<i>19.7</i>		<i>23.1</i>		<i>23.2</i>	<i>18.6</i>	
Depreciation	2,715	2,572	5.6	2,569	5.7	7,761	7,397	4.9
EBIT	10,944	7,647	43.1	10,514	4.1	31,844	20,618	54.4
Other Income (Includes FX)	438	454	(3.5)	744	(41.1)	1,406	1,031	36.4
Interest	669	740	(9.6)	709	(5.6)	2,058	2,403	(14.4)
PBT	10,713	7,361	45.5	10,549	1.6	31,192	19,246	62.1
Total Taxes	2,124	1,174	80.9	1,954	8.7	5,953	3,572	66.6
<i>ETR (%)</i>	<i>19.8</i>	<i>15.9</i>		<i>18.5</i>		<i>19.1</i>	<i>18.6</i>	
PAT before exceptional	8,589	6,187	38.8	8,595	(0.1)	25,239	15,674	61.0
Minority interest	(37)	(56)		(69)		(148)	(123)	
Exceptional Item								
Reported PAT	8,552	6,131	39.5	8,526	0.3	25,091	15,550	61.4

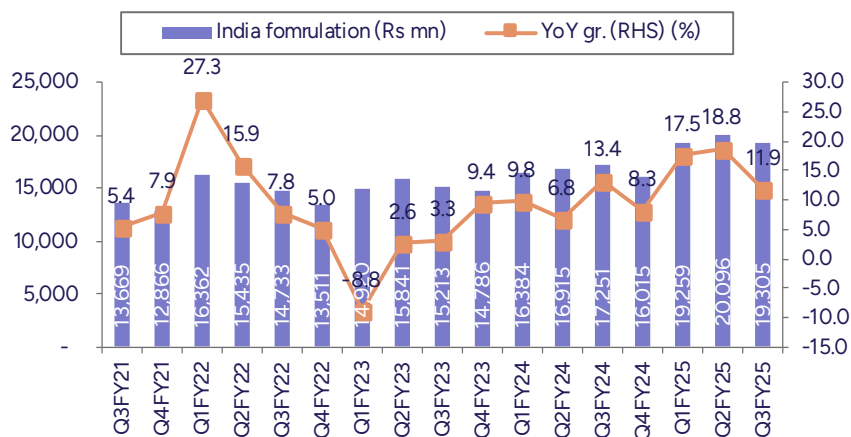
Source: Company, PL

Exhibit 2: Strong performance from Domestic and US markets

Major Sources of Revenues	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Domestic market	19,305	17,251	11.9	20,096	(3.9)	58,660	50,550	16.0
% of Sales	34.4	34.0		36.6		35.3	34.7	
International market (Exports)	36,881	33,548	9.9	34,873	5.8	1,07,638	95,009	13.3
% of Sales	65.6	66.0		63.4		64.7	65.3	
Total	56,186	50,799	10.6	54,969	2.2	1,66,298	1,45,559	14.2
Formulations	53,295	48,020	11.0	52,025	2.4	1,56,841	1,36,725	14.7
% of Sales	94.9	94.5		94.6		94.3	93.9	
India	19,305	17,251	11.9	20,096	(3.9)	58,660	50,550	16.0
% of Sales	34.4	34.0		36.6		35.3	34.7	
International market (Exports)	33,990	30,769	10.5	31,929	6.5	98,181	86,175	13.9
% of Sales	60.5	60.6		58.1		59.0	59.2	
North America	21,213	18,885	12.3	19,711	7.6	61,332	53,456	14.7
% of Sales	37.8	37.2		35.9		36.9	36.7	
Europe, Middle East, Africa (EMEA)	6,249	5,170	20.9	5,693	9.8	16,973	13,916	22.0
% of Sales	11.1	10.2		10.4		10.2	9.6	
Growth Markets & RoW	6,528	6,714	(2.8)	6,525	0.0	19,876	18,803	5.7
% of Sales	11.6	13.2		11.9		12.0	12.9	
APIs	2,891	2,779	4.0	2,944	(1.8)	9,457	8,834	7.1
% of Sales	5.1	5.5		5.4		5.7	6.1	
NCEs	-	-		-		-	-	
Grand Total	56,186	50,799	10.6	54,969	2.2	1,66,298	1,45,559	14.2

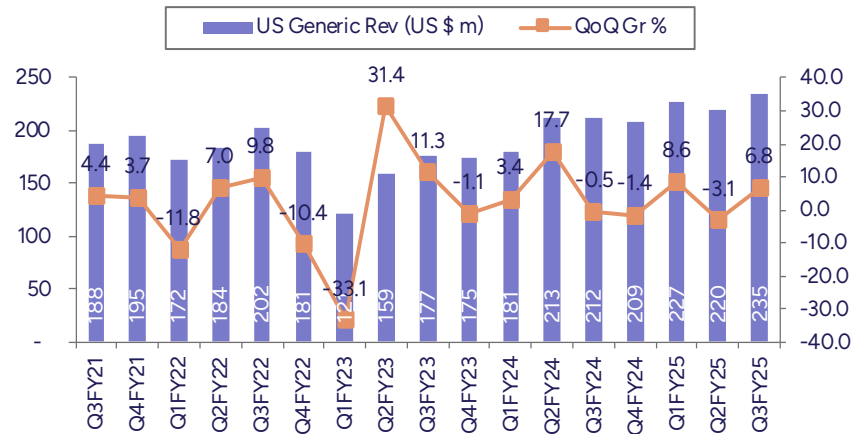
Source: Company, PL

Exhibit 3: Key therapies aided domestic growth



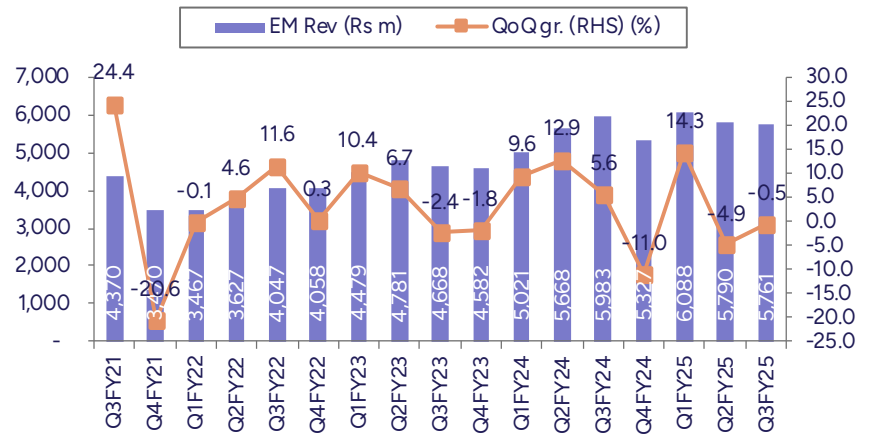
Source: Company, PL

Exhibit 4: New launches & Seasonality aided QoQ growth



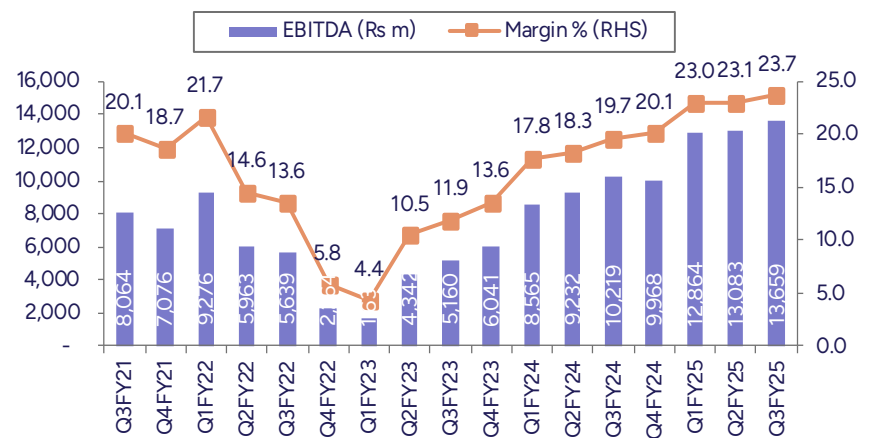
Source: Company, PL

Exhibit 5: Muted growth YoY



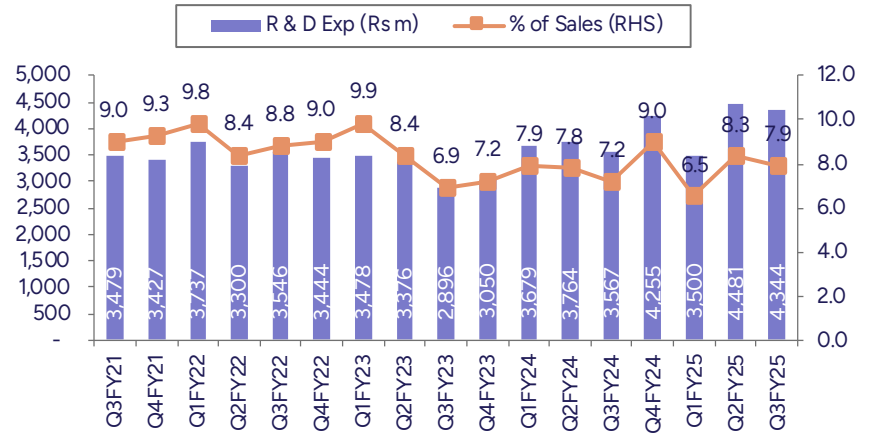
Source: Company, PL

Exhibit 6: Improvement in GMs helped EBITDA growth



Source: Company, PL

Exhibit 7: R&D investment at 8% of sales



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,98,055	2,26,303	2,49,570	2,70,486
YoY gr. (%)	19.0	14.3	10.3	8.4
Cost of Goods Sold	66,435	68,331	75,118	81,923
Gross Profit	1,31,620	1,57,972	1,74,452	1,88,564
Margin (%)	66.5	69.8	69.9	69.7
Employee Cost	34,946	40,188	45,010	48,611
Other Expenses	60,728	66,550	70,127	75,350
EBITDA	35,947	51,235	59,315	64,603
YoY gr. (%)	108.9	42.5	15.8	8.9
Margin (%)	18.1	22.6	23.8	23.9
Depreciation and Amortization	9,956	10,553	10,870	11,196
EBIT	25,991	40,682	48,445	53,408
Margin (%)	13.1	18.0	19.4	19.7
Net Interest	3,116	2,750	1,970	1,570
Other Income	1,202	2,180	2,500	3,000
Profit Before Tax	24,077	40,112	48,975	54,838
Margin (%)	12.2	17.7	19.6	20.3
Total Tax	4,867	7,777	10,285	11,516
Effective tax rate (%)	20.2	19.4	21.0	21.0
Profit after tax	19,210	32,335	38,691	43,322
Minority interest	211	200	200	200
Share Profit from Associate	-	-	-	-
Adjusted PAT	18,999	32,135	38,491	43,122
YoY gr. (%)	341.7	69.1	19.8	12.0
Margin (%)	9.6	14.2	15.4	15.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	18,999	32,135	38,491	43,122
YoY gr. (%)	341.7	69.1	19.8	12.0
Margin (%)	9.6	14.2	15.4	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	18,999	32,135	38,491	43,122
Equity Shares O/s (m)	456	456	456	456
EPS (Rs)	41.7	70.5	84.5	94.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,72,151	1,82,151	1,92,151	2,02,151
Tangibles	92,621	1,01,496	1,07,068	1,12,640
Intangibles	79,529	80,655	85,082	89,510
Acc: Dep / Amortization	1,04,849	1,15,402	1,26,272	1,37,467
Tangibles	43,636	48,028	52,552	57,211
Intangibles	61,213	67,374	73,720	80,256
Net fixed assets	67,301	66,748	65,879	64,683
Tangibles	48,986	53,468	54,517	55,429
Intangibles	18,316	13,280	11,362	9,254
Capital Work In Progress	5,957	5,957	5,957	5,957
Goodwill	23,250	23,250	23,250	23,250
Non-Current Investments	10,746	10,746	10,746	10,746
Net Deferred tax assets	567	567	567	567
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	49,539	59,862	66,325	71,968
Trade receivables	46,921	53,876	59,692	64,772
Cash & Bank Balance	12,025	27,397	54,167	87,315
Other Current Assets	-	-	-	-
Total Assets	2,36,947	2,69,043	3,07,224	3,49,899
Equity				
Equity Share Capital	911	911	911	911
Other Equity	1,41,992	1,70,696	2,05,987	2,45,910
Total Networkth	1,42,903	1,71,607	2,06,899	2,46,822
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	26,699	23,699	19,699	15,699
Trade payables	29,581	32,924	36,479	39,583
Other current liabilities	37,499	40,348	43,483	46,931
Total Equity & Liabilities	2,36,947	2,69,043	3,07,224	3,49,899

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	14,449	40,112	48,975	54,838
Add. Depreciation	9,956	10,553	10,870	11,196
Add. Interest	3,116	2,750	1,970	1,570
Less Financial Other Income	1,202	2,180	2,500	3,000
Add. Other	11,367	(232)	-	-
Op. profit before WC changes	38,888	53,183	61,815	67,603
Net Changes-WC	855	(11,086)	(5,591)	(4,171)
Direct tax	(3,261)	(7,777)	(10,285)	(11,516)
Net cash from Op. activities	36,483	34,321	45,939	51,917
Capital expenditures	(10,754)	(10,000)	(10,000)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(10,754)	(10,000)	(10,000)	(10,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(16,171)	-	-	-
Dividend paid	(1,828)	(3,199)	(3,199)	(3,199)
Interest paid	(3,116)	(2,750)	(1,970)	(1,570)
Others	(6,984)	-	-	-
Net cash from Fin. activities	(28,099)	(5,949)	(5,169)	(4,769)
Net change in cash	(2,371)	18,372	30,770	37,148
Free Cash Flow	27,194	24,321	35,939	41,917

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	49,608	56,003	56,727	57,678
YoY gr. (%)	12.0	16.3	12.6	11.0
Raw Material Expenses	15,738	17,446	16,899	17,216
Gross Profit	33,870	38,558	39,828	40,462
Margin (%)	68.3	68.8	70.2	70.2
EBITDA	9,968	12,864	13,083	13,659
YoY gr. (%)	65.0	50.2	41.7	33.7
Margin (%)	20.1	23.0	23.1	23.7
Depreciation / Depletion	4,571	2,477	2,569	2,715
EBIT	5,397	10,387	10,514	10,944
Margin (%)	10.9	18.5	18.5	19.0
Net Interest	713	680	709	669
Other Income	293	224	744	438
Profit before Tax	4,977	9,930	10,549	10,713
Margin (%)	10.0	17.7	18.6	18.6
Total Tax	1,295	1,875	1,954	2,124
Effective tax rate (%)	26.0	18.9	18.5	19.8
Profit after Tax	3,682	8,055	8,595	8,589
Minority interest	88	42	69	37
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,594	8,013	8,526	8,552
YoY gr. (%)	52.3	77.2	74.1	39.5
Margin (%)	7.2	14.3	15.0	14.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,594	8,013	8,526	8,552
YoY gr. (%)	52.3	77.2	74.1	39.5
Margin (%)	7.2	14.3	15.0	14.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,594	8,013	8,526	8,552
Avg. Shares O/s (m)	456	456	456	456
EPS (Rs)	7.9	17.6	18.7	18.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	41.7	70.5	84.5	94.6
CEPS	63.5	93.7	108.3	119.2
BVPS	313.6	376.6	454.0	541.6
FCF	59.7	53.4	78.9	92.0
DPS	5.9	7.0	7.0	7.0
Return Ratio(%)				
RoCE	15.4	22.3	23.0	21.8
ROIC	11.6	16.8	19.1	20.3
RoE	14.2	20.4	20.3	19.0
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.2)	(0.3)
Net Working Capital (Days)	123	130	131	131
Valuation(x)				
PER	48.6	28.7	24.0	21.4
P/B	6.5	5.4	4.5	3.7
P/CEPS	31.9	21.6	18.7	17.0
EV/EBITDA	26.1	17.9	15.0	13.2
EV/Sales	4.7	4.1	3.6	3.1
Dividend Yield (%)	0.3	0.3	0.3	0.3

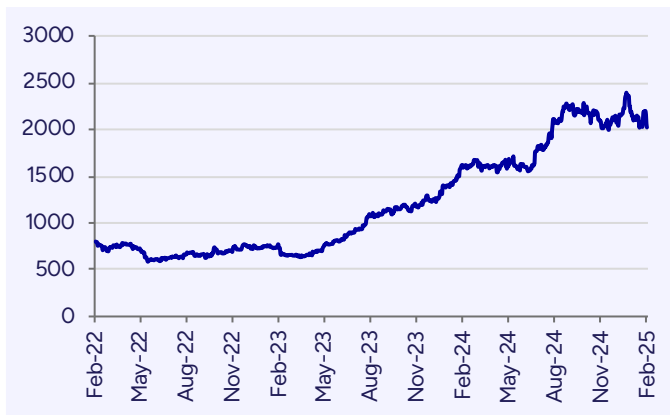
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
India Formulations	66,564	77,220	85,275	94,215
US formulations	67,581	76,783	85,412	89,430
EU	6,218	7,166	8,009	8,852
ROW	27,486	30,769	34,172	38,106
API	11,415	12,214	13,191	14,246
Other	8,426	10,800	10,800	11,400

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	2,420	2,359
2	10-Nov-24	BUY	2,420	2,105
3	07-Oct-24	BUY	2,300	2,198
4	08-Aug-24	BUY	2,300	1,994
5	08-Jul-24	Hold	1,675	1,770
6	07-May-24	Hold	1,675	1,611
7	08-Apr-24	Hold	1,600	1,599

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,317
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	BUY	1,510	1,192
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	760	628
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,750	1,607
14	Krishna Institute of Medical Sciences	BUY	725	642
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,369
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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