

BSE SENSEX 59,636 S&P CNX 17,765



Stock Info

Bloomberg	LAURUS IN
Equity Shares (m)	532
M.Cap.(INRb)/(USD\$b)	258.6 / 3.5
52-Week Range (INR)	724 / 266
1, 6, 12 Rel. Per (%)	-22/-18/43
12M Avg Val (INR M)	1789
Free float (%)	72.7

Financials Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	48.1	56.0	67.8
EBITDA	15.5	17.6	22.4
Adj. PAT	9.8	11.0	14.3
EBIT Margin (%)	28.0	27.0	28.4
Cons. Adj. EPS (INR)	18.3	20.6	26.7
EPS Gr. (%)	285.4	12.2	29.8
BV/Sh. (INR)	48.7	66.2	88.9

Ratios

Net D:E	0.5	0.4	0.2
RoE (%)	45.0	36.0	34.5
RoCE (%)	30.6	26.5	27.9
Payout (%)	15.1	15.1	15.1

Valuations

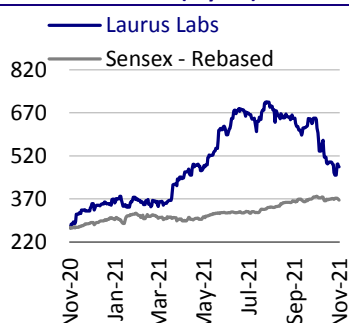
P/E (x)	26.3	23.4	18.1
EV/EBITDA (x)	17.5	15.3	12.0
Div. Yield (%)	0.5	0.5	0.7
FCF Yield (%)	0.2	1.1	2.1
EV/Sales (x)	5.6	4.8	4.0

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	27.3	27.3	32.1
DII	4.8	4.2	6.3
FII	22.8	21.5	20.7
Others	45.1	47.0	40.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR482 TP: INR690 (+43%)

Buy

Laurus ventures into new disruptive therapy

- Laurus Labs (LAURUS) has agreed to acquire a 26.6% stake in ImmunoACT for a consideration of INR460m, implying enterprise value of INR1.7b. ImmunoACT currently has four CAR-T cell molecules, with one of them undergoing clinical trials.
- CAR-T cell is a new therapy for Leukemia/Lymphoma, with USD1.5b in worldwide sales of five commercialized products.
- Given that ImmunoACT products are under development, the commercialization would be subject to a successful clinical outcome. However, this represents LAURUS' entry for a potential CDMO opportunity into a new therapy space over the next 4-5 years.
- We remain positive on LAURUS on the back of a scale-up in CDMO (Synthesis/Biologics), market share gains in the Non-ARV segment, and growth potential in the Non-ARV business. We continue to value LAURUS at 24x 12M forward earnings to arrive at Target Price of INR690. Maintain BUY.

ImmunoACT agreement background

- Laurus Labs has signed an investment agreement with Immunoadoptive Cell Therapy Private Limited (ImmunoACT), an advanced cell and gene therapy company, for a 26.6% stake in the company (on a fully diluted basis) for a cash consideration of approximately INR460m, implying enterprise value of INR1.7b.
- The senior management would also invest INR98m in ImmunoACT for a 5.64% stake at the same price and terms.
- This investment would provide LAURUS access to CAR-T therapy, a promising treatment option with great success in the western world.
- CAR-T therapy is not available in India. This collaboration would help Laurus provide this novel technology to Indians at very affordable pricing.
- The current promoters of ImmunoACT would continue to lead the management and operations after the completion of the acquisition of the minority stake by Laurus.

CAR-T cell therapy – upcoming therapy with immense potential

- CAR-T cell therapy is a new forthcoming therapy for Leukemia and Lymphoma.
- It has the distinct advantage of having a shorter treatment time, better durability, and better safety over chemotherapy / stem cell transplants.
- There are five USFDA-approved CAR-T cell therapies: 1) Kymirah (Novartis), 2) Yescarta (Gilead), 3) Tecartus (Gilead), 4) Breyanzi (BMS), and 5) Abecma (BMS). The cumulative global sales of these products stood at USD1.5b for 12M ended Sep'21.
- Numerous clinical trials are underway for CAR-T Cell therapy, with Celgene (BMS), Gilead, Jansenn, Amgen, Takeda, and Novartis being some of the notable companies pursuing clinical trials for CAR-T therapy.

ImmunoACT – product pipeline, with one undergoing clinical trials

- ImmunoACT was founded in 2018 under the aegis of the IIT Bombay incubator, Society for Innovation and Entrepreneurship (SINE) by Dr Rahul Purwar.
- ImmunoACT has strong global partnerships, including Dr Carl June, pioneer of CAR-T therapy, as a member of the scientific advisory board.

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- ImmunoACT has a portfolio of four CAR-T therapy assets under various development stages for the treatment of multiple autoimmune diseases and oncology indications. Particularly, HCAR-19 is under clinical trials for Acute Lymphoblastic Leukemia (ALL) for adult/pediatric as well as Diffuse Large B-cell Lymphoma (DLBCL).
- ImmunoACT reported nil revenues in FY20, FY21, and 1HFY22.

Valuation and view

- We expect a 21% earnings CAGR over FY21–23E, led by a 42%/30%/3% sales CAGR in the Synthesis/FDF/API segment and ~80bp margin expansion. We value LAURUS at 24x 12M forward earnings to arrive at our TP of INR690.
- We remain positive on LAURUS on the back of a) robust outlook for the Synthesis CDMO segment, with a strong client base, b) potential in the Biologics CDMO segment with capacity additions, c) product development / capacity additions in the Non-ARV segment, d) the healthy order book of the Non-ARV API business, and e) the potential opportunity from Molnupiravir sales in LMIC countries. We maintain our Buy rating.

CAR-T cell therapy – novel therapy for Leukemia, Lymphoma

- CAR-T cell therapy is the upcoming treatment option for Leukemia and Lymphoma.
- It has established distinct advantages over chemotherapy and stem cell transplant therapy.
- The CAR-T Cell Therapy market is expected to grow substantially going forward, with wider acceptance and a strong pipeline of molecules under development.

Brief about CAR-T cell therapy

- Chimeric Antigen Receptor T-cells (CAR-T cells) are T-cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy. In CAR-T therapy, T-cells are taken from a patient's blood and modified in a laboratory, wherein a special protein receptor is added that grants T-cells the power to recognize and kill cancer cells easily. These modified cells are then infused back into the patient.
- This special protein receptor, known as the chimeric antigen receptor (CAR), attaches to a specific protein on a patient's cancer cells. The infused cells multiply and prevail in the patient's body as living drugs.

Cumulative global sales of USD3.4b to date from five commercialized molecules in past four years

- Currently, there are five FDA-approved CAR-T cell therapies: 1) Kymirah (Novartis), 2) Yescarta (Gilead), 3) Tecartus (Gilead), 4) Breyanzi (BMS), and 5) Abecma (BMS). The current global sales of these five products for 12 months ended Sep'21 stood at ~USD1.5b. These products are growing at a fast pace with CAR-T cell therapy gaining wider acceptance worldwide.
- The overall market size of CAR-T cell therapy is expected to expand with wider acceptance for the therapy, coupled with its distinct advantages over existing therapies – which are driving the current molecules and new approvals entering the market. Celgene (BMS), Gilead, Jansenn, and CARsegen currently have numerous molecules in Phase 1 and/or Phase 2. Amgen, Takeda, Novartis, and Innovative Care Therapeutics are some of the other notable companies pursuing clinical trials for CAR-T therapy.

Exhibit 1: Snapshot of current molecules in CAR-T cell therapy

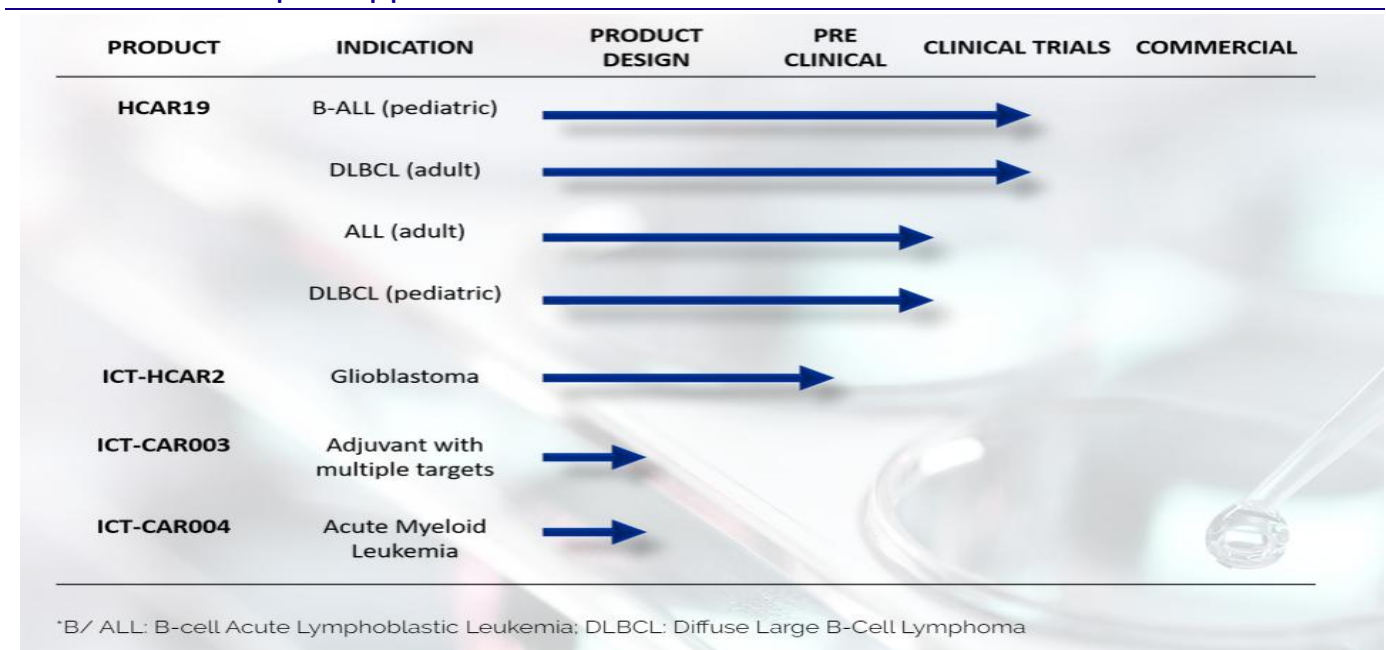
Brand/Molecule	Company	Date of Approval	Global Sales for 12 months ending Sep'21 (USD m)
Kymirah	Novartis	Aug'17	585
Yescarta	Kite/Gilead	Oct'17	642
Tecartus	Kite/Gilead	Jul'20	153
Breyanzi	Juno/Celgene/BMS	Feb'21	47
Abecma	Juno/Celgene/BMS	Mar'21	95

Source: USFDA, Company, MOFSL

Exhibit 2: Snapshot of current molecules in CAR-T cell therapy

Brand/Molecule	Company	Clinical Stage
EGFRt/19-28z/4-1BBL CAR T cells	Juno/Celgene/BMS	Phase1
EGFRt/BCMA-41BBz	Juno/Celgene/BMS	Phase1
Autologous Anti-CD19CAR-4-1BB-CD3zeta-EGFRt-expressing CD4+/CD8+ Central Memory T-lymphocytes JCAR014	Juno/Celgene/BMS	Phase1
KTE-C19 + Aetolizumab	Kite/Gilead	Phase1/Phase2
bb2121	Juno/Celgene/BMS	Phase2
JCAR017	Juno/Celgene/BMS	Phase1
brexucabtagene autoleucel (KTE-X19)	Kite/Gilead	Phase2
axicabtagene ciloleucel (axi-cel)	Kite/Gilead	Phase1
KITE-585	Kite/Gilead	Phase1
KITE-363	Kite/Gilead	Phase1
KITE-222	Kite/Gilead	Phase1
CT053	CARsegen	Phase1
CC-97540	Juno/Celgene/BMS	Phase1
YTB323	Novartis	Phase1
JNJ-68284528	Janssen	Phase3
PHE885	Novartis	Phase1
AMG 553	Amgen	Phase1
19(T2)28z1xx	Takeda	Phase1
CAR-CLDN18.2 T-Cells	CARsegen	Phase1
LCAR-B38M CAR-T Cells	Janssen	Phase2
CD19 targeted chimeric antigen receptor T cells	Innovative Cellular Therapeutics	Phase1

Source: USFDA, Company, MOFSL

Exhibit 3: ImmunoACT's product pipeline

Source: Company, MOFSL

Multiple advantages over current mode of treatment

- CAR-T cell therapy has been available for patients since CY17. Before this, most patients relied on chemotherapy and stem cell transplants. There are three distinct advantages to CAR-T cell therapy: 1) It requires a very **short treatment time** – usually a single infusion with less than two weeks of inpatient care. *The other two-therapy options take at least 1-2 months for treatment and recovery.* 2) While the **durability** of CAR T-cell therapy is the subject of ongoing research, remission following CAR T-cell therapy appears to be long-lived in many patients and commonly lasts for several years. 3) CAR T-cell therapy does not require aggressive chemotherapy, and unless there is an elevation in cytokines following infusion, patients receiving CAR T-cells do not typically require immunosuppression. This is an important **safety advantage** over both stem cell transplantation and chemotherapy.
- **Cytokine release syndrome (CRS) is a common toxicity associated with CAR T-cell therapy.** Depending on the level of cytokine production, clinical outcomes could range from flu-like symptoms to life-threatening shock. To address this, drugs such as ACTEMRA® (Tocilizumab), an IL-6 receptor antagonist, may be needed.
- CAR-T cell therapy works for Leukemia and Lymphoma. However, thus far, it has not been able to treat solid tumors such as breast or lung cancers. Leukemia and Lymphoma cells are easier to hunt down because the targeted protein is on the surface, and because they are not on healthy cells.

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	17,776	19,046	20,690	22,919	28,317	48,135	55,987	67,757
Change (%)	34.0	7.1	8.6	10.8	23.6	70.0	16.3	21.0
Total Expenditure	14,154	14,970	16,557	19,155	22,672	32,628	38,351	45,397
% of Sales	79.6	78.6	80.0	83.6	80.1	67.8	68.5	67.0
EBITDA	3,622	4,076	4,133	3,764	5,645	15,507	17,636	22,360
Margin (%)	20.4	21.4	20.0	16.4	19.9	32.2	31.5	33.0
Depreciation	864	1,060	1,255	1,642	1,873	2,051	2,533	3,099
EBIT	2,758	3,016	2,879	2,122	3,773	13,456	15,103	19,261
Int. and Finance Charges	1,111	999	796	882	896	682	964	932
Other Income	44	334	292	162	59	237	196	271
PBT bef. EO Exp.	1,690	2,352	2,374	1,402	2,936	13,011	14,335	18,600
EO Items	0	0	0	-204	0	0	0	0
PBT after EO Exp.	1,690	2,352	2,374	1,198	2,936	13,011	14,335	18,600
Total Tax	349	439	698	260	383	3,173	3,297	4,278
Tax Rate (%)	20.6	18.7	29.4	21.7	13.1	24.4	23.0	23.0
Minority Interest	4	11	0	0	0	0	0	0
Reported PAT	1,337	1,903	1,676	938	2,553	9,838	11,038	14,322
Adjusted PAT	1,337	1,903	1,676	1,097	2,553	9,838	11,038	14,322
Change (%)	95.7	42.3	-11.9	-34.5	132.6	285.4	12.2	29.8
Margin (%)	7.5	10.0	8.1	4.8	9.0	20.4	19.7	21.1

Consolidated - Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	158	1,058	1,060	1,064	1,069	1,073	1,073	1,073
Total Reserves	7,744	12,247	13,766	14,520	16,629	24,902	34,278	46,443
minority interest						32	32	32
Net Worth	8,568	13,304	14,826	15,584	17,698	26,007	35,383	47,548
Total Loans	10,277	8,417	9,649	10,030	10,123	13,871	13,671	11,171
Deferred Tax Liabilities	-549	-699	-529	-534	-739	192	192	192
Capital Employed	18,296	21,023	23,946	25,081	27,081	40,070	49,245	58,910
Gross Block	11,063	14,088	17,851	20,976	23,821	27,949	34,597	41,926
Less: Accum. Deprn.	853	1,886	3,141	4,783	6,655	8,706	11,239	14,338
Net Fixed Assets	10,210	12,202	14,711	16,193	17,166	19,243	23,357	27,588
Goodwill on Consolidation	0	97	97	97	97	2,463	2,463	2,463
Capital WIP	696	1,433	1,632	1,096	672	3,622	4,474	4,645
Total Investments	70	34	34	34	34	34	34	34
Curr. Assets, Loans&Adv.	10,710	12,069	13,165	15,357	18,589	32,145	38,096	46,437
Inventory	4,871	5,090	5,848	6,819	9,052	15,755	18,833	22,666
Account Receivables	4,449	5,676	5,706	7,099	7,914	13,061	15,186	18,935
Cash and Bank Balance	288	41	31	30	17	485	769	831
Loans and Advances	1,103	1,262	1,580	1,408	1,605	2,845	3,309	4,004
Curr. Liability & Prov.	3,390	4,812	5,692	7,697	9,477	17,437	19,180	22,256
Account Payables	2,476	2,631	3,123	4,883	6,156	11,787	12,609	14,303
Other Current Liabilities	770	1,988	2,316	2,449	2,753	4,894	5,692	6,888
Provisions	144	193	253	365	568	757	880	1,065
Net Current Assets	7,320	7,257	7,473	7,660	9,112	14,708	18,916	24,181
Appl. of Funds	18,296	21,023	23,946	25,081	27,081	40,070	49,245	58,910

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	2.5	3.5	3.1	2.1	4.8	18.3	20.6	26.7
Cash EPS	4.1	5.5	5.5	5.1	8.3	22.2	25.4	32.6
BV/Share	16.0	24.9	27.7	29.2	33.1	48.7	66.2	88.9
DPS	0.1	0.3	0.0	0.3	0.6	2.3	2.6	3.4
Payout (%)	4.4	10.0	0.0	20.4	15.1	15.1	15.1	15.1
Valuation (x)								
P/E	195.8	137.0	153.7	234.8	101.3	26.3	23.4	18.1
Cash P/E	118.2	87.6	87.9	94.1	58.2	21.7	19.0	14.8
P/BV	30.1	19.4	17.4	16.5	14.6	9.9	7.3	5.4
EV/Sales	15.1	14.0	12.9	11.7	9.5	5.6	4.8	4.0
EV/EBITDA	73.9	65.3	64.7	71.1	47.4	17.5	15.3	12.0
Dividend Yield (%)	0.0	0.1	0.0	0.1	0.1	0.5	0.5	0.7
FCF per share	-2.7	1.0	-1.0	0.7	2.0	0.9	5.5	10.1
Return Ratios (%)								
RoE	16.9	17.4	11.9	7.2	15.3	45.0	36.0	34.5
RoCE	13.0	13.4	9.7	7.1	12.5	30.6	26.5	27.9
RoIC	14.6	13.5	9.7	7.2	13.0	32.7	29.1	30.5
Working Capital Ratios								
Inventory (Days)	100	98	103	109	117	119	123	122
Debtor (Days)	91	109	101	113	102	99	99	102
Creditor (Days)	51	50	55	78	79	89	82	77
Leverage Ratio (x)								
Current Ratio	3.2	2.5	2.3	2.0	2.0	1.8	2.0	2.1
Interest Cover Ratio	2.5	3.0	3.6	2.4	4.2	19.7	15.7	20.7
Net Debt/Equity	1.2	0.6	0.6	0.6	0.6	0.5	0.4	0.2

Consolidated - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	1,690	2,352	2,374	1,198	2,936	13,011	14,335	18,600
Depreciation	864	1,060	1,255	1,642	1,873	2,051	2,533	3,099
Interest & Finance Charges	1,038	931	505	720	837	579	768	661
Direct Taxes Paid	-333	-501	-698	-260	-383	-2,285	-3,297	-4,278
(Inc)/Dec in WC	-1,544	-525	-226	-187	-1,465	-5,941	-3,924	-5,202
CF from Operations	1,716	3,317	3,209	3,113	3,797	7,415	10,415	12,880
Others	103	3	216	-136	-323	-85	0	0
CF from Operating incl EO	1,820	3,320	3,425	2,977	3,474	7,330	10,415	12,880
(Inc)/Dec in FA	-3,262	-2,774	-3,962	-2,589	-2,421	-6,839	-7,500	-7,500
Free Cash Flow	-1,443	546	-537	387	1,053	491	2,915	5,380
(Pur)/Sale of Investments	140	-113	0	0	0	-2,584	0	0
Others	0	0	120	60	210	13	196	271
CF from Investments	-3,122	-2,887	-3,842	-2,529	-2,211	-9,410	-7,304	-7,229
Issue of Shares	3	2,860	3	4	5	74	0	0
Inc/(Dec) in Debt	2,063	-2,387	1,278	429	139	3,804	-200	-2,500
Interest Paid	-1,033	-950	-796	-882	-896	-580	-964	-932
Dividend Paid	0	-59	0	-191	-384	-750	-1,662	-2,157
CF from Fin. Activity	1,033	-536	422	-448	-1,277	2,547	-2,826	-5,588
Inc/Dec of Cash	-269	-103	6	0	-14	467	284	62
Opening Balance	394	127	23	29	28	15	483	767
Total Cash and Cash equivalent	288	41	31	30	17	485	769	831

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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