

Lupin Ltd.

February 13, 2025 | CMP: INR 2,025 | Target Price: INR 2,540

BUY

Excepted Share Price Return: 25.4% | Dividend Yield: 0.39% | Expected Total Return: 25.8%

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

Company Info

BB Code	LPC EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	2,403/1,493
Mkt Cap (Bn)	INR 941.7 / \$ 11.1
Shares o/s (Mn)	456.2
3M Avg. Daily Volume	8,76,638

Change in Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	258	257	0.3	286	297	(3.7)
EBITDA	60	53	12.3	68	61	10.8
EBITDAM %	23.3	20.8	250bps	23.7	20.6	310bps
PAT	37	32	16.3	43	38	13.7
EPS	81.5	70.1	16.3	94.0	82.7	13.7

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	57.7	56.8	1.5
EBITDA	13.7	12.8	6.5
EBITDAM %	23.7	22.6	111
PAT	8.6	7.9	8.3

Key Financials

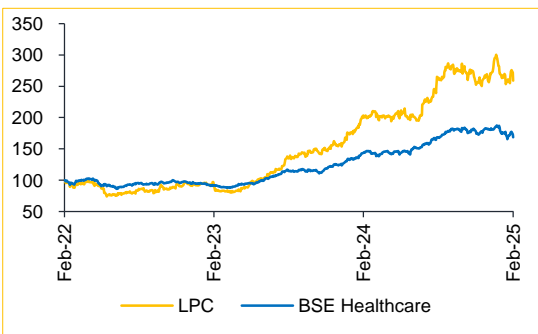
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	166	200	227	257	286
YoY (%)		20.2	13.6	13.4	11.2
EBITDA	18.0	38.1	52.3	60.0	67.9
EBITDAM %	10.8	19	23.0	23.3	23.7
Adj PAT	4.3	19.1	32.0	37.2	42.8
EPS	9.4	42.0	70.3	81.5	94.0
ROE %	3.5	13.4	18.9	18.4	18.0
ROCE %	5.4	15.2	20.9	21.2	20.9
PE(x)	214	48.2	28.8	24.8	21.5
EV/EBITDA	53.1	24.7	17.9	15.6	13.8
BVPS	274	314	373	442	522
FCF	4.0	31.1	24.9	30.0	34.7

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	46.94	46.96	46.99
FIIs	22.04	21.50	19.32
DIIIs	24.73	25.10	26.77
Public	6.28	6.45	6.93

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	67.7	82.1	16.6
LPC	157.5	178.8	28.8



Deepika Murarka

Email: deepika.murarka@choiceindia.com

Ph: +91 22 6707 9513

Maitri Sheth

Email: maitri.sheth@choiceindia.com

Ph: +91 22 6707 9511

The result came in line with the estimates; New product launches driving the growth

- Revenue came at INR 57.7 Bn (vs. CEBPL est. of INR 57.6 Bn), up 11% YoY and up 1.7% QoQ.
- EBITDA came at INR 13.7 Bn (vs. CEBPL est. of INR 13.1 Bn), up 33.6% YoY and 4.4% QoQ. EBITDA margin came at 23.5% (vs. CEBPL est. of 22.7%), improved by 354bps YoY but contracted by 12bps QoQ.
- PAT came at INR 8.6 Bn (vs. CEBPL est. of INR 8.4 Bn), up 40.1% YoY and up 0.7% QoQ, with a PAT margin of 14.9% (vs 11.8% in Q3FY24).

India's business to outperform IPM growth and grow in key therapies like Diabetes and Cardiology

Lupin's India business (~35% of the total revenue) is experiencing robust growth, driven by key therapies and a strong presence in the chronic segment. Chronic therapies like diabetes and cardiology are growing faster than the IPM, with a chronic share higher at 65%. We expect that the acquisition of human insulin products from Eli Lilly and trademarks from Boehringer Ingelheim will further strengthen the diabetes portfolio and support the above-market growth, by innovative medicines, in-licensed products, and a 10,000-person sales force.

Double-digit revenue in the US market is achievable; driven by new product launches

Lupin aims to achieve double-digit revenue growth in the US market (~40% of the total revenue) through strategic new product launches and a focus on complex product development. We expect that this is achievable because of the introduction of products like Tolvaptan, Glucagon, Risperidone Consta, and Liraglutide, strong performance in the respiratory portfolio, increasing the share of complex products to over 50% of its portfolio, and shift from commoditized generics to injectables, respiratory products, and biosimilars.

View and Valuation: We have revised our FY26/27 EPS estimates by 16.3%/13.7%, and maintain our BUY rating with a target price of INR 2,540, valuing at 27x PE on FY27 (earlier 30x, changed due to US uncertainties). We expect Revenue/EBITDA/PAT to grow at a CAGR of 12.7%/21.2%/30.8% over FY24-27. The growth will be driven by strong pipeline of complex generics, injectables, and biosimilars. Strategic launches, including Tolvaptan and specialty products, will enhance profitability. Expansion in global markets, operational efficiencies, and R&D investments in respiratory and biologics will support the growth.

Particulars (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	56,186	50,799	10.6	54,970	2.2
Cost of Goods Sold	17,216	17,261	(0.3)	16,899	1.9
Gross Profit	38,970	33,538	16.2	38,071	2.4
Gross Margin (%)	70.2	66.8	336.2 bps	70.2	(5.7) bps
Employee & Other Expenses	26,803	24,494	9.4	26,745	0.2
EBITDA	13,559	10,380	30.6	13,404	1.2
EBITDA Margin (%)	24.1	20.4	370.0 bps	24.4	(25.1) bps
Depreciation	2,715	2,572	5.5	2,569	5.7
EBIT	10,845	7,808	38.9	10,834	0.1
Interest	669	740	(9.6)	709	(5.6)
PBT	10,713	7,361	45.5	10,549	1.6
Tax	2,124	1,174	80.9	1,954	8.7
PAT	8,589	6,131	40.1	8,526	0.7
PAT Margin (%)	15.3	12.1	321.6 bps	15.5	(22.5) bps
EPS	18.8	13.5	40.0	18.7	0.7

Management Call - Highlights

India Business

- Prescription segment grew 5.8% YoY in Q3 and 9.1% YoY for 9M FY25, outperforming the Indian Pharmaceutical Market (IPM) by 1.1x.
- Chronic segment now 65% of total business, led by diabetes and cardiology.
- Acquired human insulin range from Eli Lilly and 3 trademarks from Boehringer Ingelheim.
- Growth in respiratory segment has been slow, impacting overall India business.
- R&D Investments in India - Focus on complex generics, injectables, and biosimilars, along with new respiratory and chronic therapies.

US Business

- FY25 US business now expected to deliver double-digit growth, exceeding earlier high-single-digit guidance.
- Strong demand for Mirabegron (overactive bladder) has helped offset pricing pressure and generic competition in Albuterol and Suprep.
- Key respiratory products like Albuterol and Alphametrol hold strong market positions.
- Tolvaptan (Kidney disease), an important growth driver, is expected to launch in Q1 FY26.
- Injectables to Strengthen US Business - Focus on Glucagon, Risperidone Consta, and Liraglutide injectables, expected to ramp up in H2 FY26.
- Exploring specialty acquisitions and late-stage assets, with emphasis on respiratory brands.
- Lupin is preparing to enter the first wave of the Semaglutide market between 2026-27.

Other Markets

- Lupin is working on eco-friendly respiratory products with GSK, AstraZeneca, and Kiese, targeting product filings in FY27.
- Currently in 13 European countries and planning to expand into Spain and others.
- Sales grew 20.9% YoY and 9.8% QoQ, driven by UK and Germany.

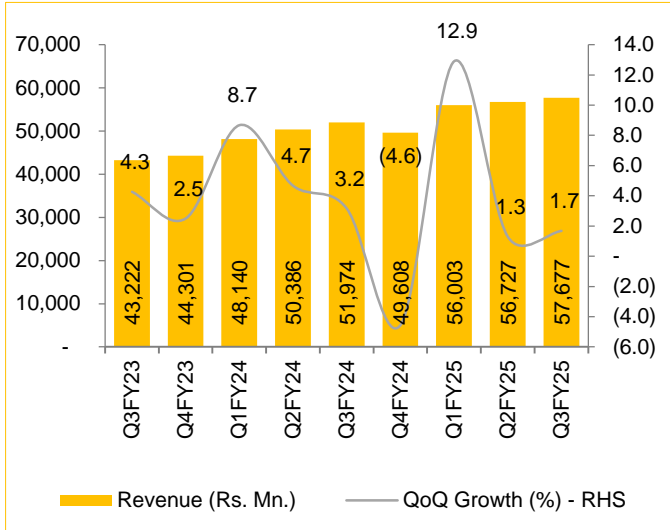
Outlook

- FY25 EBITDA Margin Target - Expecting 23-23.5% for FY25.
- R&D spend expected to reach INR 1800 crores in FY25, with a significant increase in Q4.
- Biosimilars Becoming Attractive - Filing of Ranibizumab in EU, upcoming US submission, and opportunities in Pegfilgrastim, Aflibercept, and Etanercept (2029 US launch).

- Tolvaptan Market Share Target - During exclusivity, 30-40% market share expected, with 2-3 new competitors entering later.

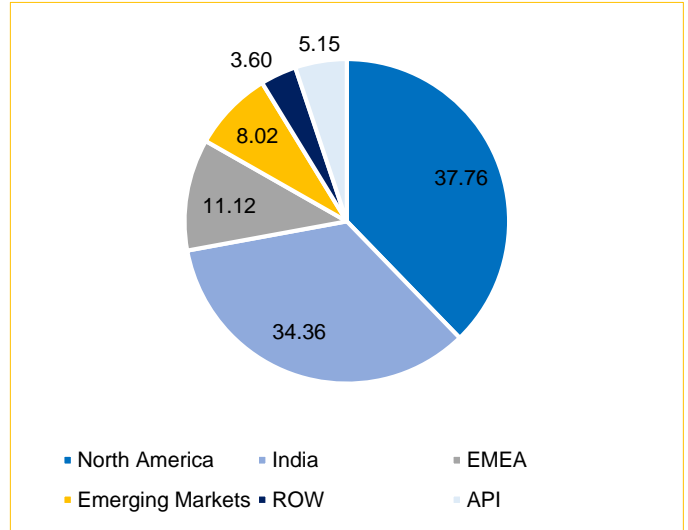
- Latin American business is growing in local currency, but FX fluctuations impact revenue.

Revenue in line with estimates, supported by US market



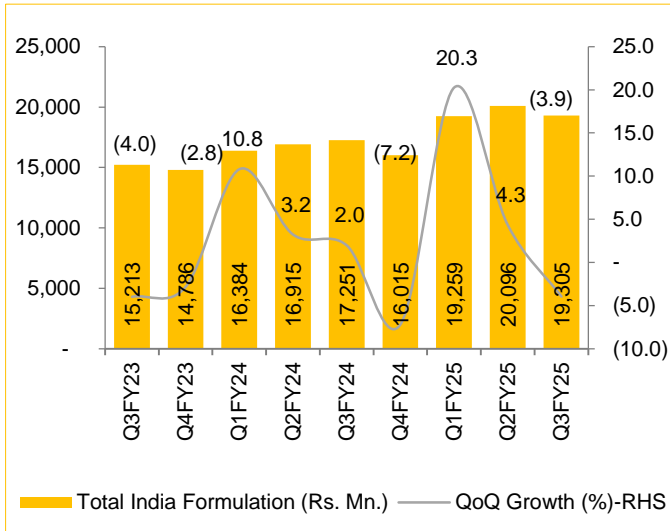
Source: Company, CEBPL

Revenue split for Q3FY25 (INR 56.2 bn)



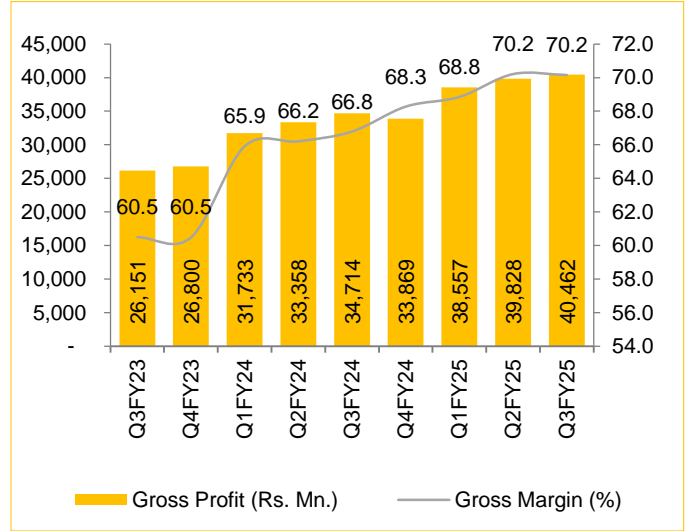
Source: Company, CEBPL

India revenue grew by 12% YoY



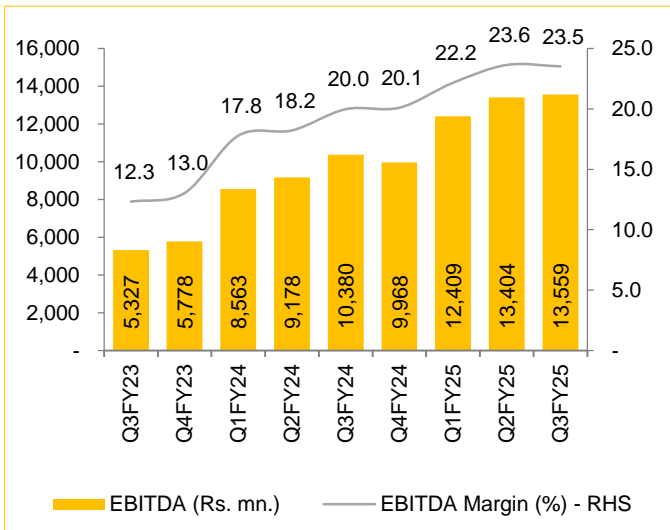
Source: Company, CEBPL

Gross profit improves by 336bps YoY



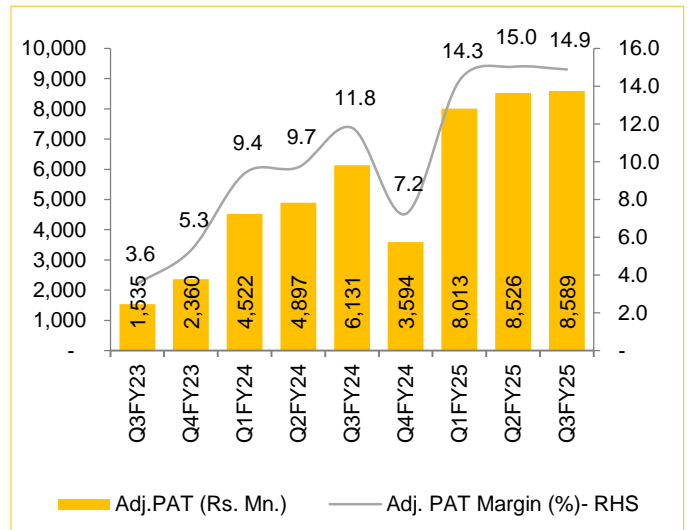
Source: Company, CEBPL

EBITDA strengthens with stable margin expansion



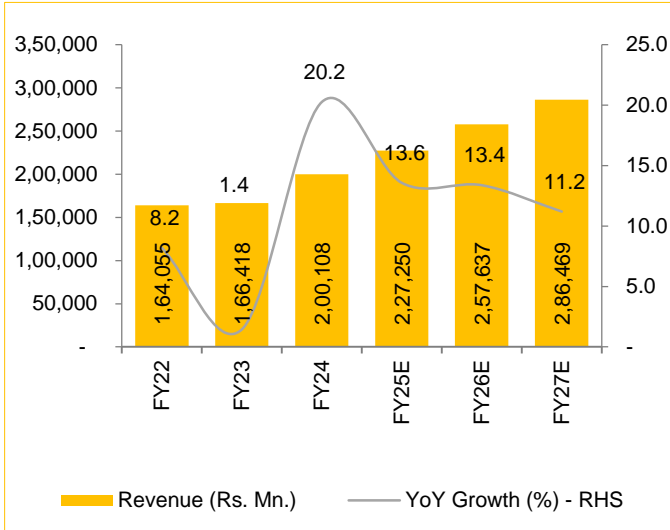
Source: Company, CEBPL

PAT grew by 40% YoY with stable margin



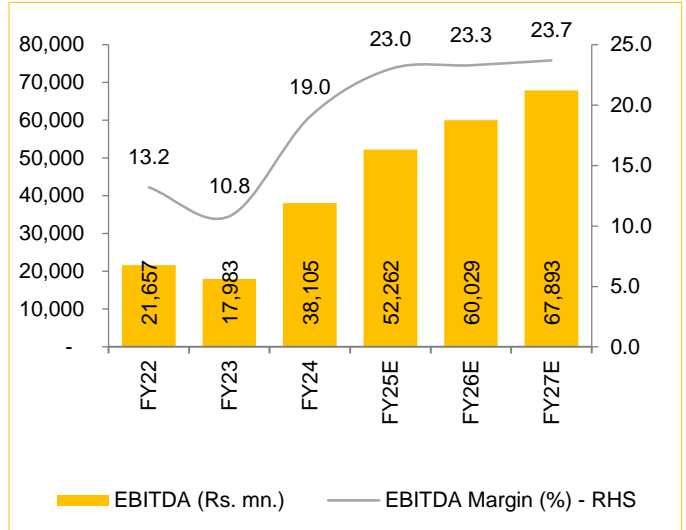
Source: Company, CEBPL

Revenue to grow at a CAGR of 12.7% over FY24-27E



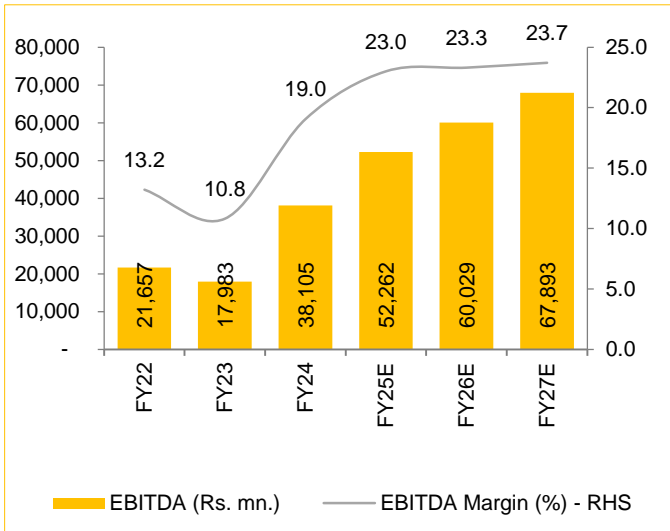
Source: Company, CEBPL

Gradual gross margin expansion



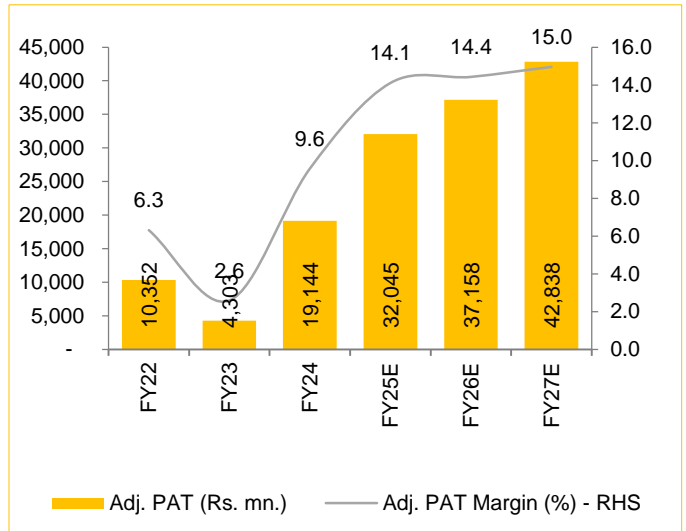
Source: Company, CEBPL

Margin to remain in the range of 23-24%



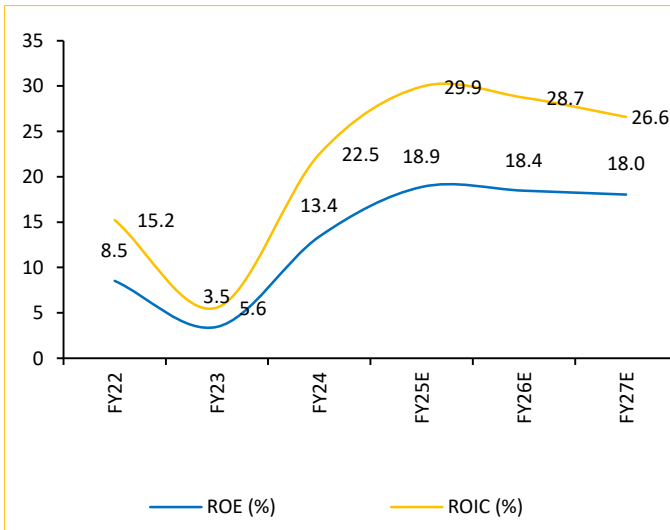
Source: Company, CEBPL

PAT to grow at a CAGR of 30.6% over FY24-27E



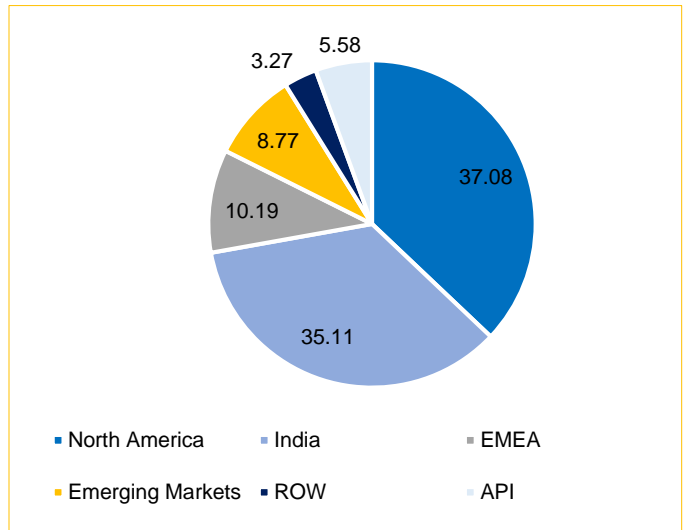
Source: Company, CEBPL

ROE and ROIC Trends



Source: Company, CEBPL

India & North America to contribute more than 70% in FY25



Source: Company, CEBPL

Income Statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,66,418	2,00,108	2,27,250	2,57,637	2,86,469
Gross Profit	98,620	1,33,673	1,57,939	1,79,315	1,99,382
EBITDA	17,983	38,105	52,262	60,029	67,893
Depreciation	8,807	11,968	11,340	12,060	12,780
EBIT	9,176	26,137	40,923	47,970	55,114
Other Income	734	1,202	2,045	1,288	1,432
Interest Expense	2,743	3,116	2,761	2,498	2,623
PBT	7,167	24,222	40,207	46,760	53,923
Reported PAT	4,303	19,144	32,045	37,158	42,838
EPS	9.5	42.0	70.3	81.5	94.0

Source: Company, CEBPL

Balance Sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	1,25,428	1,43,735	1,70,691	2,02,154	2,38,438
Borrowings	45,415	29,218	26,296	24,981	26,230
Trade Payables	25,315	29,581	32,375	35,293	39,242
Other Non-current Liabilities	9,338	9,670	9,958	10,961	11,053
Other Current Liabilities	24,062	27,769	25,138	28,101	25,782
Total Net Worth & Liabilities	2,29,559	2,39,972	2,64,458	3,01,489	3,40,745
Net Block	42896	45842	30148	24088	17308
Capital WIP	8,948	9,101	10,101	11,101	11,671
Goodwill & Intangible Assets	40,534	41,566	48,675	62,296	72,550
Investments	5,169	10,746	13,640	20,312	36,654
Trade Receivables	44,807	46,921	57,902	69,174	78,485
Cash & Cash Equivalents	12,931	12,025	14,938	13,952	12,339
Other Non-current Assets	11,897	6,710	10,893	12,763	14,155
Other Current Assets	62,377	67,061	78,161	87,804	97,583
Total Assets	2,29,559	2,39,972	2,64,458	3,01,489	3,40,745

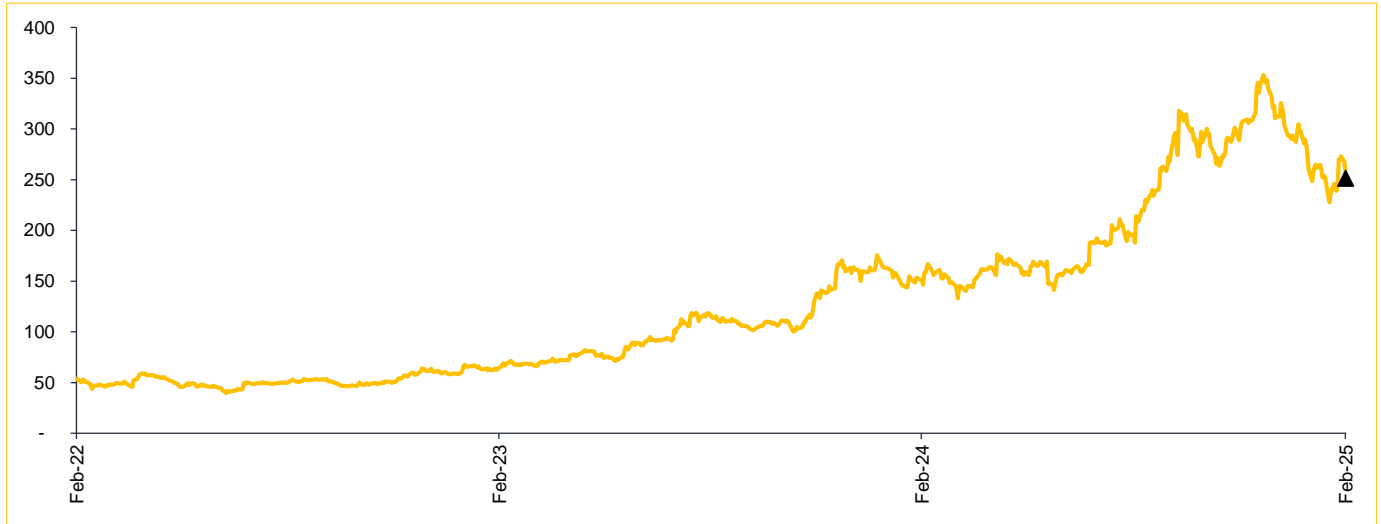
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flows From Operations	18,972	36,484	30,941	35,940	40,575
Cash Flows From Investing	(12,868)	(17,122)	(15,964)	(26,296)	(32,599)
Cash Flows From Financing	(3,373)	(21,842)	(13,369)	(10,630)	(9,089)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenues	1.4	20.2	13.6	13.4	11.2
Gross Profit	(0.6)	35.5	18.2	13.5	11.2
EBITDA	(17.0)	111.9	37.2	14.9	13.1
EBIT	(37.8)	184.8	56.6	17.2	14.9
PBT	(152.2)	238.0	66.0	16.3	15.3
PAT	(58.4)	344.9	67.4	16.0	15.3
Margins					
Gross Profit Margin	59.3	66.8	69.5	69.6	69.6
EBITDA Margin	10.8	19.0	23.0	23.3	23.7
EBIT Margin	5.5	13.1	18.0	18.6	19.2
PBT Margin	4.3	12.1	17.7	18.1	18.8
Tax Rate	37.5	20.1	20.0	20.0	20.0
PAT Margin	2.6	9.6	14.1	14.4	15.0
Profitability					
Return On Equity (ROE)	3.5	13.4	18.9	18.4	18.0
Return On Invested Capital (ROIC)	5.6	22.5	29.9	28.7	26.6
Return On Capital Employed (ROCE)	5.4	15.2	20.9	21.2	20.9
Financial Leverage					
Pre-tax OCF/EBITDA (x)	1.2	1.1	0.7	0.8	0.8
OCF / Net Profit (x)	4.2	1.9	1.0	1.0	0.9
EV/EBITDA (x)	53.1	24.7	17.9	15.6	13.8
Earnings					
EPS	9.5	42.0	70.3	81.5	94.0
Shares Outstanding	455.0	455.7	455.7	455.7	455.7
Working Capital					
Inventory Days	99	90	83	83	83
Receivable Days	98	86	93	98	100
Creditor Days	56	54	52	50	50
Working Capital Days	141	122	124	131	133

Source: Company, CEBPL

Historical Share Price Chart: Lupin Pharma Ltd



Institutional Research Team

Utsav Verma	Head of Research – Institutional Equities	utsav.verma@choiceindia.com	+91 22 6707 9440
Deepika Murarka	Analyst – Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement	ashutosh.murarka@choiceindia.com	+91 22 6707 9887
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Analyst – Real Estate & Infrastructure	aayush.saboo@choiceindia.com	+91 22 6707 9512
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9511
Bharat Kumar Kudikyala	Associate – Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9887
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9952
Aryan Goyal	Associate – Auto	aryan.goyal@choiceindia.com	+91 22 6707 9517
Rushil Katiyar	Associate – Information Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9887

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HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
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Choice Equity Broking Private Limited-Research Analyst - INH00000222. (CIN. NO.: U65999MH2010PTC198714). Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri(East), Mumbai 400099. Tel. No. 022-6707 9999

Compliance Officer--Prashant Salian, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

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