

Estimate change



TP change



Rating change



CMP: INR1,610

TP: INR1,550 (-4%)

Neutral

Niche product drives earnings growth

Work-in-progress to further build product pipeline in key markets

- Lupin (LPC) delivered in-line operational performance in 4QFY24. LPC ended FY24 on a strong note, with INR198b in sales (up 19% YoY), EBITDA margin of 18% (up 750bp YoY) and PAT of INR19b (vs. INR4b YoY). LPC continues to implement efforts toward building a complex product pipeline in inhalation, injectables and ophthalmics.
- We raise our earnings estimates by 6% each for FY25/FY26, factoring in a) limited competition product launches in the US generics segment, b) industry outperformance in the domestic formulation (DF) segment and c) a scale-up in the diagnostic business. We value LPC at 25x 12M forward earnings to arrive at a TP of INR1,550.
- LPC remains in good stead to deliver a 19% earnings CAGR over FY24-26 on the back of an 11% sales CAGR in the US generics/DF segments and 160bp margin expansion. However, we maintain our Neutral rating on the stock as the valuation at 32x FY25E EPS of INR51 and 27x FY26E EPS of INR59 adequately factors in the upside.

Product mix benefits partly offset by higher R&D spending

- 4QFY24 revenue grew 12% YoY to INR49.6b. (our est. INR52b). US sales rose 22.6% YoY to INR19b (up 19.4% YoY in CC to USD209m; 39% of sales). DF sales grew 8.3% YoY to INR16b (33% of sales). ROW sales grew 8.1% YoY to INR938m (2% of sales). EMEA sales rose 17.3% YoY to INR5.3b (11% of sales). Growth market sales grew 16.1% YoY to INR5.1b (10% of sales). API sales declined 20% YoY to INR2.6b (5% of sales).
- Gross margin expanded 780bp YoY to 68.3% due to a better product mix.
- EBITDA margin expanded 650bp YoY to 20.1%, largely due to better GM. A decrease in other expenses (-110bp YoY as a % of sales) was offset by higher employee costs/R&D expenses (+70bp/+170bp YoY as a % of sales).
- As a result, EBITDA grew 65% YoY to INR10b (in line with estimates).
- Adjusting for the impairment of intangible and tangible assets of INR2b, adj. PAT jumped ~95% YoY to INR5.0b (our est. INR5.4b).
- In FY24, revenue grew 19% YoY to INR198b, EBITDA almost doubled YoY to INR36b, and PAT surged 4.8x to INR18.9b.

Highlights from the management commentary

- LPC guides for 10% YoY growth in overall sales with 20% EBITDA margin in FY25. There can be further upside, subject to the outcome of litigation related to mirabegron.
- It aspires to reach the USD1b revenue mark in US generics by FY26.
- LPC expects to grow close to double digits YoY in the DF segment in FY25.
- The company would be filing 11-15 ANDAs in FY25.
- Competition impact would be visible in g-Suprep from 1QFY25 onward.
- It is working on response to CRL for g-Dulera and would submit the same in FY25.

Bloomberg	LPC IN
Equity Shares (m)	453
M.Cap.(INRb)/(USD\$b)	731.7 / 8.8
52-Week Range (INR)	1701 / 628
1, 6, 12 Rel. Per (%)	15/37/86
12M Avg Val (INR M)	1248

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	198.1	216.8	242.7
EBITDA	35.9	42.1	47.8
Adj. PAT	18.9	22.8	26.7
EBIT Margin (%)	13.1	14.7	15.4
Cons. Adj. EPS (INR)	41.5	50.2	58.7
EPS Gr. (%)	382.6	20.9	16.9
BV/Sh. (INR)	314.4	361.7	417.5

Ratios

Net D:E	0.1	0.0	-0.1
RoE (%)	14.1	14.9	15.1
RoCE (%)	12.6	13.8	14.3
Payout (%)	6.9	5.8	5.0

Valuations

P/E (x)	38.7	32.0	27.4
EV/EBITDA (x)	20.8	17.2	14.7
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	3.3	3.6	3.4
EV/Sales (x)	3.8	3.3	2.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	47.0	47.0	47.1
DII	27.8	29.7	29.2
FII	18.3	16.1	13.3
Others	6.9	7.1	10.4

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance (Consolidated)

(INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	37,438	41,455	43,222	44,301	46,087	50,385	51,974	49,608	1,66,417	1,98,054	52,021	-4.6
YoY Change (%)	-3.9	1.3	3.9	14.1	23.1	21.5	20.2	12.0	3.8	19.0	17.4	
Total Expenditure	35,799	37,114	37,662	38,260	39,574	41,153	41,755	39,640	1,48,835	1,62,123	41,901	
EBITDA	1,639	4,342	5,560	6,041	6,513	9,232	10,220	9,968	17,582	35,932	10,120	-1.5
YoY Change (%)	-70.4	-27.2	-1.4	114.0	297.3	112.6	83.8	65.0	-11.9	104.4	67.5	
Margins (%)	4.4	10.5	12.9	13.6	14.1	18.3	19.7	20.1	10.6	18.1	19.5	
Depreciation	1,928	2,035	2,204	2,640	2,347	2,479	2,572	2,559	8,807	9,956	2,508	
EBIT	-289	2,307	3,356	3,401	4,166	6,754	7,648	7,409	8,775	25,977	7,612	-2.7
YoY Change (%)	-108.4	-40.0	-6.9	304.1	LP	192.7	127.9	117.9	-25.3	196.0	123.8	
Margins (%)	-0.8	5.6	7.8	7.7	9.0	13.4	14.7	14.9	5.3	13.1	14.6	
Interest	428	549	841	926	856	806	740	713	2,743	3,116	725	
Other Income	56	149	180	373	228	404	294	293	757	1,218	324	
EO Exp/(Inc)	-684	-188	234	263	-2,053	54	-160	2,012	-375	-147	0	
PBT	23	2,096	2,461	2,585	5,591	6,298	7,361	4,977	7,165	24,227	7,211	-31.0
Tax	891	751	885	161	1,055	1,344	1,174	1,295	2,688	4,867	1,774	
Rate (%)	3,907.5	35.8	36.0	6.2	18.9	21.3	15.9	26.0	37.5	20.1	24.6	
Minority Interest	-23	-47	-42	-64	-11	-57	-56	-88	-176	-211	27	
Reported PAT	-891	1,297	1,535	2,360	4,525	4,898	6,131	3,594	4,301	19,149	5,464	-34.2
Adj PAT	-1,552	1,177	1,684	2,606	2,855	4,940	5,997	5,083	3,915	18,875	5,464	-7.0
YoY Change (%)	-164.0	-61.5	-37.5	399.9	LP	319.9	256.1	95.0	-55.0	382.1	109.7	
Margins (%)	-4.1	2.8	3.9	5.9	6.2	9.8	11.5	10.2	2.4	9.5	10.5	

E: MOFSL estimates

Key performance Indicators (Consolidated)

(INR m)

Y/E March	FY23				FY24E				FY23	FY24	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
INRm											
Domestic formulations	14,920	15,841	15,213	14,785	16,384	16,915	17,251	16,015	60,759	66,564	16,285
YoY Change (%)	(8.8)	2.6	3.3	9.4	9.8	6.8	13.4	8.3	1.2	9.6	10.1
US formulations	10,104	13,295	15,271	15,503	15,905	18,666	18,885	19,006	54,173	72,462	20,513
YoY Change (%)	(24.2)	(7.0)	(3.2)	9.5	57.4	40.4	23.7	22.6	(5.9)	33.8	32.3
Europe	1,936	2,159	2,119	2,575	2,601	3,156	3,426	3,259	9,023	12,444	3,104
YoY Change (%)	56.0	26.7	13.8	30.7	34.3	46.2	61.7	26.6	24.7	37.9	20.5
ROW	6,529	7,118	7,028	7,213	7,108	7,971	8,458	8,090	27,653	31,626	9,528
YoY Change (%)	24.4	20.1	18.3	6.1	8.9	12.0	20.3	12.2	0.0	0.0	32.1
API	2,551	2,499	2,815	3,226	3,371	2,684	2,779	2,581	11,092	11,415	2,978
YoY Change (%)	3.7	(6.7)	9.8	46.4	32.1	7.4	(1.3)	(20.0)	12.0	2.9	(7.7)
Cost Break-up											
RM Cost (% of Sales)	43.0	41.3	39.5	39.5	35.6	33.8	33.2	31.7	41.7	34.2	33.6
Staff Cost (% of Sales)	20.8	18.6	17.7	17.4	18.3	17.1	17.1	18.1	19.0	18.0	17.2
R&D Expenses(% of Sales)	9.3	8.1	6.7	6.9	8.0	7.5	6.9	8.6	7.9	7.8	6.6
Other Cost (% of Sales)	22.5	21.5	23.3	22.5	24.0	23.3	23.2	21.5	23.0	23.4	23.2
Gross Margins (%)	57.0	58.7	60.5	60.5	64.4	66.2	66.8	68.3	58.3	65.8	66.4
EBITDA Margins (%)	4.4	10.5	12.9	13.6	14.1	18.3	19.7	20.1	10.6	18.1	19.5
EBIT Margins (%)	-0.8	5.6	7.8	7.7	9.0	13.4	14.7	14.9	5.3	13.1	14.6

E: MOFSL Estimates

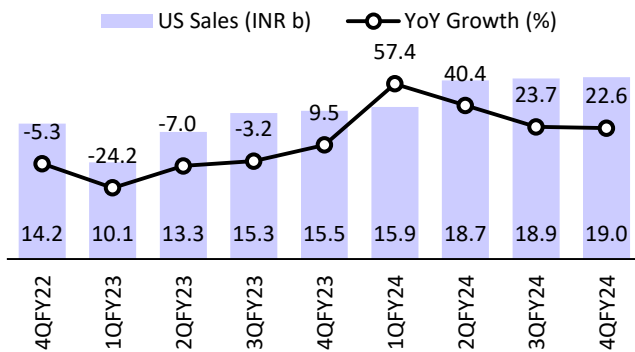


Highlights from the management commentary

- The company expects g-Respiat to be filed by end-FY25.
- LPC continues to witness single-digit price erosion in the base US generics portfolio.
- 70% of the new launches in the US market would be in non-oral solid dosage form.
- DF prescription business grew 9.3% YoY (Ex-Cidmus) in FY24 vs. IPM YoY growth of 7.6%.
- LPC has ~7,500 MRs at the end of FY24 for the DF market.
- The company intends to file 20 complex products in the areas of inhalation, injectable and ophthalmic by FY28.

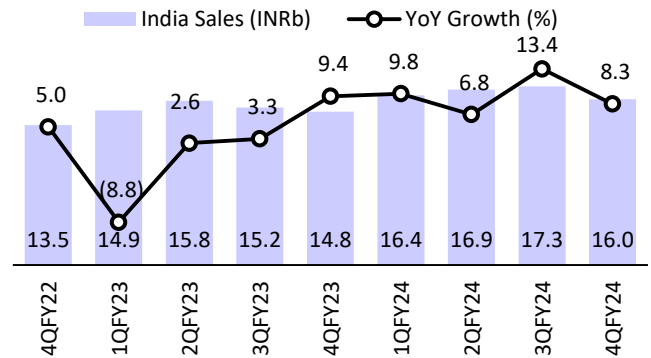
Key exhibits

Exhibit 1: US sales increased 22.6% YoY in 4QFY24



Source: MOFSL, Company

Exhibit 2: DF sales up 8.3% YoY in 4QFY24



Source: MOFSL, Company

Work-in-progress to build product pipeline for key markets

US business growth will be led by increased focus on complex products

- In FY24, US sales grew 34% YoY to INR72b (USD815m; up 29% in CC terms), aided by the strong momentum in niche products, including g-Spiriva/Albuterol and improved traction in legacy products.
- In FY24, LPC received 41 ANDA approvals and launched 13 products.
- The company is implementing efforts to upscale the portfolio in complex formulation, inhalation, injectable, and biosimilar. Currently, it has a pipeline of 40+ injectable, and 20+ inhalation products are under development.
- Further the company is planning to launch an interesting product in US and intends to generate higher revenue from the non-oral solid products.
- Accordingly, we expect a 15% CAGR in US sales over FY24-26 to USD1b.

DF – new launches and market share gain to drive industry outperformance

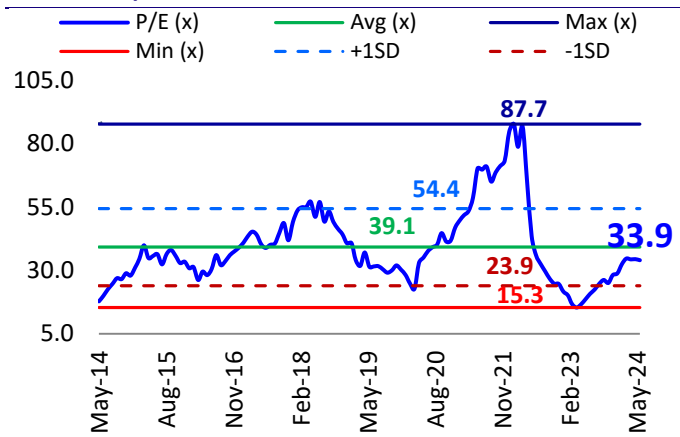
- In FY24, DF sales grew 10% YoY to INR66b, due to strong growth in key therapies, offsetting subdued performance in cardiac therapy.
- In 4Q, respiratory/anti-infective outperformed IPM by 760bp/380bp, while gynaec therapy registered a decline of 930bp.
- LPC is witnessing a recovery in the anti-diabetes portfolio (non in-licensing), registering 12% growth YoY, which is ~2x the segment growth.

- The company focuses on increasing the contribution from chronic therapies and growing in new areas such as biosimilar. Further it is planning to launch more complex products, which would drive growth.
- Accordingly, we expect an 11% CAGR in DF sales to INR82b over FY24-26.

Maintain Neutral

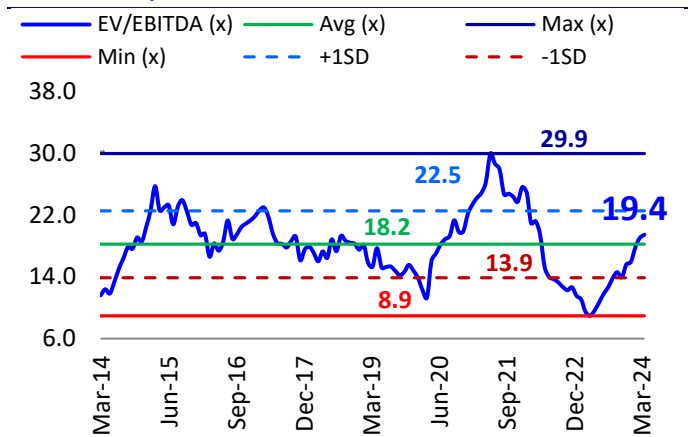
- We raise our earnings estimates by 6% each for FY25/FY26, factoring in a) limited competition product launches in the US generics segment, b) industry outperformance in the DF segment, and c) a scale-up in the diagnostic business. We value LPC at 25x 12M forward earnings to arrive at a TP of INR1,550.
- LPC remains in good stead to deliver a 19% earnings CAGR over FY24-26 on the back of an 11% sales CAGR in the US generics/DF segments and 160bp margin expansion. However, we maintain our Neutral rating on the stock as the valuation at 32x FY25E EPS of INR51 and 27x FY26E EPS of INR59 adequately factors in the upside.

Exhibit 3: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 4: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 5: Revenue mix in 4QFY24

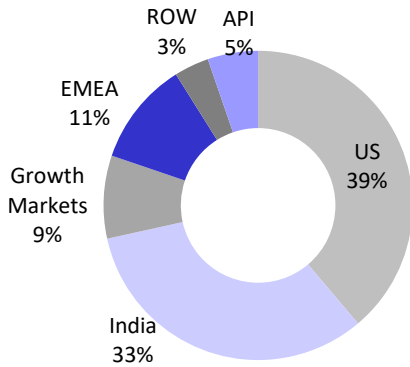


Exhibit 6: Expect 11% sales CAGR over FY24-26

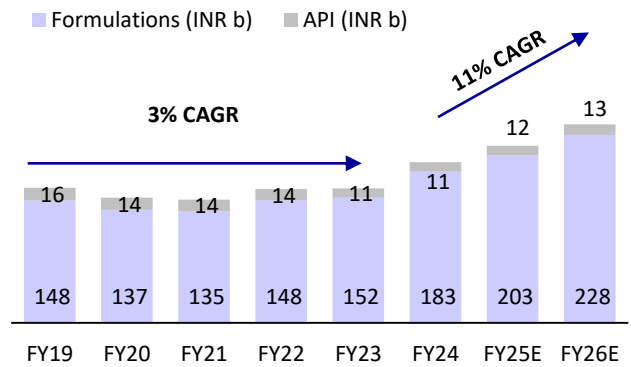


Exhibit 7: R&D spending to rise going forward

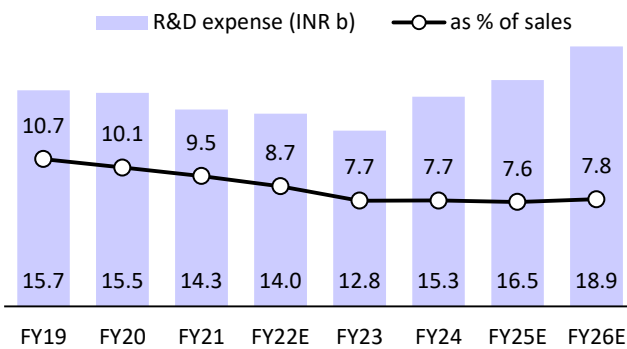


Exhibit 8: EBITDA margin to expand 160bp over FY24-26

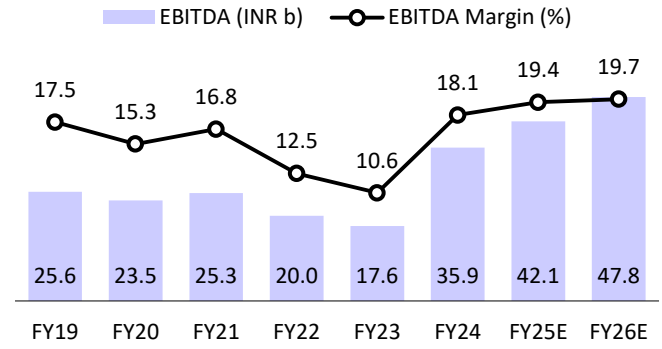


Exhibit 9: Expect EPS to register 19% CAGR over FY24-26

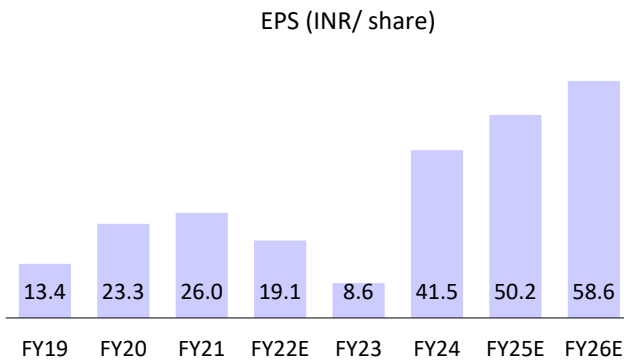
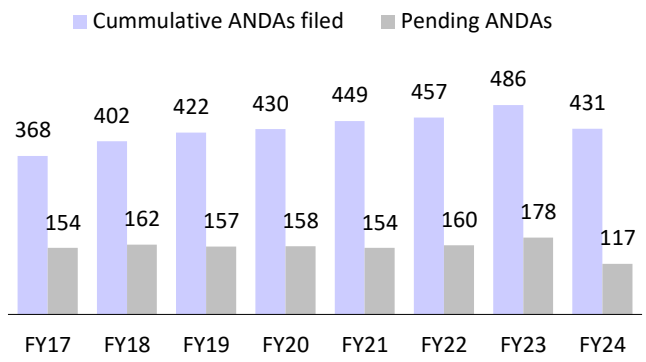


Exhibit 10: 117 ANDAs pending for approval



Source: MOFSL, Company,

Financials and valuations

Income Statement								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Net Sales	1,46,646	1,53,748	1,50,930	1,60,321	1,66,417	1,98,054	2,16,833	2,42,674	
Change (%)	-7.2	4.8	-1.8	6.2	3.8	19.0	9.5	11.9	
EBITDA	25,607	23,548	25,316	19,968	17,582	35,932	42,063	47,804	
Margin (%)	17.5	15.3	16.8	12.5	10.6	18.1	19.4	19.7	
Depreciation	8,461	9,702	8,874	8,220	8,807	9,956	10,242	10,400	
EBIT	17,147	13,846	16,442	11,748	8,775	25,977	31,821	37,403	
Int. and Finance Charges	3,025	3,630	1,406	1,428	2,743	3,116	2,806	2,641	
Other Income - Rec.	3,330	3,578	1,479	1,504	757	1,218	1,150	1,200	
PBT before EO item	17,452	13,794	16,515	11,824	6,790	24,079	30,164	35,963	
EO Expense/(Income)	3,400	6,261	-236	25,550	-375	-147	0	0	
PBT after EO item	14,052	7,533	16,751	-13,726	7,165	24,227	30,164	35,963	
Tax	8,879	11,571	4,485	1,372	2,688	4,867	7,240	9,171	
Tax Rate (%)	63.2	153.6	26.8	-10.0	37.5	20.1	24.0	25.5	
Less: Minority Interest	52	-43	-101	-183	-176	-211	-97	-97	
Reported PAT	5,121	-3,995	12,165	-15,280	4,301	19,149	22,827	26,695	
PAT Adj for EO items	6,066	10,572	11,790	8,699	3,915	18,875	22,827	26,695	
Change (%)	-58.0	74.3	11.5	-26.2	-55.0	382.1	20.9	16.9	
Margin (%)	4.1	6.9	7.8	5.4	2.4	9.5	10.5	11.0	
Adj Net Profit	6,066	10,572	11,790	8,699	3,915	18,875	22,827	26,695	

Consolidated Balance Sheet								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Equity Share Capital	905	906	907	909	910	909	909	909	
Total Reserves	1,36,517	1,24,461	1,37,124	1,20,624	1,23,695	1,41,992	1,63,492	1,88,860	
Net Worth	1,37,422	1,25,367	1,38,031	1,21,533	1,24,605	1,42,901	1,64,401	1,89,769	
Minority Interest	469	445	550	687	783	831	928	1,025	
Deferred liabilities	-4,457	252	496	711	738	-567	-567	-567	
Secured Loan	70,546	25,180	6,133	6,147	4,153	3,115	2,865	2,615	
Unsecured Loan	15,802	24,928	30,494	37,023	42,165	26,699	22,699	18,699	
Total Loans	86,347	50,108	36,627	43,170	46,318	29,814	25,564	21,314	
Capital Employed	2,19,781	1,76,172	1,75,704	1,66,101	1,72,444	1,72,979	1,90,326	2,11,541	
Gross Block	72,189	76,431	85,479	95,368	1,05,127	1,17,618	1,23,696	1,30,360	
Less: Accum. Deprn.	23,073	32,776	41,650	49,870	58,677	68,632	78,874	89,274	
Net Fixed Assets	49,115	43,656	43,829	45,498	46,450	48,986	44,822	41,086	
Capital WIP	10,186	7,582	8,515	8,475	8,948	5,957	6,328	6,514	
Investments	22,954	23,743	24,549	9,000	5,169	10,747	10,747	10,747	
Goodwill & Intangibles	67,963	37,540	37,126	31,306	40,534	41,566	41,566	41,566	
Curr. Assets	1,21,935	1,35,575	1,20,283	1,22,236	1,26,861	1,29,656	1,57,712	1,88,682	
Inventory	38,368	34,569	40,920	46,307	44,918	49,539	53,127	59,821	
Account Receivables	51,498	54,459	44,743	42,619	44,807	46,920	53,505	61,095	
Cash and Bank Balance	9,872	24,543	17,425	10,981	12,931	12,025	29,856	46,484	
Others	22,197	22,004	17,195	22,328	24,205	21,171	21,223	21,281	
Curr. Liability & Prov.	52,372	71,924	58,598	50,414	55,519	63,931	70,848	77,053	
Account Payables	41,390	59,884	47,460	42,254	46,937	54,928	61,845	68,049	
Provisions	10,982	12,040	11,139	8,160	8,581	9,003	9,003	9,003	
Net Current Assets	69,563	63,651	61,685	71,822	71,342	65,725	86,864	1,11,629	
Appl. of Funds	2,19,781	1,76,172	1,75,704	1,66,101	1,72,444	1,72,979	1,90,326	2,11,541	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
EPS (Fully Diluted)	13.4	23.3	26.0	19.1	8.6	41.5	50.2	58.7
Cash EPS (Fully Diluted)	32.1	44.8	45.5	37.2	28.0	63.4	72.8	81.6
BV/Share	303.7	276.7	304.2	267.4	273.9	314.4	361.7	417.5
DPS	5.0	9.0	7.0	9.0	2.0	2.5	2.5	2.5
Payout (%)	53.3	-119.0	30.4	-31.3	24.7	6.9	5.8	5.0
Valuation (x)								
P/E (Fully Diluted)	120.0	69.1	61.9	84.1	187.0	38.7	32.0	27.4
Cash P/E (Fully Diluted)	50.1	36.0	35.3	43.2	57.5	25.4	22.1	19.7
P/BV	5.3	5.8	5.3	6.0	5.9	5.1	4.4	3.9
EV/Sales	5.5	4.9	5.0	4.7	4.6	3.8	3.3	2.9
EV/EBITDA	31.4	32.0	29.5	38.1	43.3	20.8	17.2	14.7
Return Ratios (%)								
RoE	4.4	8.0	9.0	6.7	3.2	14.1	14.9	15.1
RoCE	3.5	4.8	7.5	8.6	3.5	12.6	13.8	14.3
RoIC	3.6	5.1	9.8	9.8	3.9	14.3	16.8	19.1
Working Capital Ratios								
Asset Turnover (x)	0.7	0.9	0.9	1.0	1.0	1.1	1.1	1.1
Fixed Asset Turnover (x)	3.0	3.3	3.5	3.6	3.6	4.2	4.6	5.6
Debtor (Days)	128	129	108	97	98	86	90	92
Creditor (Days)	184	162	137	129	136	163	154	156
Inventory (Days)	95	82	99	105	99	91	89	90
Leverage Ratio								
Current Ratio	2.3	1.9	2.1	2.4	2.3	2.0	2.2	2.4
Interest Cover Ratio	5.7	3.8	11.7	8.2	3.2	8.3	11.3	14.2
Debt/Equity (x)	0.6	0.2	0.1	0.3	0.3	0.1	0.0	-0.1

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
EBITDA	25,607	23,548	25,316	19,968	17,582	35,932	42,063	47,804
Interest/Dividends Recd.	3,330	3,578	1,479	1,504	441	835	1,150	1,200
Direct Taxes Paid	-9,026	-6,862	-4,242	-1,156	-2,432	-3,261	-7,240	-9,171
(Inc)/Dec in WC	-1,888	20,583	-5,152	-16,581	3,265	855	-3,308	-8,138
CF from Operations	18,023	40,847	17,401	3,735	18,857	34,361	32,664	31,695
Others	2,036	-19,897	581	25,488	-261	2,269	2	2
EO expense	3,400	6,261	-236	25,550	-375	-147	0	0
CF from Op. incl EO Exp.	16,660	14,688	18,218	3,673	18,972	36,777	32,666	31,697
(inc)/dec in FA	-6,123	28,785	-9,567	-4,029	-17,521	-10,631	-6,450	-6,850
Free Cash Flow	11,900	69,631	7,834	-294	1,336	23,730	26,214	24,845
(Pur)/Sale of Investments	-8,746	-788	-806	15,549	3,958	-5,374	0	0
Others	-17,956	-16,926	-4,166	1,402	696	-1,117	0	0
CF from Investments	-32,825	11,070	-14,539	12,922	-12,868	-17,122	-6,450	-6,850
Change in Net Worth	-724	-3,286	4,403	3,888	19	145	0	0
Inc/(Dec) in Debt	14,108	-36,240	-13,480	6,543	1,728	-16,171	-4,250	-4,250
Interest Paid	-3,025	-3,630	-1,406	-1,428	-3,295	-3,988	-2,806	-2,641
Dividend Paid	-2,728	-4,755	-3,788	-4,786	-1,825	-1,828	-1,329	-1,329
CF from Fin. Activity	7,441	-8,906	-18,852	-15,723	-4,154	-20,561	-8,385	-8,220
Inc/Dec of Cash	-8,724	16,853	-15,173	872	1,950	-906	17,831	16,627
Add: Beginning Balance	14,164	5,441	22,293	7,119	7,991	9,942	9,036	26,866
Cash/Cash Eq. at end of the year	5,441	22,293	7,119	7,991	9,942	9,036	26,866	43,494
Forex/Bank	4,431	2,250	10,305	2,990	2,990	2,990	2,990	2,990
Closing Balance	9,872	24,543	17,425	10,981	12,931	12,026	29,856	46,484

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NOTES

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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