

Lupin's 2QFY25 EBITDA/Adj PAT were 18%/26% ahead of our estimates (the magnitude of beat was broadly similar vs street estimates). Gross margin and EBITDA margin (~24%, even adjusting for the spike in other operating income) were at multi-quarter highs (levels last seen in FY17). Growth in the domestic Rx business (~80% of domestic sales in 2Q, per our estimates) was marginally ahead of expectations with the India sales beat being driven by other verticals (which are margin-dilutive). US sales miss was a marginal negative even as we expect a reversal with the full impact of the launch of Mirabegron 50mg and gPred Forte expected to flow through in 3Q. 2Q performance reinforces our belief in Lupin's sharp margin expansion story and we expect consensus earnings to play catch-up. We retain BUY with a Sep-25E TP of Rs2,750.

Lupin: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	166,416	198,056	222,553	254,984	264,821
EBITDA	17,980	36,053	49,270	64,957	60,900
Adj. PAT	4,300	19,105	30,457	43,653	41,930
Adj. EPS (Rs)	9.4	41.9	66.8	95.8	92.0
EBITDA margin (%)	10.8	18.2	22.1	25.5	23.0
EBITDA growth (%)	(21.2)	100.5	36.7	31.8	(6.2)
Adj. EPS growth (%)	(68.8)	344.3	59.4	43.3	(3.9)
RoE (%)	3.5	14.3	19.7	23.7	19.1
RoIC (%)	4.0	13.9	19.4	24.9	21.7
P/E (x)	223.0	50.2	31.5	22.0	22.9
EV/EBITDA (x)	54.6	26.9	19.5	14.4	14.8
P/B (x)	7.7	6.7	5.8	4.7	4.0
FCFF yield (%)	0.0	2.7	2.1	3.5	4.6

Source: Company, Emkay Research

India sales beat driven by ex-prescription businesses

Domestic revenue was meaningfully ahead of expectations, even as growth in the domestic prescription business (~11% YoY) was only marginally ahead. The beat was driven by other business verticals (~20% of domestic sales in 2QFY25 and ~67% YoY growth, per our estimates), particularly the spike in global institutional business sales (Rs2,080mn vs Rs660mn in the base quarter, large part of which was booked under India sales). We note that ex-prescription domestic businesses are margin-dilutive (~80bps impact of all adjacencies including OTC, diagnostics, and digital offerings).

US sales miss a marginal negative; reversal likely in 3Q

US sales at USD220mn were below expectations with a QoQ decline resulting from incremental competition in gSuprep and gDoxil, as well as high channel inventory in Mirabegron 25mg. We expect a reversal with the full impact of the launch of Mirabegron 50mg (launched toward the end of 2Q) and gPred Forte (180-day exclusivity) expected to flow through in 3Q. Lupin's near-term US pipeline visibility remains the strongest vis-à-vis peers ([refer to our initiation note](#)). US margin, per the company, is ahead of company-level margin.

Medium-term margin band widened but still a tad conservative, in our view

Lupin's medium-term margin guidance of 23-25% is still a tad conservative, in our view, even as the margin band now seems to have widened vs the 23-24% frequently guided to earlier. We expect Lupin to deliver 25.5% margin in FY26. Lupin remains confident of gross margin (ex-OOI) sustaining in the 68-69% range in the near term.

Amphastar's market share ramp-up in Albuterol likely to be gradual

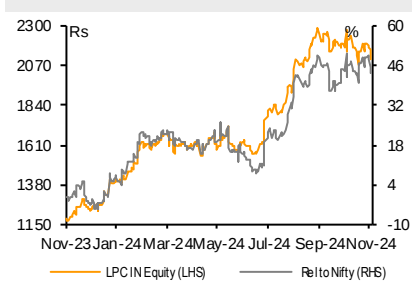
Amphastar launched gProAir in Aug-24. However, Amphastar has stated that it has been facing capacity constraints and expects a gradual ramp-up in market share. The company does not expect the product to be a meaningful contributor to its sales in 4QCY24. We have currently factored in a decline in gProAir sales for Lupin from 1QFY26.

Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.7
CMP (08-Nov-24) (Rs)	2,104.6

Stock Data	Ticker
52-week High (Rs)	2,312
52-week Low (Rs)	1,154
Shares outstanding (mn)	456.2
Market-cap (Rs bn)	960
Market-cap (USD mn)	11,379
Net-debt, FY25E (Rs mn)	-760
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	2,879.1
ADTV-3M (USD mn)	34.1
Free float (%)	53.0
Nifty-50	24,148
INR/USD	84.4
Shareholding, Sep-24	
Promoters (%)	47.0
FPIs/MFs (%)	21.5/25.1

Price Performance			
(%)	1M	3M	12M
Absolute	(5.1)	2.6	73.8
Rel. to Nifty	(1.7)	2.5	39.9

1-Year share price trend (Rs)



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Exhibit 1: 2QFY25 Earnings Snapshot

Lupin P&L	2QFY24A	2QFY25A	% YoY	2QFY25E	% vs Emkay	2QFY25E (cons)	% vs cons	1QFY25A	% QoQ
(Rs mn)									
Net sales	49,392	54,970	11%	54,709	0%			55,143	0%
Other op. income	993	1,757	77%	895	96%			860	104%
Total Income	50,386	56,727	13%	55,604	2%	55,601	2%	56,003	1%
Raw material	17,028	16,899	-1%	17,500	-3%			17,446	-3%
Gross Profit	33,358	39,828	19%	38,104	5%			38,558	3%
% of revenue	66.2%	70.2%	400 bps	68.5%	168 bps			68.8%	136 bps
Staff costs	8,607	10,075	17%	9,850	2%			9,710	4%
Other expenses	15,573	15,764	1%	16,413	-4%			15,687	0%
R&D	3,764	4,481	19%	4,022	11%			3,500	28%
% of sales	7.6%	8.2%	53 bps	7.4%	80 bps			6.3%	180 bps
EBITDA	9,178	13,989	52%	11,841	18%	12,034	16%	13,160	6%
% EBITDA Margin	18.2%	24.7%	644 bps	21.3%	336 bps	21.6%	302 bps	23.5%	116 bps
Other income	404	423	5%	475	-11%			678	-38%
Interest expense	806	709	-12%	653	9%			680	4%
Depreciation	2,479	2,569	4%	2,520	2%			2,477	4%
Profit Before Tax (PBT)	6,297	11,134	77%	9,143	22%			10,681	4%
Tax	1,344	1,954	45%	1,960	0%			1,875	4%
% Tax rate	21.3%	17.5%	-379 bps	21.4%	-389 bps			17.6%	-1 bps
Exceptional Item	-	(585)		-				(751)	
Minority interest	(57)	(69)		(56)				(42)	
Reported PAT	4,897	8,526	74%	7,127				8,013	6%
Adjusted PAT	4,897	9,009	84%	7,127	26%	7,423	21%	8,632	4%
Adjusted EPS (Rs)	10.8	19.8		15.6				18.9	

% Cost Ratios	2QFY24A	2QFY25A	% YoY	2QFY25E	% vs Emkay		1QFY25A	% QoQ
Raw material	33.8	29.8	-400 bps	31.5	-168 bps		31.2	-136 bps
Staff costs	17.1	17.8	68 bps	17.7	5 bps		17.3	42 bps
Mfg & Other expenses	30.9	27.8	-312 bps	29.5	-173 bps		28.0	-22 bps

Sales Break-up	2QFY24A	2QFY25A	% YoY	2QFY25E	% vs Emkay		1QFY25A	% QoQ
Formulations	46,708	52,026	11%	51,540	1%		51,521	1%
India	16,915	20,096	18.8%	18,600	8%		19,259	4%
US	18,666	19,711	6%	20,678	-5%		20,408	-3%
Other markets	11,127	12,219	10%	12,262	0%		11,854	3%
API	2,684	2,944	10%	3,168	-7%		3,622	-19%

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Estimate Changes

(Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
US	86,553	82,152	-5%	103,864	101,868	-2%	97,112	95,756	-1%
Europe	13,993	14,698	5%	15,952	16,462	3%	18,186	18,437	1%
APAC	10,985	10,691	-3%	12,413	11,867	-4%	14,027	13,172	-6%
South Africa	6,625	6,754	2%	7,023	7,159	2%	7,444	7,589	2%
Other markets	16,529	16,004	-3%	18,182	17,284	-5%	20,000	18,667	-7%
India	74,553	75,684	2%	80,890	82,118	2%	89,788	91,151	2%
API	13,127	12,671	-3%	14,440	13,938	-3%	15,884	15,331	-3%
Total operating revenue	225,911	222,553	-1%	256,663	254,984	-1%	266,730	264,821	-1%
Gross profit	154,976	154,223	0%	182,603	181,531	-1%	187,211	186,010	-1%
- margin	68.6%	69.3%		71.1%	71.2%		70.2%	70.2%	
EBITDA	49,352	49,270	0%	65,068	64,957	0%	61,239	60,900	-1%
- margin	21.8%	22.1%		25.4%	25.5%		23.0%	23.0%	
PAT	30,812	30,457	-1%	44,063	43,653	-1%	42,368	41,930	-1%
EPS (Rs)	67.6	66.8	-1%	96.6	95.7	-1%	92.9	92.0	-1%

Source: Emkay Research

Lupin: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	166,416	198,056	222,553	254,984	264,821
Revenue growth (%)	1.4	19.0	12.4	14.6	3.9
EBITDA	17,980	36,053	49,270	64,957	60,900
EBITDA growth (%)	(21.2)	100.5	36.7	31.8	(6.2)
Depreciation & Amortization	8,807	9,956	10,234	10,963	11,712
EBIT	9,173	26,097	39,036	53,995	49,188
EBIT growth (%)	(37.1)	184.5	49.6	38.3	(8.9)
Other operating income	3,716	3,545	3,899	4,289	4,718
Other income	734	1,202	2,103	3,154	4,732
Financial expense	2,743	3,116	2,803	2,293	1,188
PBT	7,164	24,183	38,335	54,856	52,732
Extraordinary items	0	40	(1,336)	0	0
Taxes	2,688	4,867	7,667	10,971	10,546
Minority interest	(176)	(211)	(211)	(232)	(255)
Income from JV/Associates	0	0	0	0	0
Reported PAT	4,300	19,145	29,122	43,653	41,930
PAT growth (%)	NM	345.2	52.1	49.9	(3.9)
Adjusted PAT	4,300	19,105	30,457	43,653	41,930
Diluted EPS (Rs)	9.4	41.9	66.8	95.8	92.0
Diluted EPS growth (%)	(68.8)	344.3	59.4	43.3	(3.9)
DPS (Rs)	4.0	4.0	12.0	17.0	16.0
Dividend payout (%)	42.4	9.5	18.8	17.8	17.4
EBITDA margin (%)	10.8	18.2	22.1	25.5	23.0
EBIT margin (%)	5.5	13.2	17.5	21.2	18.6
Effective tax rate (%)	37.5	20.1	20.0	20.0	20.0
NOPLAT (pre-IndAS)	5,731	20,845	31,228	43,196	39,351
Shares outstanding (mn)	455.7	455.7	455.7	455.7	455.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	7,164	24,183	38,335	54,856	52,732
Others (non-cash items)	(3,327)	9,761	1,518	3,154	4,732
Taxes paid	(2,432)	(3,261)	(7,667)	(10,971)	(10,546)
Change in NWC	6,749	(6,070)	(10,418)	(11,703)	(512)
Operating cash flow	18,970	36,484	31,952	45,438	54,574
Capital expenditure	(19,460)	(10,532)	(11,747)	(12,719)	(13,014)
Acquisition of business	3	32	0	0	0
Interest & dividend income	734	1,202	2,103	3,154	4,732
Investing cash flow	(12,868)	(17,122)	(11,747)	(12,719)	(13,014)
Equity raised/(repaid)	1	1	0	0	0
Debt raised/(repaid)	3,999	(15,741)	4,000	(16,000)	(10,000)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,743)	(3,116)	(2,803)	(2,293)	(1,188)
Dividend paid (incl tax)	(1,825)	(1,828)	(5,468)	(7,751)	(7,295)
Others	(2,802)	(1,158)	0	0	0
Financing cash flow	(3,370)	(21,842)	(4,272)	(26,044)	(18,483)
Net chg in Cash	2,732	(2,480)	15,934	6,675	23,076
OCF	18,970	36,484	31,952	45,438	54,574
Adj. OCF (w/o NWC chg.)	25,719	30,414	21,534	33,736	54,062
FCFF	(490)	25,952	20,206	32,719	41,560
FCFE	(2,500)	24,038	19,505	33,580	45,103
OCF/EBITDA (%)	105.5	101.2	64.9	70.0	89.6
FCFE/PAT (%)	(58.1)	125.6	67.0	76.9	107.6
FCFF/NOPLAT (%)	(8.6)	124.5	64.7	75.7	105.6

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	910	911	911	911	911
Reserves & Surplus	123,735	141,992	165,645	201,547	236,182
Net worth	124,645	142,903	166,556	202,458	237,093
Minority interests	783	832	1,043	1,274	1,530
Deferred tax liability (net)	9,646	8,197	8,197	8,197	8,197
Total debt	42,441	26,699	30,699	14,699	4,699
Total liabilities & equity	177,515	178,631	206,495	226,629	251,519
Net tangible fixed assets	46,450	48,986	48,356	48,149	47,666
Net intangible assets	37,102	39,798	41,939	43,902	45,689
Net ROU assets	0	0	0	0	0
Capital WIP	12,380	7,725	7,725	7,725	7,725
Goodwill	22,188	23,250	23,250	23,250	23,250
Investments [JV/Associates]	301	269	269	269	269
Cash & equivalents	19,575	15,525	31,459	38,134	61,210
Current assets (ex-cash)	112,195	124,644	136,575	152,371	157,162
Current Liab. & Prov.	50,488	58,316	59,829	63,923	68,202
NWC (ex-cash)	61,707	66,328	76,746	88,448	88,960
Total assets	177,515	178,631	206,495	226,629	251,519
Net debt	22,866	11,174	(760)	(23,435)	(56,511)
Capital employed	177,515	178,631	206,495	226,629	251,519
Invested capital	145,259	155,111	167,041	180,500	182,314
BVPS (Rs)	273.5	313.6	365.5	444.3	520.3
Net Debt/Equity (x)	0.2	0.1	0.0	(0.1)	(0.2)
Net Debt/EBITDA (x)	1.3	0.3	0.0	(0.4)	(0.9)
Interest coverage (x)	3.6	8.8	14.7	24.9	45.4
RoCE (%)	5.7	15.3	21.4	26.4	22.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	223.0	50.2	31.5	22.0	22.9
P/CE(x)	73.2	33.0	23.6	17.6	17.9
P/B (x)	7.7	6.7	5.8	4.7	4.0
EV/Sales (x)	6.0	5.0	4.4	3.7	3.5
EV/EBITDA (x)	54.6	26.9	19.5	14.4	14.8
EV/EBIT(x)	107.0	37.2	24.5	17.3	18.3
EV/IC (x)	6.8	6.3	5.7	5.2	5.0
FCFF yield (%)	0.0	2.7	2.1	3.5	4.6
FCFE yield (%)	(0.3)	2.5	2.0	3.5	4.7
Dividend yield (%)	0.2	0.2	0.6	0.8	0.8
DuPont-RoE split					
Net profit margin (%)	2.6	9.6	13.7	17.1	15.8
Total asset turnover (x)	1.0	1.1	1.2	1.2	1.1
Assets/Equity (x)	1.4	1.3	1.2	1.2	1.1
RoE (%)	3.5	14.3	19.7	23.7	19.1
DuPont-RoIC					
NOPLAT margin (%)	3.4	10.5	14.0	16.9	14.9
IC turnover (x)	1.2	1.3	1.4	1.5	1.5
RoIC (%)	4.0	13.9	19.4	24.9	21.7
Operating metrics					
Core NWC days	135.3	122.2	125.9	126.6	122.6
Total NWC days	135.3	122.2	125.9	126.6	122.6
Fixed asset turnover	2.1	2.3	2.5	2.8	2.9
Opex-to-revenue (%)	48.5	48.3	47.2	45.7	47.2

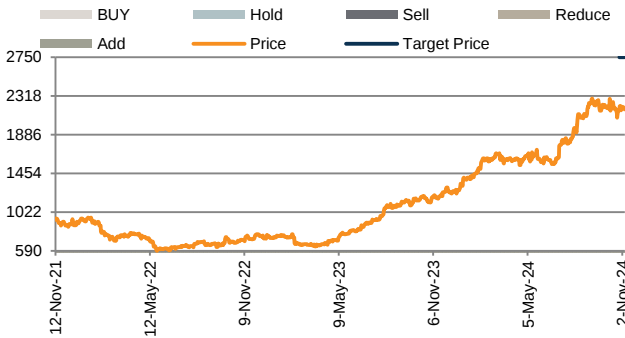
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
27-Oct-24	2,157	2,750	Buy	Shashank Krishnakumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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