

Laurus Labs Ltd.

January 27, 2025

CMP: INR 601 | Target Price: INR 639 | Potential Upside: 6.2%

HOLD

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info	
BB Code	LAURUS IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	620/359
Mkt Cap (Bn)	INR 324 / \$3.8
Shares o/s (Mn)	539.2
3M Avg. Daily Volume	26,36,131

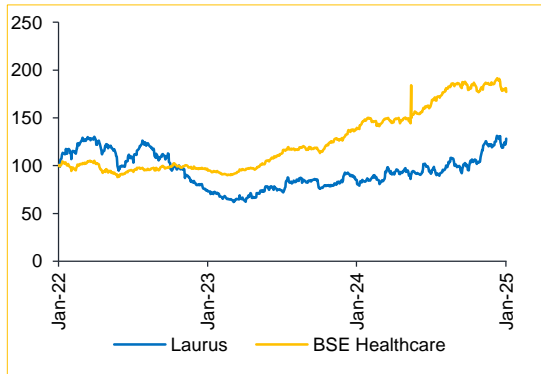
Change in Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	63.9	63.9	0.0	75.3	74.2	1.4
EBITDA	15.1	14.4	4.9	19.1	17.7	8.1
EBITDAM %	23.7	22.6	110bps	25.4	23.8	156bps
PAT	6.8	6.8	0.0	9.3	9.3	0.5
EPS	12.7	12.7	0.0	17.3	17.2	0.5

Actual vs Consensus			
INR Bn	Q3FY25A	BB Est.	Dev.%
Revenue	14.2	14.0	1.1
EBITDA	2.9	3.0	-5.0
EBITDAM %	20.2	20.2	-5bps
PAT	0.9	1.0	-7.1

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60.4	50.4	54.7	63.9	75.3
YoY (%)	22.4	-16.5	8.5	16.8	17.8
EBITDA	15.9	7.8	10.1	15.1	19.1
EBITDAM %	26.4	15.4	18.5	23.7	25.4
Adj PAT	7.9	1.6	3.1	6.8	9.3
EPS	14.7	3.0	5.7	12.7	17.3
RoE %	19.7	4.0	7.1	13.6	15.8
ROCE %	21.1	5.9	8.4	14.1	16.7
PE(x)	40.8	198.7	105.3	47.5	34.8
EV/EBITDA	21.5	44.7	34.3	22.9	18.0
BVPS	75.0	76.3	80.8	93.0	109.1
FCF	37.8	-343.0	2,535.8	2,947.2	4,186.8

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	27.60	27.18	27.18
FII's	25.56	26.08	25.67
DII's	12.74	13.05	13.56
Public	34.11	33.69	33.59

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	77.1	85.1	26.8
LAURUS	28.2	73.9	50.9



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Laurus Labs beats revenue estimates with strong CDMO growth, but EBITDA and PAT fall short of street expectations

- Revenue grew 18.4% YoY and 15.6% QoQ to INR 14.2 Bn (vs. consensus estimate at INR 14.0 Bn).
- EBITDA increased by 57.2% YoY and 59.6% QoQ to INR 1,783 Mn, with margins expanding 497bps YoY and 556bps QoQ to 20.2% (in line with consensus estimate).
- APAT surged 298% YoY and 359% QoQ to INR 929 Mn, achieving a PAT margin of 6.6%.

CDMO business accelerates with robust pipeline, new assets, and capacity expansion:

The company's CDMO business achieved strong revenue growth (89% YoY and 34% QoQ), driven by new assets and clinical project progress. With 90 active projects (70 in human health, 20 in animal health and crop protection), the small molecules pipeline remains robust. Capacity expansion is on track, including a new DS (Drug Substance) block at Unit-4, an animal health DS facility under construction, and a crop protection facility set for qualification by FY25-end. The scalability of these capacities is expected to enhance operating leverage, driving EBITDA margin expansion.

Laurus Bio expands with INR 1,200 Mn investment, boosting fermentation capacity and growth:

Laurus Bio continues to experience strong customer pipeline building activity in its AOF segment and a diversified CDMO customer base. The company has secured an INR 1,200 Mn investment from Eight Roads to expand its commercial fermentation capacity by over 400 KL in Vizag, which is expected to become operational by the end of 2026. This expansion is anticipated to drive significant revenue growth and strengthen Laurus Bio's position in the market.

API recovery and strong formulation growth expected: Although the API segment has seen a declining trend, management anticipates recovery from FY26 as positive order bookings convert to sales. Meanwhile, the formulation segment's robust order book is expected to deliver sustained growth in the coming years.

View and Valuation: We anticipate Laurus to benefit from the expansion in its CDMO and Bio segments, driving growth. While the API segment continues to face sluggishness, we expect normalization post FY26. Valuing the company at 37x FY27 EPS, we arrive at a target price of INR 639 and revise our rating to 'HOLD'.

Particulars (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	14,151	11,949	18.4	12,240	15.6
Cost of Goods Sold	6,102	5,454	11.9	5,483	11.3
Contribution Margin (%)	56.9	54.4	253 bps	55.2	168 bps
Employee Expenses	1,891	1,550	22.0	1,787	5.8
EBITDA	2,852	1,814	57.2	1,786	59.6
EBITDA Margin (%)	20.2	15.2	497 bps	14.6	556 bps
Depreciation	1,061	984	7.8	1,075	(1.3)
EBIT	1,791	830	115.7	711	151.8
Interest	578	508	13.7	526	9.9
PBT	1,307	346	277.5	231	465.5
Tax	401	95	324.0	51	687.2
PAT	929	252	269.2	203	359.0
PAT Margin (%)	6.6	2.1	446 bps	1.7	491 bps
EPS	1.7	0.4	298.1	0.4	359.0
Segment Revenue	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
API	5,310	5,740	(7.5)	5,570	(4.7)
Formulations	4,360	3,670	18.8	3,280	32.9
Synthesis	4,000	2,120	88.7	2,990	33.8
Laurus Bio	480	420	14.3	400	20.0

Management Call - Highlights

CDMO:

- Management has reaffirmed to achieve an EBITDA margin of 20.0% in FY25.
- CDMO segment is expected to see robust growth on the back of capacity expansion and new projects.
- Strong demand continues for commercial offerings, with a shift toward high-value, complex small molecules.
- Management remains positive on the FY25 growth outlook, supported by scheduled project deliveries in Q4 for late-stage projects.
- The company is working on 90+ active projects, primarily in human health, with some in animal health and corporate production.

API:

- Generic API revenue declined due to lower ARV API volumes, as capacity was prioritized for high-margin, long-term opportunities.
- Despite softer ARV performance, the order book remains healthy.
- Non-ARV portfolios show sequential recovery, supported by strategic initiatives.
- Management anticipates API growth to resume next year, backed by a strong order book.

Formulations:

- Developed market and average business portfolios saw growth due to increased activity.
- NDA launches are expected to contribute significantly to growth in FY25.
- Collaboration with Krka is progressing well.
- Product validations have begun under a new CMO agreement for integrated generic manufacturing.

Laurus Bio:

- The customer pipeline for AOF (Animal Origin Free) ingredients expanded significantly, along with growth in the CDMO customer base.

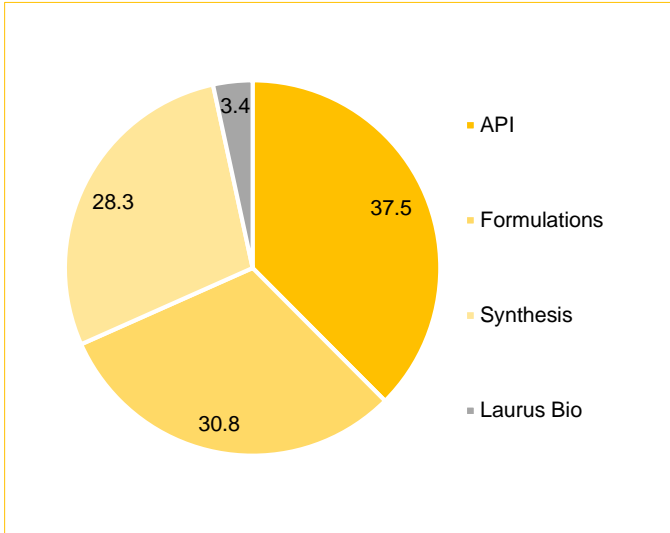
Others:

- Laurus has entered into partnership with Eight Roads to establish large-scale fermentation capacity in Vizag, doubling capacity by CY26 to accelerate CDMO services for global partners.
- Plans for a new facility in Mysore remain on track for scalability.
- Viral vector manufacturing is set to launch by FY26 with GMP-grade production capabilities.

Outlook:

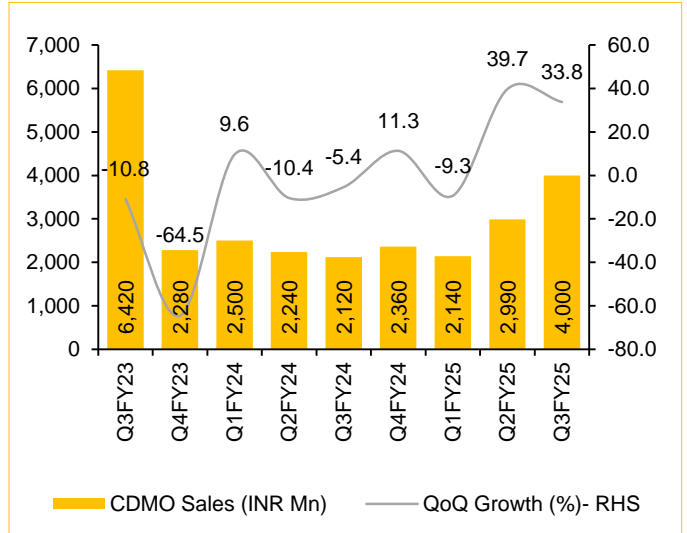
- Medium-term growth in CDMO is expected, supported by a diversified pipeline and strategic collaborations.
- The company reaffirmed its FY25 target of 20% EBITDA margins, with a strong Q4 expected to drive results.
- FY25 is seen as a foundation year, with significant growth expected in FY26.
- Laurus Bio anticipates moderate growth in FY26, with a substantial leap post-2026 as new fermentation capacity comes online.

Q3FY25 Segment Revenue Split (as % of sales)



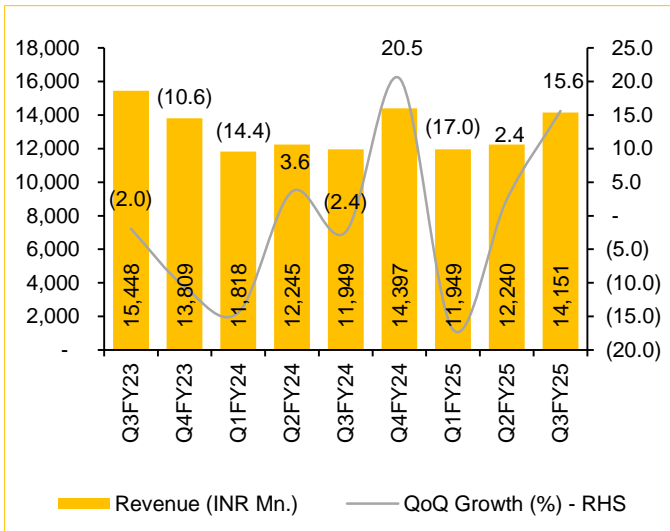
Source: Company, CEBPL

CDMO Sales Rebound With Strong QoQ Growth



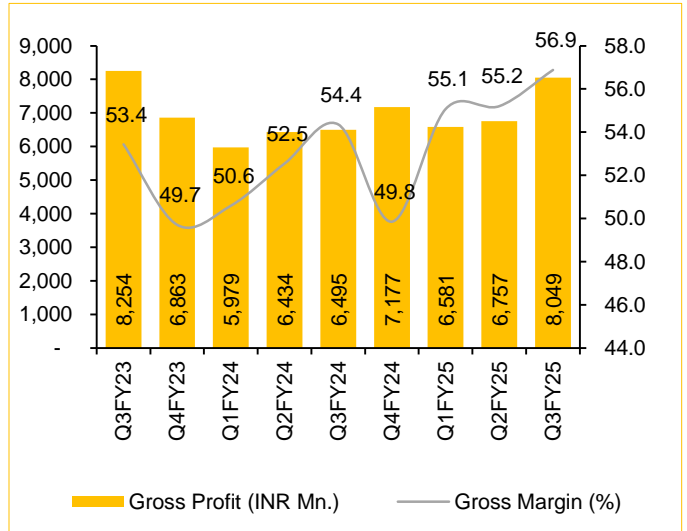
Source: Company, CEBPL

Revenue Growth Stabilizes; Meets Expectations



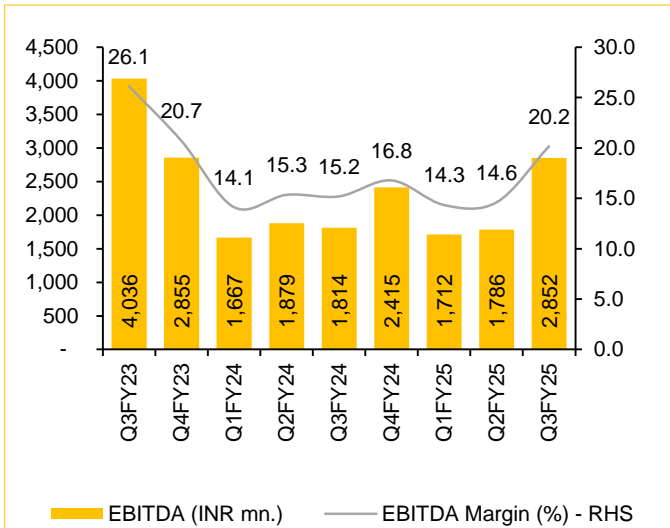
Source: Company, CEBPL

Gross Margins Hit New High With Improved Material Costs



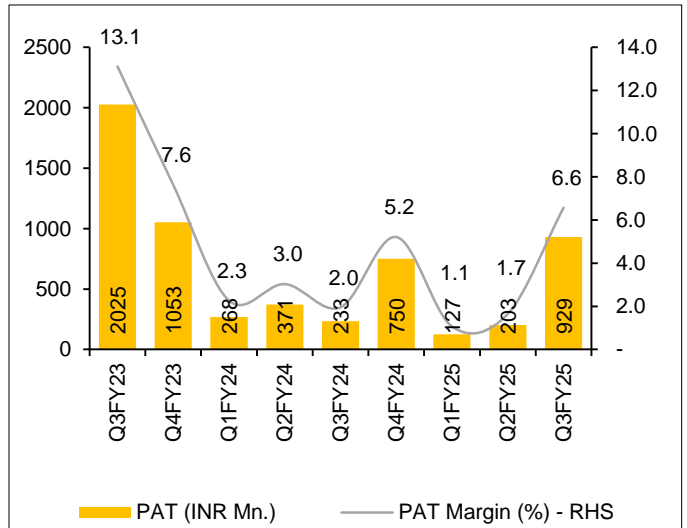
Source: Company, CEBPL

EBITDA Misses Estimates; Margins Gain From Operating Leverage



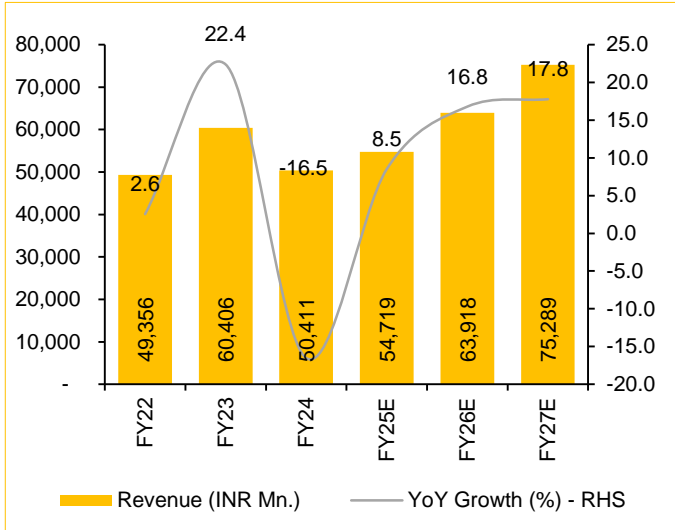
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PAT Sees Strong Growth With Improving Margins



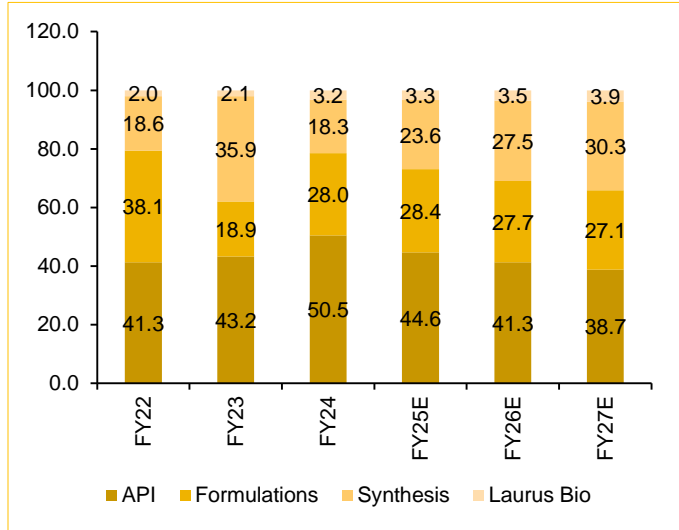
Source: Company, CEBPL

Strong Revenue Growth Backed By CDMO And Laurus Bio



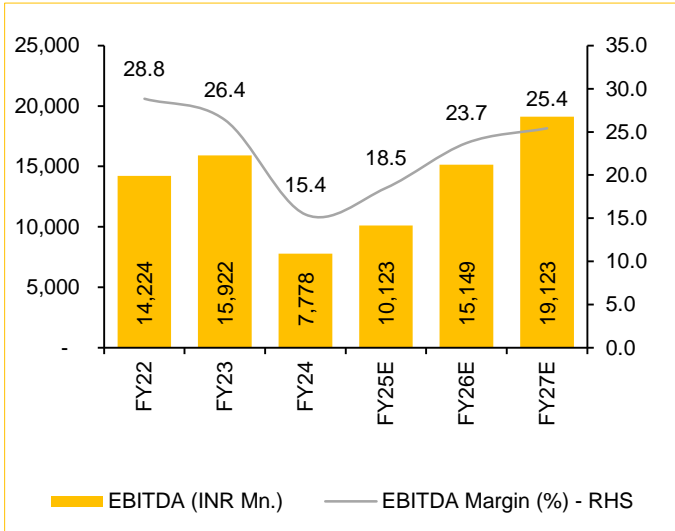
Source: Company, CEBPL

Segment-Wise Revenue Distribution (As % of Sales)



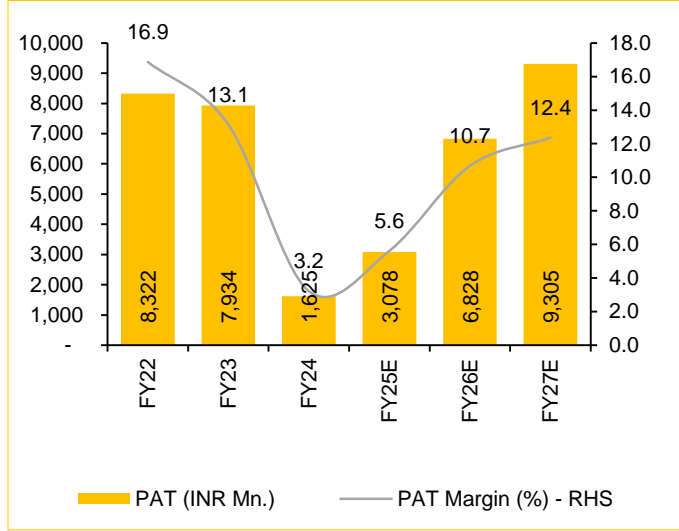
Source: Company, CEBPL

EBITDA Set To Rebound With Improving Margins



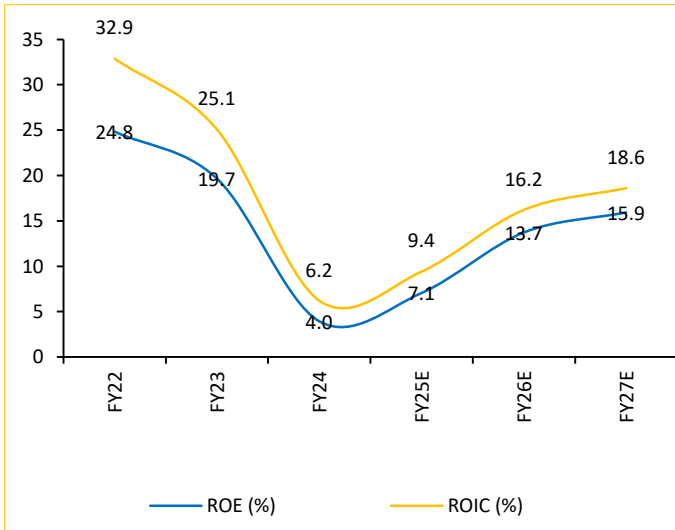
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PAT To Witness Robust Growth Ahead



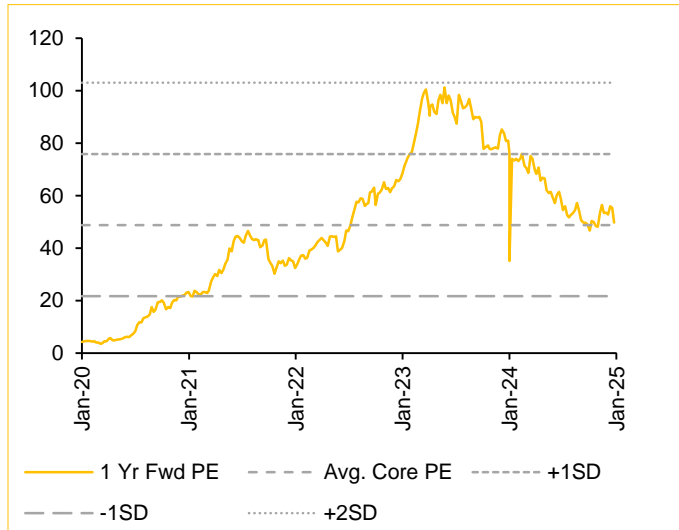
Source: Company, CEBPL

RoE and RoIC



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60,406	50,411	54,719	63,918	75,289
Gross profit	32,662	26,087	30,643	36,433	42,915
EBITDA	15,922	7,778	10,123	15,149	19,123
Depreciation	3,241	3,846	4,213	4,474	5,270
EBIT	12,681	3,932	5,910	10,674	13,853
Other income	60	263	274	320	376
Interest expense	1,652	1,829	2,012	1,656	1,525
PBT	11,089	2,366	4,171	9,337	12,704
Reported PAT	7,934	1,625	3,078	6,828	9,305
EPS	14.7	3.0	5.7	12.7	17.3

Source: Company, CEBPL

Balance sheet (Consolidated in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	40,487	41,156	43,661	49,842	58,500
Borrowings	20,151	25,774	27,305	25,899	24,625
Trade Payables	7,107	10,512	10,494	12,258	14,439
Other Non-current Liabilities	3,806	2,988	3,140	3,402	3,879
Other Current Liabilities	5,054	3,440	3,335	3,745	4,330
Total Net Worth & Liabilities	76,604	83,870	87,936	95,147	1,05,772
Net Block	30160	34464	37750	40776	42506
Capital WIP	5,508	4,228	3,975	3,916	4,357
Goodwill & Intangible Assets	2,592	2,653	2,672	2,693	2,716
Investments	499	1,240	750	851	850
Trade Receivables	15,804	16,629	16,491	18,387	21,658
Cash & Cash Equivalents	485	1,417	3,181	2,687	3,587
Other Non-current Assets	3,229	2,936	3,268	3,495	3,784
Other Current Assets	18,328	20,304	19,848	22,342	26,314
Total Assets	76,604	83,870	87,936	95,147	1,05,772

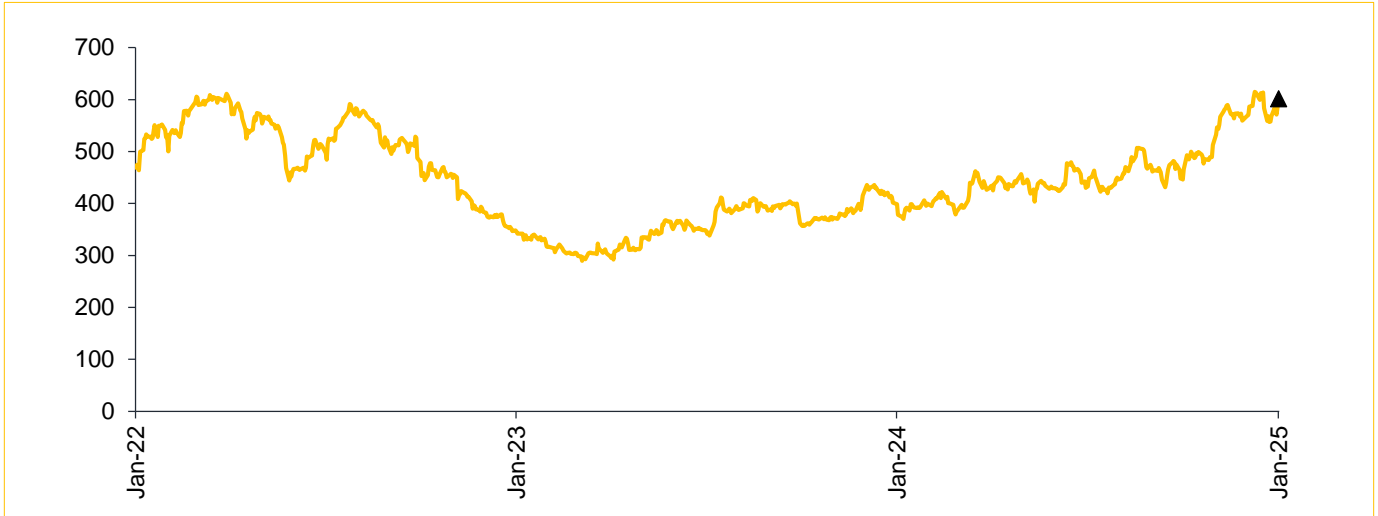
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from operations	9,939	6,657	10,036	10,844	11,187
Cash flows from investing	(9,960)	(8,225)	(6,902)	(7,721)	(7,023)
Cash flows from financing	(266)	2,498	(1,370)	(3,617)	(3,264)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenues	22.4	(16.5)	8.5	16.8	17.8
Gross Profit	19.1	(20.1)	17.5	18.9	17.8
EBITDA	11.9	(51.2)	30.2	49.6	26.2
EBIT	8.3	(69.0)	50.3	80.6	29.8
PBT	2.3	(78.7)	76.3	123.8	36.1
PAT	(4.7)	(79.5)	89.4	121.8	36.3
Margins					
Gross Profit Margin	54.1	51.7	56.0	57.0	57.0
EBITDA Margin	26.4	15.4	18.5	23.7	25.4
EBIT Margin	21.0	7.8	10.8	16.7	18.4
PBT Margin	18.4	4.7	7.6	14.6	16.9
Tax Rate	28.2	28.8	28.0	28.0	28.0
PAT Margin	13.1	3.2	5.6	10.7	12.4
Profitability					
Return On Equity (ROE)	19.7	4.0	7.1	13.7	15.9
Return On Invested Capital (ROIC)	25.1	6.2	9.4	16.2	18.6
Return On Capital Employed (ROCE)	21.1	5.9	8.4	14.2	16.8
Financial leverage					
Pre-tax OCF/EBITDA (x)	0.8	0.9	1.1	0.9	0.8
OCF / Net profit (x)	1.3	4.1	3.3	1.6	1.2
EV/EBITDA (x)	16.4	34.3	34.3	22.9	18.0
Earnings					
EPS	14.7	3.0	5.7	12.7	17.3
Shares Outstanding	539	539	539	539	539
Working Capital					
Inventory Days (x)	102	134	117	112	112
Receivable Days (x)	95	120	110	105	105
Creditor Days (x)	43	76	70	70	70
Working Capital Days	154	178	157	147	147

Source: Company, CEBPL

Historical share price chart: LAURUS



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