

# Lupin

## US and India on steady footing; upgrade to ADD

We upgrade Lupin (LPC) to ADD from REDUCE with a revised TP of INR 2,440 (31x Q3FY27E, up from INR 1,950 at 28x Q1FY27E). Our outlook is based on key factors: (1) traction in gSpiriva (launched in Aug'23), which we expect to remain a limited competition opportunity for the next 2 years; (2) steady momentum in the key respiratory franchise products (Brovana, Xopenex HFA) as well as in other key products (Levothyroxine), which should offset the impact of increased competition in Albuterol HFA; (3) continued traction in recent launches (gMyrbetriq, gNascobal, gBromday/gProlensa, gOracea); (4) improved visibility for significant launches like Tolvaptan (gJynarque); (5) other important launches across ophthalmology, injectables, and respiratory segments, supported by key plant clearances from the USFDA; and (6) steady growth in the India business driven by new launches, MR additions, and market share gains in chronic therapies, offsetting the impact of patent expirations for in-licensing products. Accordingly, we have raised our EPS estimates by 1% and 10% for FY25 and FY26, respectively. Over FY19-24, Lupin delivered a 7% sales CAGR and an 8% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 9% for FY24-27E and an EBITDA margin improvement to ~22% in FY27E (from 19.0% in FY24), resulting in an EBITDA CAGR of 14% and an EPS CAGR of 21% over FY24-27E.

**US Business to See Steady Growth:** Lupin's US business in FY24 has emerged from a negative growth trajectory seen over FY19-23 (negative CAGR of 4%) with strong 30% YoY growth in FY24, driven by key launches (gSpiriva, gPrezista, gSuprep) and a moderation in price erosion that has supported improvements in the base business. Near-term growth in the US is expected to remain strong, with an estimated ~11% CAGR over FY24-26E, supported by steady traction in gSpiriva, significant launches such as gMyrbetriq and Bromfenac (in FY25) and an exclusive opportunity in gJynarque (Tolvaptan; in FY26). We expect a 5% decline in US sales in FY27, primarily due to a tapering in gMyrbetriq (in FY26) and gSpiriva/ gJynarque (in FY27), which will be partially offset by new launches. We project a 5% US sales CAGR over FY24-27E.

**India Business to Outpace IPM Growth:** Lupin recorded ~8% CAGR over FY19-24 according to IQVIA (reported CAGR at 7%) due to underperformance in key segments impacted by patent expirations of in-licensed products (Sitagliptin, Cidmus, Linagliptin). Moving forward, we anticipate an 11% sales CAGR over FY24-27E, driven by traction in the key chronic segment (CVS and anti-diabetes), MR additions, new launches, in-licensing, and M&As (bolt-on, specialty).

**R&D Allocation on Niche Portfolio:** LPC's R&D focus is centred on an injectable portfolio (40+ in the pipeline), respiratory (20+ inhalers; Dulera, Ellipta franchise), biosimilars (Etanercept, Pegfilgrastim, Ranibizumab), select 505(b)(2) product opportunities, novel molecules (MALT1 inhibitor – for a range of hematological cancers), and the implants/ drug-devices combination space.

### Financial Summary

YE March (INR bn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
US sales (USD mn)	748	772	674	876	972	1,086	1,028
Net Sales	152	164	166	200	222	248	259
EBITDA	27	21	17	38	47	55	57
APAT	13	7	4	21	29	34	36
Diluted EPS (INR)	28.2	15.9	8.4	45.4	63.4	75.7	79.7
P/E (x)	77.7	137.4	261.4	48.3	34.5	28.9	27.5
EV / EBITDA (x)	37.9	48.7	59.6	26.5	21.3	17.7	16.8
RoCE (%)	10	3	5	16	20	21	20

Source: Company, HSIE Research

## ADD

CMP (as on 4 Nov 2024)	INR 2,188
Target Price	INR 2,440
NIFTY	23,995

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 1950	INR 2440
EPS %	FY25E 1.3	FY26E 10.0

### KEY STOCK DATA

Bloomberg code	LPC IN
No. of Shares (mn)	456
MCap (INR bn) / (\$ mn)	998/11,867
6m avg traded value (INR mn)	2,694
52 Week high / low	INR 2,312/1,113

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.6	32.2	84.4
Relative (%)	14.3	25.6	62.0

### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	46.98	46.96
FIs & Local MFs	26.78	25.09
FPIs	19.32	21.5
Public & Others	6.92	6.45
Pledged Shares	-	-

Source : BSE

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**Debt Reduction and Improved Return Ratios:** LPC has reduced its gross debt to INR 26.6 bn as of Mar'24 (a reduction of ~INR 55.5 bn over FY19-24) and expects to turn net cash in FY25 (net cash at INR 195 mn as of Jun'24), enabling M&A opportunities. Additionally, LPC has improved its RoE and RoCE over the last five years. We expect return ratios to continue improving over FY24-27, driven by steady growth and margin enhancement.

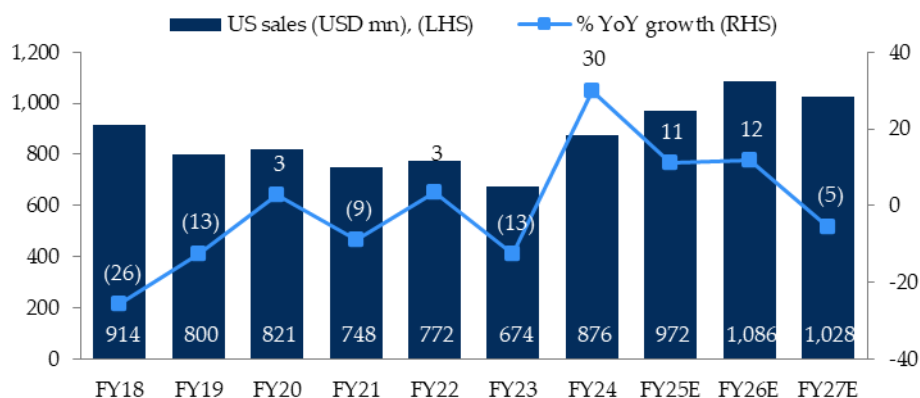
### US Business to See Steady Growth

Lupin's US business (37% of sales) saw strong growth after the successful launch of gGlumetza in FY17, which increased sales by 54% YoY. However, over FY19-23, the business struggled with a negative CAGR of 4% due to several factors: (1) price erosion in its base business, (2) rising competition in key products like gGlumetza, (3) a lower number of new product launches (only 67 products, with few high-value launches – Albuterol HFA and other respiratory portfolio), (4) plant-related issues that disrupted US supplies and delayed new approvals, (5) portfolio rationalization in FY23 (down 13% YoY) to focus on profitability, and (6) increased competition in branded products like Methergine, Suprax, and Antara, with continued weak performance in its acquired brand, Solosec, due to lower-than-expected traction.

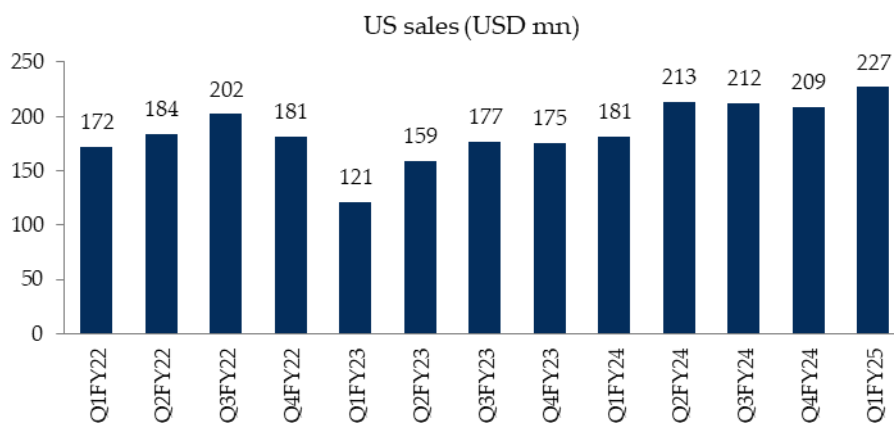
However, in FY24, Lupin's US business reversed the negative growth trend seen in FY19-23, achieving a strong 30% YoY growth, driven by key launches (gSpiriva, gPrezista, gSuprep) and a moderation in price erosion that helped improve the base business. This contributed to robust overall growth of ~30% to USD 876 million in FY24. Over the same period, Lupin has strengthened its presence in respiratory segment with multiple launches such as Albuterol HFA, gPulmicort, branded portfolio like Brovana (Arformoterol tartrate) and Xopenex HRA (levalbuterol tartrate) which the company acquired from Sunovion in FY23 (for ~USD 82.5 mn), and gSpiriva. As of Mar'24, respiratory (inhalation) portfolio for Lupin contributed ~40% of sales.

Looking ahead, we expect near-term growth in the US to remain strong, with an estimated ~11% CAGR over FY24-26E, supported by steady traction in gSpiriva, key launches such as gMyrbetriq and Bromfenac (in FY25), as well as an exclusive opportunity in gJynarque (Tolvaptan; in FY26). For FY27, we anticipate a 5% decline in US sales, largely due to tapering sales of gMyrbetriq (in FY26) and gSpiriva/gJynarque (in FY27). This decline will be partially offset by new launches (gEntresto, gEdarbi, gSprycel, gSaxenda/gVictoza, gRevlimid, gAptiom, gRexulti, gBriviact), and several potential respiratory launches (e.g., Risperidone Consta, gDulera). We project a 5% US sales CAGR over FY24-27E.

### Exhibit 1: US business to see steady growth



Source: Company, HSIE Research

**Exhibit 2: US sales rate is improving QoQ**


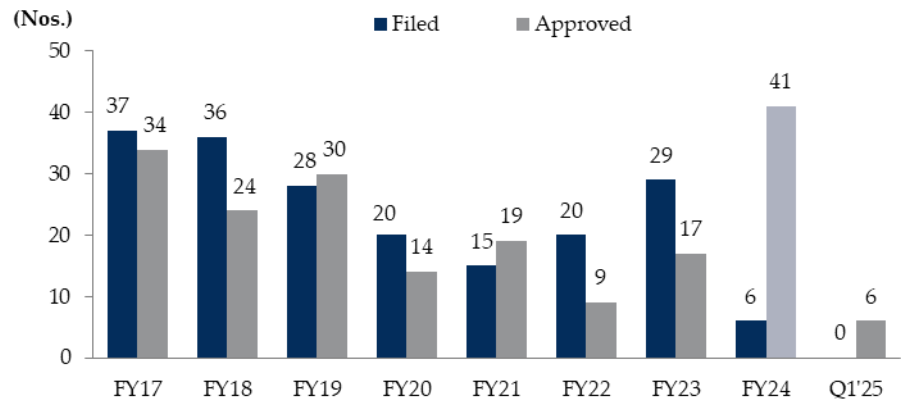
Source: Company, HSIE Research

**Exhibit 3: Lupin key product opportunities**

Sr No.	Brand Name	API	Innovator	Brand Annual Sales (USD mn)	Expected launch	Current Status
1	Pred Forte	Prednisolone Acetate	Abbvie	198	Launched	Lupin launched in Oct'24 under 180 days CGT exclusivity
2	Aurxyia	Ferric Citrate	Keryx Biopharma	177	FY25 end	Innovator settled with them multiple Pharma companies for to market the generic version in the US beginning March 20, 2025
3	Entresto	Sacubitril; Valsartan	Novartis	1,712	FY26	Novartis expects generic entry in CY25
4	Sprycel	Dasatinib	BMS	1,497	FY26	Apotex launched under FTF exclusivity in Sep'24
5	Saxenda/ Victoza	Liraglutide	Novo Nordisk	1,113	FY26	Para IV litigation ongoing
6	Aptiom	Eslicarbazepine acetate	Sumitomo Pharma	249	FY26	Lupin has 180 days exclusivity
7	Risperidone	Risperidal Consta	J&J	296	FY26	Generic launch
8	Jynarque	Tolvaptan	Otsuka	1,233	FY26	Generic launch with 180 days exclusivity
9	Revlimid	Lenalidomide	BMS	5,266	FY26 end	Launch post patent expiry in Jan'26
10	Rexulti	Brexipiprazole	Otsuka	605	FY27	Launch post patent expiry in Apr'27
11	Briviact	Brivaracetam	UCB	700	FY27	Launch post patent expiry in Feb'26
12	Fanapt	Iloperidone	Vanda Pharma	91	Post FY27	Innovator settled for generic launch post patent expiry in 2027
13	Eliquis	Apixaban	BMS	8,592	Post FY27	Innovator settled with generic companies for generic launch on Apr'28
14	Ozempic	Semaglutide	Novo Nordisk	12,149	Post FY30	Innovator settled for generic launch
15	Ingrezza	Valbenazine Tosylate	Neurocrine Biosciences	1,994	Post FY30	Para IV litigation ongoing
16	Xarelto	Rivaroxaban	J&J	2,365	Post FY30	Para IV litigation ongoing
17	Erleada	Apalutamide	Janssen Biotech	1,065	Post FY30	Para IV litigation ongoing
18	Uptravi	Selexipag	Actelion Pharma	551	Post FY30	Para IV litigation ongoing

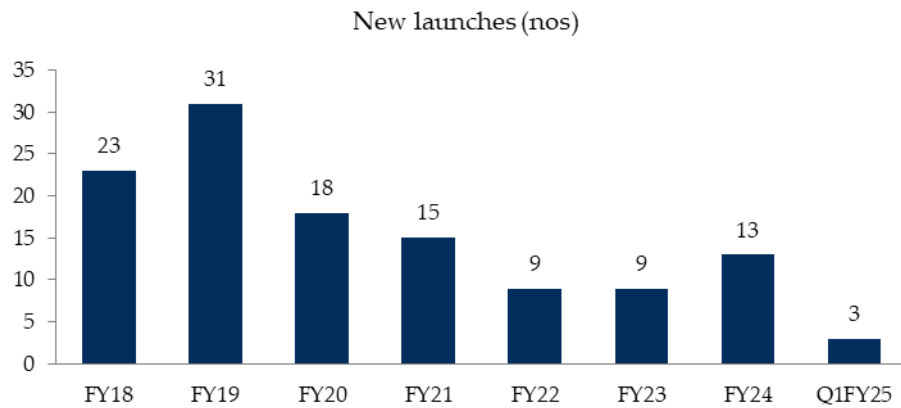
Source: Company, HSIE Research

**Exhibit 4: Approval and filing momentum to improve**



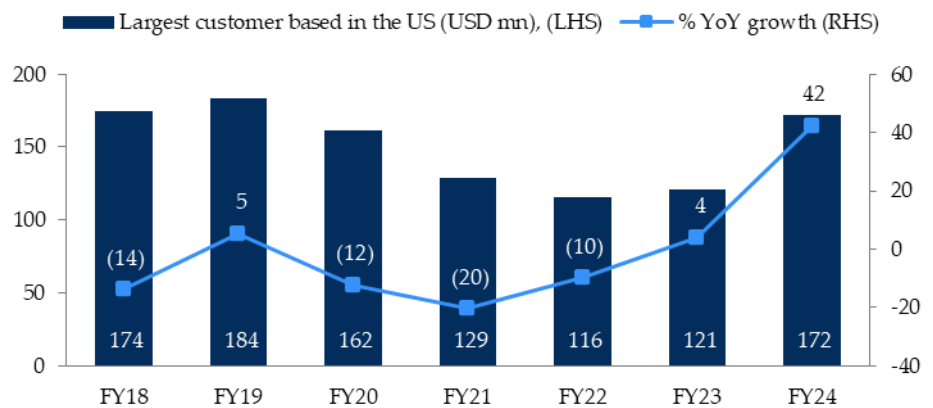
Source: Company, HSIE Research, USFDA

**Exhibit 5: Lupin expects to improve the new launch rate**



Source: Companies, HSIE Research

**Exhibit 6: US top 10 client contribution**



Source: Company, HSIE Research

**Exhibit 7: Lupin coming out of the USFDA-related issues at the plants**

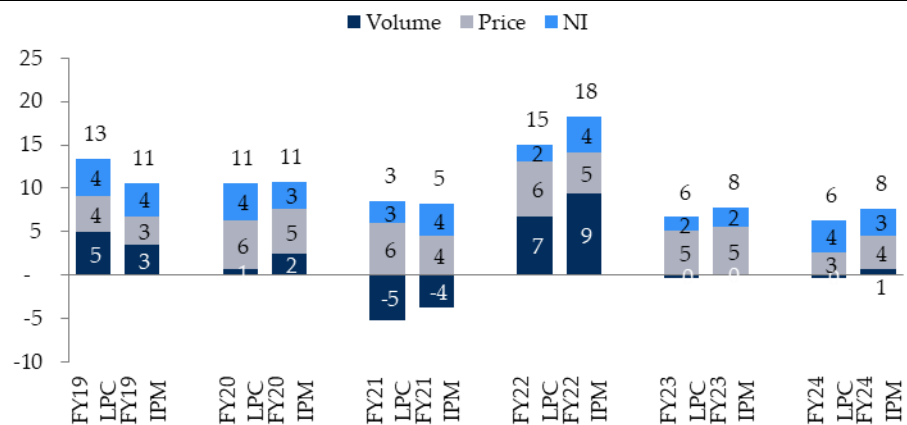
Inspection Date	Facility	No. of observations	Facility Status
Oct-24	Biotech Mfg (Pune)	5 (PAI)	-
Sep-24	Pithampur (Unit-1)	6	3 each for API + FP facility
Jun-24	Nagpur Injectable	0	-
May-24	Somerset	6 (PAI)	EIR in Jun'24
Apr-24	Dabhasa (API)	0 (cGMP)	EIR + NAI in Jul'24
Mar-24	Aurangabad plant	1	EIR + VAI (Apr'24)
Aug-23	Mandideep (Unit-2)	0	EIR + NAI (Oct'23)
Jul-23	Nagpur (Unit 1) - OSD	2	EIR (Sep'23)
Mar-23	Vizag - API	Nil	PAI, GMP ; EIR + NAI (Jun'23)
Nov-22	Mandideep (Unit-1)	16	8 obs each in API and DP facility
<b>Oct-22</b>	<b>Nagpur (Unit 2) injectable</b>	<b>5 (PAI)</b>	<b>EIR in Feb'23</b>
Oct-22	Biotech Mfg (Pune)	17 (PAI)	-
Mar-22	Somerset	13	<b>EIR (with VAI) in Jul'22</b> (was under WL from Jun'21)
Apr-22	Tarapur (API unit)	4	WL (Sep'22) 3 obs (Sep-19) -> OAI (Jan-20)
Feb-19	Goa	2	WL since Nov-17 (resolved - Jul'23) <b>EIR (with VAI) in Dec'21</b>
Mar-23	Pithampur (Unit-2)	10	EIR (Jul-23) with VAI status OAI (May-19) <b>WL (since Nov-17) - resolved Jul'23</b>
Dec-18	Mandideep (Unit-1)	18	WL (Sep-19) OAI (Mar-19)

Source: Company, HSIE Research, USFDA

**Steady India Growth Despite Impact of In-Licensed Product Patent Expiries**

Lupin's India formulation business (34% of FY24 sales) achieved an ~8% CAGR over FY19-24, according to IQVIA (reported CAGR at 7%). This growth was slower in key segments, including CVS (CAGR of ~8% vs. IPM at 11% over FY19-24), anti-diabetics (CAGR of ~8% vs. IPM at 9%), respiratory (CAGR of 12% vs. IPM at 13%), anti-infectives (CAGR of -0.3% vs. IPM at 9%), and CNS (CAGR of 9% vs. IPM at 10%). Coupled with the impact of patent expiries in its in-licensed products (Sitagliptin, Cidmus, Linagliptin), this led to a market share loss of ~29 bps, reducing Lupin's IPM share from 3.7% in FY19 to 3.4% in FY24. However, H1FY25 showed a slight market share recovery, with growth normalizing to align with IPM growth.

Looking forward, we project an 11% sales CAGR over FY24-27E, driven by traction in key chronic segments (CVS and anti-diabetes), MR additions (current count at 10,000+), new launches, in-licensing, and bolt-on/ specialty M&As.

**Exhibit 8: India business growth largely price-led**


Source: HSIE Research, IQVIA

**Exhibit 9: Cardiac, antidiabetics, gastro, respiratory steady; gynaec, pain management muted**

Lupin therapy YoY %	% of sales							
	FY24	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Cardiac	22%	8%	13%	13%	7%	9%	17%	14%
Anti Diabetic	20%	18%	13%	8%	1%	0%	7%	12%
Respiratory	15%	14%	-1%	33%	7%	8%	7%	6%
Gastro Intestinal	9%	8%	4%	17%	15%	8%	12%	11%
Anti-Infectives	7%	5%	-19%	12%	-2%	6%	9%	9%
Gynaec.	6%	7%	-4%	27%	27%	7%	-1%	-2%
Vitamins/Minerals/Nutrients	5%	8%	3%	19%	-6%	4%	10%	5%
Neuro / Cns	5%	10%	12%	9%	9%	4%	7%	10%
Pain / Analgesics	4%	8%	-12%	12%	12%	2%	3%	0%
Anti-Tb	3%	-6%	-9%	11%	13%	5%	30%	20%
<b>Lupin total</b>	<b>100%</b>	<b>10%</b>	<b>3%</b>	<b>15%</b>	<b>6%</b>	<b>6%</b>	<b>10%</b>	<b>9%</b>

Source: HSIE Research, IQVIA

**Exhibit 10: Gaining market share in CVS and anti-diabetics since FY23; continue to gain share in respiratory and losing market share in anti-infective**

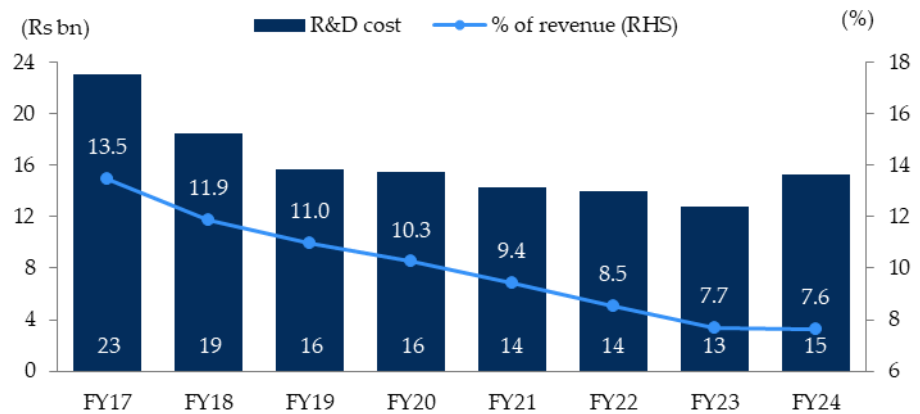
Lupin therapy MS %	% of sales								
	FY23	FY19	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Cardiac	22%	6.4	6.2	6.2	6.3	6.1	6.1	6.2	6.2
Anti Diabetic	20%	7.9	8.3	8.7	8.7	8.2	7.8	7.9	8.0
Respiratory	15%	5.8	5.8	6.2	5.8	5.8	6.1	7.2	6.2
Gastro Intestinal	9%	2.8	2.8	2.7	2.7	2.8	2.8	2.7	2.9
Anti-Infectives	7%	3.2	3.0	2.7	2.2	2.1	2.1	2.2	2.1
Gynaec.	6%	3.4	3.3	3.1	3.4	3.7	3.7	3.6	3.7
Vitamins/Minerals/Nutrients	5%	2.6	2.6	2.4	2.4	2.2	2.2	2.2	2.1
Neuro / Cns	5%	2.9	2.9	2.9	2.9	2.8	2.7	2.7	2.7
Pain / Analgesics	4%	2.3	2.2	2.0	1.8	1.8	1.7	1.7	1.6
Anti-Tb	3%	56.5	56.6	55.0	56.2	58.7	60.7	61.3	60.6
<b>Lupin total</b>	<b>100%</b>	<b>3.7</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>

Source: HSIE Research, IQVIA

**Exhibit 11: Top tier brands growing in single digit**

Lupin brands YoY	Therapy	% of sales								
		FY24	FY24 sales (Rs bn)	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Gluconorm-G	Anti Diabetic	4%	3.3	9%	11%	9%	5%	7%	14%	14%
Budamate	Respiratory	3%	2.6	20%	3%	22%	11%	19%	-1%	-6%
Huminsulin	Anti Diabetic	3%	2.0	2%	2%	5%	1%	-7%	1%	20%
Ivabrad	Cardiac	2%	1.4	13%	24%	22%	11%	11%	11%	16%
Rablet-D	Gastro Intestinal	2%	1.2	2%	5%	10%	12%	10%	5%	9%
Ajadoo	Anti Diabetic	1%	1.1	389%	41%	22%	8%	-7%	1%	1%
Tonact	Cardiac	1%	1.0	3%	9%	-1%	4%	-8%	16%	3%
Telekast-L	Respiratory	1%	0.9	7%	-5%	39%	15%	-9%	-6%	2%
Beplex Forte	Vitamins/Minerals/Nutrients	1%	0.9	10%	15%	13%	0%	3%	4%	3%
Signoflam	Pain / Analgesics	1%	0.9	12%	-2%	12%	15%	12%	7%	3%
<b>Top 10 brands</b>		<b>21%</b>	<b>15.2</b>	<b>16%</b>	<b>1%</b>	<b>13%</b>	<b>7%</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>
<b>11-25 brands</b>		<b>14%</b>	<b>10.3</b>	<b>10%</b>	<b>13%</b>	<b>10%</b>	<b>8%</b>	<b>0%</b>	<b>8%</b>	<b>10%</b>
<b>26-50 brands</b>		<b>16%</b>	<b>11.8</b>	<b>9%</b>	<b>9%</b>	<b>11%</b>	<b>2%</b>	<b>8%</b>	<b>11%</b>	<b>10%</b>
<b>Above 50 brands</b>		<b>49%</b>	<b>36.4</b>	<b>7%</b>	<b>0%</b>	<b>19%</b>	<b>7%</b>	<b>8%</b>	<b>12%</b>	<b>9%</b>
<b>Lupin total</b>		<b>100%</b>	<b>73.7</b>	<b>10%</b>	<b>3%</b>	<b>15%</b>	<b>6%</b>	<b>6%</b>	<b>10%</b>	<b>9%</b>

Source: HSIE Research, IQVIA

**Exhibit 12: R&D as % of sales declining, given focus on developing complex product pipeline**


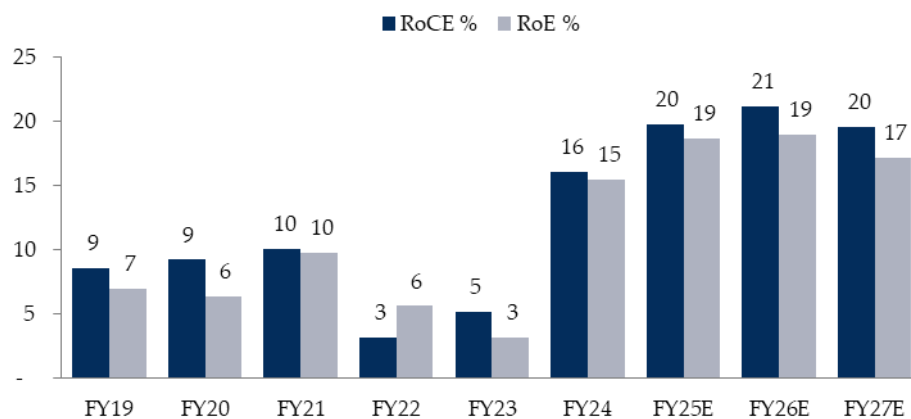
Source: Company, HSIE Research

**Exhibit 13: Complex portfolio under development**

Complex pipeline	Comments
Respiratory	<ul style="list-style-type: none"> <li>- Developing portfolio with focus across MDIs, DPIs, Soft-Mist Inhalers, Nasal Sprays and Nebules.</li> <li>- 20+ inhaler under pipeline.</li> <li>- Elipta made significant progress.</li> <li>- Respiamat trials are under progress and expects further development in FY25.</li> <li>- Few products in green propellant inhaler space.</li> <li>- Working on few more nasal sprays</li> </ul>
Injectables	<ul style="list-style-type: none"> <li>- Developing portfolio with 40+ products under development.</li> <li>- ForDoz pharma: In- licensed 2 complex injectables; received approval for Doxorubicin liposomal injection in Jul'19.</li> <li>- Partnered with Caplin point for generic injectable products.</li> <li>- Filed Liraglutide and launch is subjected to outcome of para IV litigation in the US.</li> <li>- Glucagon is key product in the near term expects approval/ launch in FY25/26.</li> <li>- Expects 2-3 launched in FY25.</li> <li>- Completed clinical trials for Risperdal Consta (Risperidone) and expects approval/ launch in FY26/27.</li> </ul>
Biosimilar	<ul style="list-style-type: none"> <li>- Etanercept (with Viatris) progressing well to enter the US, under review with the USFDA.</li> <li>- Pegfilgrastim filed with the USFDA for review; struck with observations at Pune plant; expects to reply to USFDA by Mar'24.</li> <li>- Ranibizumab is under clinical trials; recently completed patient recruitment; expects to file with the USFDA in FY25/26.</li> </ul>
Licensing deals	<ul style="list-style-type: none"> <li>- <b>MALT1 inhibitor program</b></li> <li>- Partnered with AbbVie; trials are ongoing for the treatment across a range of haematological cancers.</li> <li>- USD 30 mn up-front payment in Q3FY19; rest are commercial milestones of up to USD 947 mn.</li> <li>- Received licensing income of USD 25 mn in Q1FY24 as part of successful achievement of key milestones in Phase 1.</li> <li>- <b>MEK inhibitor compound</b></li> <li>- Partnered with Boehringer Ingelheim; oncology molecules.</li> <li>- USD 20 mn up-front payment in Q2FY20; eligible for total milestones of &gt;USD 700 mn and royalties on product sales.</li> <li>- Received licensing income of USD 50 mn in Q1FY22 for achievement of key milestones.</li> </ul>
Long-term goals	<ul style="list-style-type: none"> <li>- <b>Complex generics launches in regulated markets by 2028:</b> 20+ complex product launches in the areas of inhalation, injectables, amongst others.</li> <li>- <b>Biosimilar and Novel complex products by 2028:</b> Complete 3 biosimilar filings in regulated markets; Launch 10 novel complex pipeline products in India.</li> </ul>

Source: Company, HSIE Research



**Exhibit 14: Return ratio to improve on back of improving profitability**


Source: Company, HSIE Research

**Exhibit 15: Debt reduction over last few years**

INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross debt	84,961	63,053	47,830	38,442	42,441	26,699	24,199	20,699	12,699
Lease liabilities	-	-	3,461	3,142	2,975	2,519	2,544	2,569	2,595
<b>Total debt</b>	<b>84,961</b>	<b>63,053</b>	<b>51,291</b>	<b>41,584</b>	<b>45,415</b>	<b>29,218</b>	<b>26,743</b>	<b>23,268</b>	<b>15,294</b>
Cash and bank balance	9,872	24,543	17,425	10,981	12,931	12,025	21,676	35,589	51,271
Current investments	21,099	23,383	23,768	8,224	4,398	8,469	8,469	8,469	8,469
<b>Total cash</b>	<b>30,971</b>	<b>47,926</b>	<b>41,193</b>	<b>19,205</b>	<b>17,329</b>	<b>20,495</b>	<b>30,146</b>	<b>44,058</b>	<b>59,740</b>
Net debt	53,990	15,128	10,098	22,379	28,086	8,723	(3,403)	(20,790)	(44,446)
Gross debt to Equity	0.6	0.5	0.4	0.3	0.4	0.2	0.2	0.1	0.1
Net debt to Equity	0.4	0.1	0.1	0.2	0.2	0.1	(0.0)	(0.1)	(0.2)
Gross debt to EBITDA	5.4	5.3	5.2	5.8	7.2	3.8	3.5	3.6	4.0
Net debt to EBITDA	2.1	0.6	0.4	1.1	1.6	0.2	(0.1)	(0.4)	(0.8)

Source: Company, HSIE Research



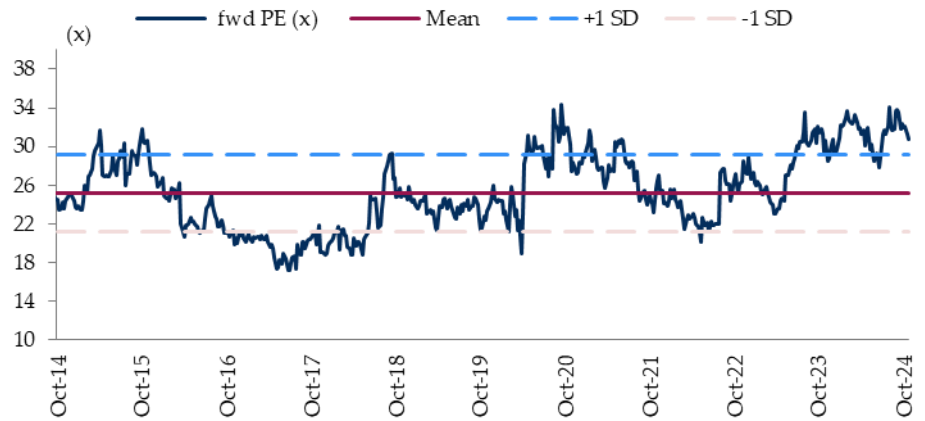
## Exhibit 16: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY24 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>US</b>	<b>37</b>	<b>55,924</b>	<b>58,212</b>	<b>55,520</b>	<b>57,556</b>	<b>54,173</b>	<b>72,462</b>	<b>81,673</b>	<b>92,349</b>	<b>87,347</b>
% growth		(5)	4	(5)	4	(6)	34	13	13	(5)
<b>US (USD mn)</b>		<b>800</b>	<b>821</b>	<b>748</b>	<b>772</b>	<b>674</b>	<b>876</b>	<b>972</b>	<b>1,086</b>	<b>1,028</b>
% growth		(13)	3	(9)	3	(13)	30	11	12	(5)
<b>India</b>	<b>34</b>	<b>46,382</b>	<b>51,385</b>	<b>52,712</b>	<b>60,042</b>	<b>60,759</b>	<b>66,564</b>	<b>74,552</b>	<b>82,752</b>	<b>91,855</b>
% growth		12	11	3	14	1	10	12	11	11
<b>Growth market</b>	<b>8</b>	<b>11,258</b>	<b>12,212</b>	<b>11,964</b>	<b>14,019</b>	<b>17,258</b>	<b>18,266</b>	<b>21,126</b>	<b>23,553</b>	<b>26,406</b>
% growth		(64)	8	(2)	17	23	6	16	11	12
<b>EMEA</b>	<b>10</b>	<b>11,906</b>	<b>12,364</b>	<b>12,781</b>	<b>13,592</b>	<b>15,514</b>	<b>19,235</b>	<b>21,228</b>	<b>23,635</b>	<b>26,266</b>
% growth		6	4	3	6	14	24	10	11	11
<b>RoW</b>	<b>3</b>	<b>2,143</b>	<b>2,815</b>	<b>2,470</b>	<b>3,081</b>	<b>3,904</b>	<b>6,568</b>	<b>7,093</b>	<b>7,945</b>	<b>8,819</b>
% growth		25	31	(12)	25	27	68	8	12	11
<b>Total formulation sales</b>	<b>94</b>	<b>1,27,613</b>	<b>1,36,988</b>	<b>1,35,447</b>	<b>1,48,290</b>	<b>1,51,608</b>	<b>1,83,095</b>	<b>2,05,673</b>	<b>2,30,233</b>	<b>2,40,692</b>
% growth		(12)	7	(1)	9	2	21	12	12	5
<b>API</b>	<b>6</b>	<b>13,465</b>	<b>12,999</b>	<b>13,823</b>	<b>9,904</b>	<b>11,092</b>	<b>11,415</b>	<b>12,214</b>	<b>12,947</b>	<b>13,724</b>
% growth		23	(3)	6	(28)	12	3	7	6	6
<b>Gross sales</b>		<b>1,41,078</b>	<b>1,49,987</b>	<b>1,49,270</b>	<b>1,58,194</b>	<b>1,62,700</b>	<b>1,94,510</b>	<b>2,17,887</b>	<b>2,43,180</b>	<b>2,54,416</b>
% growth		(9)	6	(0)	6	3	20	12	12	5
NCE Licensing Income		2,103	1,441	-	3,734	-	2,053	-	-	-
<b>Total sales</b>		<b>1,43,181</b>	<b>1,51,428</b>	<b>1,49,270</b>	<b>1,61,928</b>	<b>1,62,700</b>	<b>1,96,563</b>	<b>2,17,887</b>	<b>2,43,181</b>	<b>2,54,416</b>
% growth		(8)	6	(1)	8	0	21	11	12	5
Other operating income		3,465	2,320	2,360	2,127	3,717	3,545	3,922	4,377	4,579
% growth		42	(33)	2	(10)	75	(5)	11	12	5
<b>Total revenues</b>		<b>1,46,646</b>	<b>1,53,748</b>	<b>1,51,630</b>	<b>1,64,055</b>	<b>1,66,417</b>	<b>2,00,108</b>	<b>2,21,809</b>	<b>2,47,558</b>	<b>2,58,996</b>
% growth		(7)	5	(1)	8	1	20	11	12	5
<b>Gross profit</b>		<b>97,185</b>	<b>99,442</b>	<b>98,007</b>	<b>99,242</b>	<b>98,619</b>	<b>1,33,674</b>	<b>1,51,939</b>	<b>1,71,062</b>	<b>1,78,448</b>
Gross margin %		66.3	64.7	64.6	60.5	59.3	66.8	68.5	69.1	68.9
<b>EBITDA</b>		<b>25,607</b>	<b>23,548</b>	<b>26,578</b>	<b>20,972</b>	<b>17,206</b>	<b>38,000</b>	<b>47,552</b>	<b>55,205</b>	<b>56,979</b>
EBITDA margin %		17.5	15.3	17.5	12.8	10.3	19.0	21.4	22.3	22.0
<b>Adj PAT</b>		<b>9,510</b>	<b>7,907</b>	<b>12,831</b>	<b>7,260</b>	<b>3,816</b>	<b>20,669</b>	<b>28,901</b>	<b>34,492</b>	<b>36,325</b>
% growth		(20)	(17)	62	(43)	(47)	442	40	19	5

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs

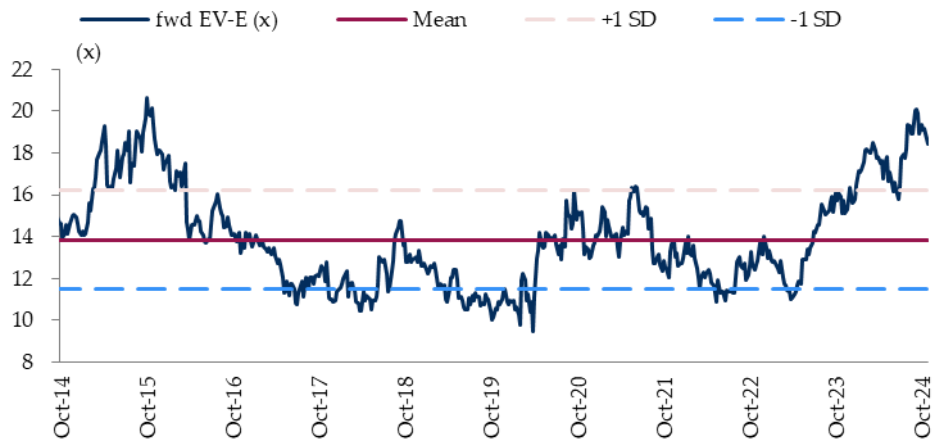
Over FY19-24, Lupin delivered a 7% sales CAGR and an 8% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 9% for FY24-27E and an EBITDA margin improvement to ~22% in FY27E (from 19.0% in FY24), resulting in an EBITDA CAGR of 14% and an EPS CAGR of 21% over FY24-27E. Our outlook is based on key factors: (1) steady growth in the US business (traction in gSpiriva, respiratory franchise, continued traction in recent launches new launches like Tolvaptan), and (2) steady growth in the India business driven by new launches, MR additions, and market share gains in chronic therapies, offsetting the impact of patent expirations for in-licensing products. **We upgrade Lupin to ADD from REDUCE with a revised TP of INR 2,440 (31x Q3FY27E, up from INR 1,950 at 28x Q1FY27E).**

Exhibit 17: PE chart



Source: Bloomberg, HSIE Research

Exhibit 18: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

## Financials (Consolidated)

### Profit & loss (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	1,51,428	1,49,270	1,61,928	1,62,700	1,96,563	2,17,887	2,43,181	2,54,416
Other operating income	2,320	2,360	2,127	3,717	3,545	3,922	4,377	4,579
<b>Total operating income</b>	<b>1,53,748</b>	<b>1,51,630</b>	<b>1,64,055</b>	<b>1,66,417</b>	<b>2,00,108</b>	<b>2,21,809</b>	<b>2,47,558</b>	<b>2,58,996</b>
Cost of goods sold	-54,306	-53,622	-64,812	-67,798	-66,435	-69,870	-76,495	-80,548
Gross profit	99,442	98,007	99,242	98,619	1,33,674	1,51,939	1,71,062	1,78,448
Gross margin (%)	65	65	60	59	67	69	69	69
Total operating expenses	-75,894	-71,429	-78,270	-81,413	-95,673	-1,05,138	-1,15,857	-1,21,469
<b>EBITDA</b>	<b>23,548</b>	<b>26,578</b>	<b>20,972</b>	<b>17,206</b>	<b>38,000</b>	<b>46,802</b>	<b>55,205</b>	<b>56,979</b>
EBITDA margin (%)	15.3	17.5	12.8	10.3	19.0	21.1	22.3	22.0
Depreciation	-9,702	-8,874	-16,587	-8,807	-9,956	-10,147	-10,767	-11,208
<b>EBIT</b>	<b>13,846</b>	<b>17,704</b>	<b>4,385</b>	<b>8,399</b>	<b>28,045</b>	<b>36,655</b>	<b>44,439</b>	<b>45,771</b>
Net interest	-3,630	-1,406	-1,428	-2,743	-3,116	-2,648	-2,210	-1,376
Other income	2,916	1,363	1,417	734	1,202	1,672	1,770	1,940
<b>Profit before tax</b>	<b>7,533</b>	<b>16,751</b>	<b>-13,726</b>	<b>7,165</b>	<b>24,223</b>	<b>34,475</b>	<b>43,999</b>	<b>46,335</b>
Total taxation	-11,571	-4,485	-1,372	-2,688	-4,867	-7,045	-9,240	-9,730
Tax rate (%)	154	27	-10	38	20	20	21	21
Profit after tax	-4,039	12,266	-15,097	4,477	19,356	27,430	34,759	36,605
Minorities	-4	114	187	176	211	243	267	280
Profit/ Loss associate co(s)	39	13	4	0	0	0	0	0
<b>Adjusted net profit</b>	<b>7,907</b>	<b>12,831</b>	<b>7,260</b>	<b>3,816</b>	<b>20,669</b>	<b>28,901</b>	<b>34,492</b>	<b>36,325</b>
Adj. PAT margin (%)	5	9	4	2	11	13	14	14
Net non-recurring items	-10,601	-666	-22,541	485	-1,524	-964	0	0
<b>Reported net profit</b>	<b>-2,694</b>	<b>12,165</b>	<b>-15,280</b>	<b>4,301</b>	<b>19,145</b>	<b>27,938</b>	<b>34,492</b>	<b>36,325</b>

### Balance sheet (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Paid-up capital	906	907	909	910	911	911	911	911
Reserves & surplus	1,24,461	1,37,124	1,20,624	1,23,735	1,41,992	1,65,842	1,95,263	2,26,243
Net worth	1,25,812	1,38,581	1,22,220	1,25,428	1,43,735	1,67,827	1,97,516	2,28,775
Borrowing	42,860	51,291	41,584	45,415	29,218	26,743	23,268	15,294
Other non-current liabilities	13,761	8,488	10,401	10,158	10,207	10,392	10,535	10,689
<b>Total liabilities</b>	<b>2,49,839</b>	<b>2,36,104</b>	<b>2,18,212</b>	<b>2,29,560</b>	<b>2,39,972</b>	<b>2,66,203</b>	<b>2,96,939</b>	<b>3,21,820</b>
Gross fixed assets	1,23,090	1,27,643	1,38,662	1,58,586	1,73,397	1,83,947	1,94,497	2,05,047
Less: Depreciation	-62,224	-68,460	-86,087	-97,222	-1,07,864	-1,18,011	-1,28,777	-1,39,985
Net fixed assets	60,866	59,183	52,575	61,365	65,533	65,936	65,719	65,061
Add: Capital WIP	9,396	10,663	11,463	12,380	7,725	8,769	8,769	8,769
Total fixed assets	70,263	69,846	64,038	73,745	73,258	74,704	74,488	73,830
Total Investment	23,743	24,549	9,000	5,169	10,746	10,752	10,757	10,763
Inventory	34,569	40,920	46,307	44,918	49,539	55,452	61,889	64,749
Debtors	54,459	44,743	42,619	44,807	46,921	51,755	57,764	60,432
Cash & bank	24,543	17,425	10,981	12,931	12,025	21,676	35,589	51,271
Loans & advances	846	16	25	62	62	63	72	80
Current liabilities	67,405	37,745	44,008	48,558	56,813	61,240	65,620	67,063
Total current assets	1,30,920	1,16,040	1,15,970	1,19,789	1,25,637	1,49,354	1,79,080	2,03,209
Net current assets	63,515	78,295	71,962	71,230	68,824	88,114	1,13,460	1,36,146
Other non-current assets	6,398	6,046	7,963	8,670	7,080	8,142	9,364	10,768
<b>Total assets</b>	<b>2,49,839</b>	<b>2,36,104</b>	<b>2,18,212</b>	<b>2,29,560</b>	<b>2,39,972</b>	<b>2,66,203</b>	<b>2,96,939</b>	<b>3,21,820</b>

Source: Company, HSIE Research

**Cash flow (INR mn)**

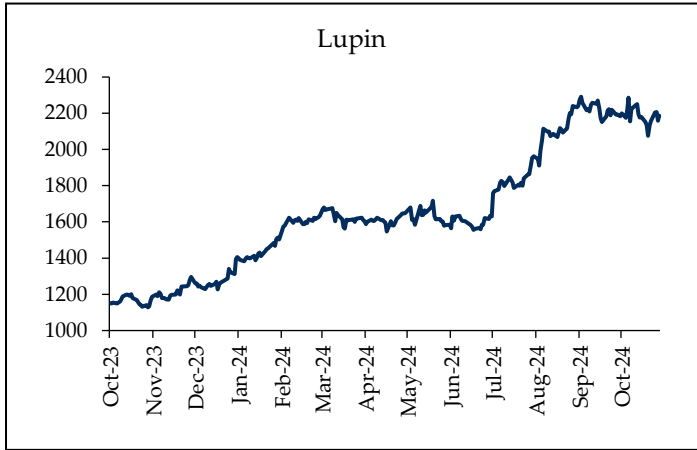
March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	7,533	16,751	-13,726	7,165	24,223	34,475	43,999	46,335
Depreciation & Amortisation	-9,702	-8,874	-16,587	-8,807	-9,956	-10,147	-10,767	-11,208
Chg in working capital	-7,296	-1,925	-150	3,265	855	-3,626	-4,679	605
<b>CF from operations</b>	<b>14,688</b>	<b>18,218</b>	<b>3,673</b>	<b>18,972</b>	<b>36,484</b>	<b>36,231</b>	<b>41,863</b>	<b>48,441</b>
Capital expenditure	-6,731	-6,776	-10,519	-17,906	-10,754	-10,550	-10,550	-10,550
<b>CF from investing</b>	<b>11,070</b>	<b>-12,396</b>	<b>12,922</b>	<b>-12,868</b>	<b>-17,122</b>	<b>-9,501</b>	<b>-10,545</b>	<b>-10,544</b>
Equity raised/ (repaid)	1	2	2	1	2	0	0	0
Debt raised/ (repaid)	-1,504	-13,677	-10,787	1,728	-16,171	-2,475	-3,475	-7,974
Dividend paid	-2,728	-2,719	-2,951	-1,819	-1,820	-4,191	-5,174	-5,449
<b>CF from financing</b>	<b>-8,906</b>	<b>-18,853</b>	<b>-15,723</b>	<b>-3,373</b>	<b>-21,842</b>	<b>-9,313</b>	<b>-10,859</b>	<b>-14,799</b>
Net chg in cash	16,853	-13,031	872	2,732	-2,481	17,416	20,459	23,097

**Key ratios**

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>OPERATIONAL</b>								
FDEPS (Rs)	17.4	28.2	15.9	8.4	45.4	63.4	75.7	79.7
CEPS (Rs)	15.4	46.2	2.9	28.8	63.9	83.6	99.3	104.3
DPS (Rs)	6.0	6.0	6.5	4.0	4.0	9.2	11.4	12.0
Dividend payout ratio (%)	(101.3)	22.3	(19.3)	42.3	9.5	15.0	15.0	15.0
<b>GROWTH</b>								
Net sales (%)	5.8	(1.4)	8.5	0.5	20.8	10.8	11.6	4.6
EBITDA (%)	(8.0)	12.9	(21.1)	(18.0)	120.9	23.2	18.0	3.2
Adj net profit (%)	(16.9)	62.3	(43.4)	(47.4)	441.6	39.8	19.3	5.3
FDEPS (%)	(16.9)	62.3	(43.4)	(47.4)	441.6	39.8	19.3	5.3
<b>PERFORMANCE</b>								
RoE (%)	6.3	9.7	5.6	3.1	15.5	18.7	19.0	17.2
RoCE (%)	9.2	10.0	3.1	5.1	16.1	19.7	21.2	19.6
<b>EFFICIENCY</b>								
Asset turnover (x)	1.2	1.2	1.2	1.1	1.2	1.2	1.3	1.3
Sales/ total assets (x)	0.6	0.6	0.7	0.7	0.8	0.9	0.9	0.8
Working capital/ sales (x)	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Receivable days	131	109	96	101	87	87	87	87
Inventory days	97	119	118	110	112	116	117	117
Payable days	68	59	58	62	67	69	70	70
<b>FINANCIAL STABILITY</b>								
Total debt/ equity (x)	0.3	0.4	0.3	0.4	0.2	0.2	0.1	0.1
Net debt/ equity (x)	(0.0)	0.1	0.2	0.2	0.1	(0.0)	(0.1)	(0.2)
Current ratio (x)	1.9	3.1	2.6	2.5	2.2	2.4	2.7	3.0
Interest cover (x)	3.8	12.6	3.1	3.1	9.0	13.8	20.1	33.3
<b>VALUATION</b>								
PE (x)	126.1	77.7	137.4	261.4	48.3	34.5	28.9	27.5
EV/ EBITDA (x)	42.2	37.9	48.7	59.6	26.5	21.3	17.7	16.8
EV/ Net sales (x)	6.6	6.8	6.3	6.3	5.1	4.6	4.0	3.8
PB (x)	8.0	7.2	8.2	8.0	7.0	6.0	5.1	4.4
Dividend yield (%)	0.3	0.3	0.3	0.2	0.2	0.4	0.5	0.5
Free cash flow yield (%)	0.8	1.1	(0.7)	0.1	2.6	2.6	3.1	3.8

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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