

Laurus Labs

Estimate change



TP change



Rating change



CMP: INR646

TP: INR750 (+16%)

Buy

FDF/CDMO drives earnings; ends FY25 on strong note

Asset turn to normalize over the next two years

- Laurus Lab (LAURUS) delivered a second consecutive quarter with better-than-expected performance, led by healthy traction in the Formulation (FDF)/API segment. Despite softer-than-expected performance in the CDMO business during 4QFY25, the quarterly sales run rate continued its uptrend.
- We slightly raise our FY26/FY27 estimates by 3%/1%, factoring in: a) the scale-up from new launches in the FDF segment, and b) an accelerated pace of product orders in late-phase clinical trials/commercial stage and improved operating leverage. We value LAURUS at 47x 12M forward earnings to arrive at a TP of INR750.
- After three years of deteriorated earnings, LAURUS ended FY25 on a strong note, with 92% YoY growth in PAT. The long manufacturing lead times for CDMO projects and higher capex intensity not only impacted earnings but also affected overall return ratios over the past two years. With improving asset utilization driven by project execution in the CDMO segment and new launches in the FDF segment, we expect 18%/25%/57% CAGR in sales/EBITDA/PAT over FY25-27. Reiterate BUY on the stock.

Scale-up in revenues and better product mix lead to uptrend in profitability

- LAURUS' 4QFY25 revenues grew 19.5% YoY to INR17b (our est. INR15.2b). The Synthesis business (27% of sales) was up 95% YoY to INR4.6b, led by improved deliveries of projects. FDF sales grew 26.5% YoY to INR5.4b (32% of sales). API sales (40% of sales) were down 8% YoY to INR7b. The Bio division's sales (1% of sales) were stable YoY at INR290m.
- Gross Margin (GM) expanded 460bp YoY to 54.5% due to a change in the segmental mix.
- EBITDA margin expanded ~770bp YoY to 24.4% (our est: 23.4%) due to better operating leverage (other expenses/employee expenses down 220bp/90bp YoY as a % of sales).
- EBITDA grew 74% YoY to INR4.2b (Our est. INR3.5b).
- Other income comprised income from the sale of land (INR588m).
- Adj. for the same, PAT grew 2.5x YoY to INR1.9m (our est: INR1.4b).
- In FY25 Revenue/EBITDA/PAT grew at 10%/36%/93% to INR55.5b/INR10.5b/INR3.2b.

Highlights from the management commentary

- LAURUS expects the ARV business to remain stable at ~INR25b-26b in FY26 as well.
- The company has the capability to manufacture payloads and linkers, although its current business is limited to a few million dollars.
- The capex outlay of INR10b in FY26 would be largely met by internal accruals, and management does not foresee an increase in net debt in FY26.
- Management indicated meaningful traction in the animal health and crop protection businesses from end-FY26 onwards.

Bloomberg	LAURUS IN
Equity Shares (m)	539
M.Cap.(INRb)/(USDb)	348.1 / 4.1
52-Week Range (INR)	661 / 385
1, 6, 12 Rel. Per (%)	1/45/40
12M Avg Val (INR M)	1354

Financials & valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	55.5	68.2	77.8
EBITDA	10.6	14.0	16.4
Adj. PAT	3.1	5.6	7.7
EBIT Margin (%)	11.3	14.1	15.5
Cons. Adj. EPS (INR)	5.8	10.5	14.3
EPS Gr. (%)	92.4	80.6	36.2
BV/Sh. (INR)	85.4	94.3	106.3

Ratios

Net D:E	0.5	0.4	0.3
RoE (%)	7.2	11.7	14.2
RoCE (%)	6.7	9.5	11.1
Payout (%)	15.6	15.6	15.6

Valuations

P/E (x)	111.5	61.7	45.3
EV/EBITDA (x)	35.5	26.7	22.6
Div. Yield (%)	0.1	0.2	0.3
FCF Yield (%)	0.6	2.1	1.5
EV/Sales (x)	6.7	5.5	4.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	27.6	27.6	27.2
DII	11.8	12.7	11.8
FII	25.5	25.6	26.0
Others	35.1	34.1	35.1

FII includes depository receipts

Consolidated- Quarterly Earning Model

(INRM)

Y/E March	FY24				FY25E				FY24	FY25	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	11,818	12,245	11,949	14,397	11,949	12,237	14,151	17,203	50,408	55,540	15,179	13.3
YoY Change (%)	-23.2	-22.3	-22.6	4.3	1.1	-0.1	18.4	19.5	-16.6	10.2	5.4	
EBITDA	1,667	1,879	1,814	2,415	1,712	1,783	2,852	4,206	7,775	10,553	3,553	18.4
YoY Change (%)	-63.3	-58.1	-55.0	-15.4	2.7	-5.1	57.2	74.2	-51.2	35.7	47.1	
Margins (%)	14.1	15.3	15.2	16.8	14.3	14.6	20.2	24.4	15.4	19.0	23.4	3.26
Depreciation	906	934	984	1,023	1,061	1,075	1,061	1,104	3,846	4,301	1,109	
EBIT	762	945	830	1,392	651	708	1,791	3,102	3,929	6,252	2,444	26.9
YoY Change (%)	-80.1	-74.3	-74.0	-29.9	-14.5	-25.1	115.7	122.8	-69.0	59.1	75.5	
Margins (%)	6.4	7.7	6.9	9.7	5.5	5.8	12.7	18.0	7.8	11.3	16.1	
Interest	392	424	508	505	492	526	578	564	1,829	2,160	540	
Other Income	36	18	24	185	25	46	94	-3	263	163	102	
PBT before EO expense	406	539	346	1,073	185	228	1,307	2,535	2,364	4,254	2,007	26.3
Extra-Ord expense	0	0	0	0	0	0	0	-589	0	-589	0	
PBT	406	539	346	1,073	185	228	1,307	3,123	2,364	4,843	2,007	55.6
Tax	122	146	95	320	63	51	401	785	682	1,299	531	
Rate (%)	30.0	27.0	27.3	29.8	33.9	22.3	30.7	25.1	28.8	26.8	26.5	
Minority Interest & Profit/Loss of Asso. Cos.	16	24	20	-3	-5	-21	-17	20	57	-23	101	
Reported PAT	268	370	231	756	127	198	923	2,319	1,625	3,567	1,377	68.4
Adj PAT	268	370	231	756	127	198	923	1,878	1,625	3,126	1,377	36.4
YoY Change (%)	-89.4	-84.2	-88.6	-28.1	-52.7	-46.3	298.9	148.4	-79.6	92.4	82.1	
Margins (%)	2.3	3.0	1.9	5.3	1.1	1.6	6.5	10.9	3.2	5.6	9.1	

Key Performance Indicators (Consolidated)

(INRb)

Y/E March	FY24				FY25E				FY24	FY25	FY25
INRb	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
API	6.0	6.3	5.7	7.5	6.6	5.6	5.3	6.9	25.5	22.2	4.7
YoY Change (%)	2.4	(7.5)	(9.2)	4.3	11.2	(11.4)	(7.5)	(7.9)	(2.5)	(12.6)	(36.6)
Custom Synthesis	2.5	2.2	2.1	2.4	2.1	3.0	4.0	4.6	9.2	13.7	6.1
YoY Change (%)	(56.7)	(68.9)	(67.0)	3.5	(14.4)	33.5	88.7	95.3	(57.5)	49.0	157.8
Formulation	2.9	3.3	3.7	4.3	2.7	3.3	4.4	5.4	14.1	15.8	3.8
YoY Change (%)	(18.3)	122.8	47.4	9.4	(3.9)	(1.2)	18.8	26.5	24.0	11.9	(12.6)
Cost Break-up											
RM Cost (% of Sales)	49.4	47.5	45.6	50.2	44.9	44.8	43.1	45.5	48.3	44.6	42.7
Staff Cost (% of Sales)	13.5	13.4	13.0	11.2	14.6	14.6	13.4	10.3	12.7	13.0	12.3
R&D Expenses(% of Sales)	4.1	4.7	3.6	4.5	5.4	5.5	4.2	3.8	3.4	3.1	4.3
Other Cost (% of Sales)	22.9	23.8	26.2	21.9	26.2	26.0	23.4	19.7	23.6	23.4	21.6
Gross Margins(%)	50.6	52.5	54.4	49.8	55.1	55.2	56.9	54.5	51.7	55.4	57.3
EBITDA Margins(%)	14.1	15.3	15.2	16.8	14.3	14.6	20.2	24.4	15.4	19.0	23.4
EBIT Margins(%)	6.4	7.7	6.9	9.7	5.5	5.8	12.7	18.0	7.8	11.3	16.1


Other highlights from the management commentary

- LAURUS has earmarked a total outlay of INR2.5b for building fermentation capacity, with the site expected to be operational by end-FY26.
- The company expects asset turnovers to return to normalized levels over the next two years.
- It has witnessed 40%/30% increase in projects on bio-catalysis/continuous flow reaction platform.
- R&D spend was 4.6% (INR2.6b) for FY25.
- Higher net working capital led to a decline in OCF despite EBITDA growth in FY25.
- LAURUS witnessed multiple signings in late-phase and commercial-phase programs during FY25.
- The company has about 20 clinical and commercial projects in the animal health and crop science segments.

- LAURUS' recent launches in the US led to slight growth in the Formulation segment in 4QFY25.
- LAURUS' JV with KRKA has invested INR2.2b in FY25, with groundbreaking for the manufacturing facility scheduled for Jun'25.

Key exhibits

Exhibit 1: Revenue grew 19.5% YoY in 4QFY25

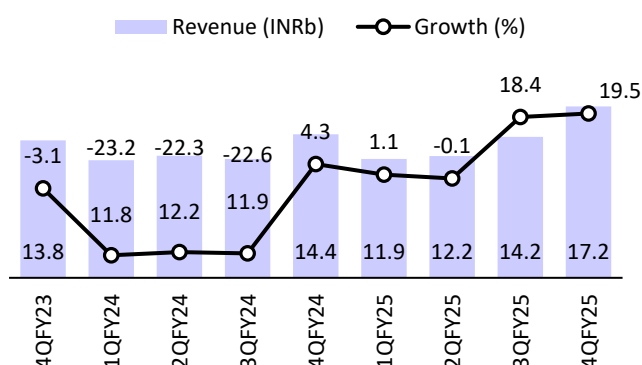


Exhibit 2: Share of FDF/CS stood at 27%/30% in 4QFY25

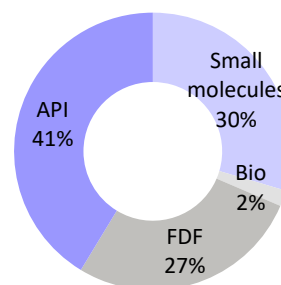


Exhibit 3: API sales declined 8% YoY

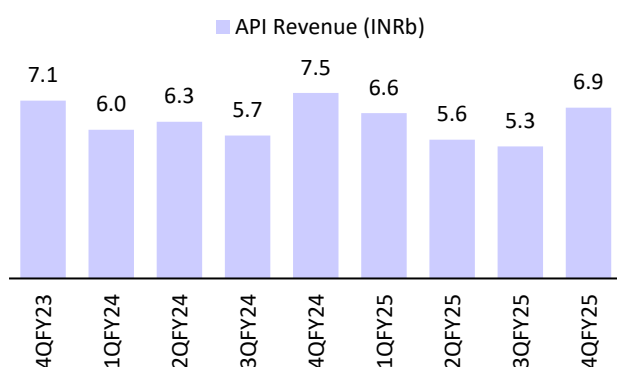


Exhibit 4: FDF sales up 26.5% YoY in 4QFY25

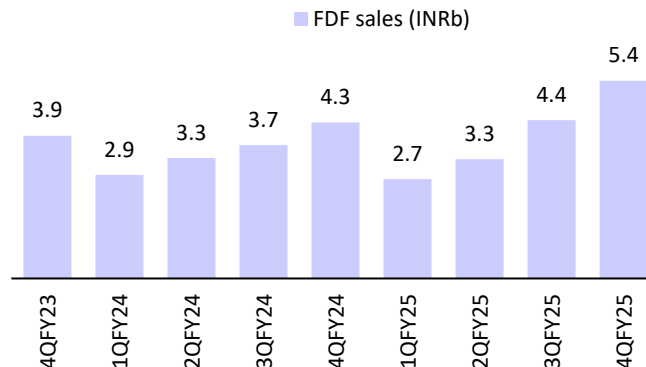
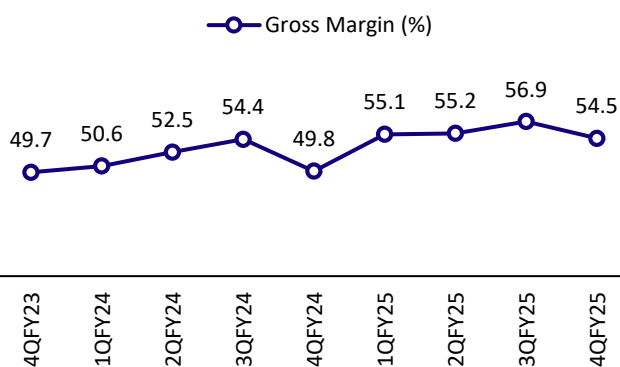
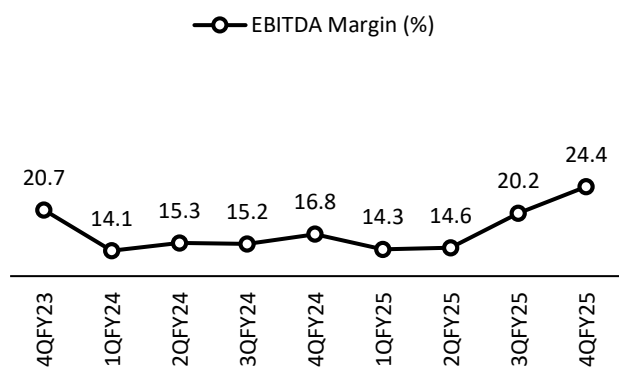


Exhibit 5: Gross margin expanded 460bp YoY in 4QFY25



Source: MOFSL, Company

Exhibit 6: EBITDA margin expanded ~770bp YoY



Source: MOFSL, Company

CDMO – Outperformer; ongoing efforts to improve prospects of the Generics segment

CDMO – On track to improve asset utilization and gain newer contracts

- CDMO sales grew 49% YoY to INR13.7b in FY25. After the reduced business of Paxlovid-related contract from INR21b in FY23 to INR9.2b in FY24, LAURUS delivered multiple mid-to-late stage projects, leading to sharp growth in CDMO sales in FY25.
- In fact, traction has improved in new manufacturing assets, and LAURUS remains on a promising path, securing additional contracts to provide manufacturing services for late-phase clinical trials as well as commercial-phase products.
- In addition to its operating leverage at existing sites, LAURUS continues to expand its manufacturing capacity in the fermentation space as well as in the API block at Vizag.
- Overall, it has ~110 projects in the pipeline, with 90+ projects in the human health segment and the remaining in the animal health/crop protection segment.
- We expect the CDMO business to post a 35% CAGR over FY25-27, reaching INR25b.

Generics – Enhancing the product pipeline in the non-ARV segment

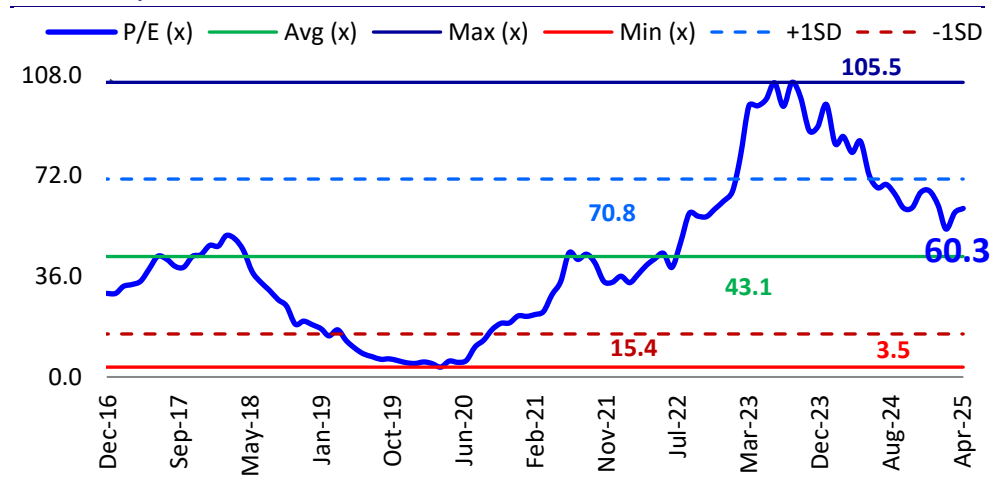
- In FY25, ARV sales (comprising FDF and API) were stable YoY at INR25b. Despite the increased competitive intensity, LAURUS has been able to maintain the sales run rate in this segment for FY25.
- In addition to competition headwinds, there has been recent concern over the potential reduction in funding support from the US for ARV programs. About 20% of the industry-level ARV business is supported by funding from the US. Having said this, LAURUS has limited exposure to US-supported programs (20% of ARV FDF).
- The company has filed seven DMFs in the non-ARV category for the FDF segment in FY25. The development of its product pipeline and collaboration with KrKa for manufacturing FDF are expected to drive growth in the non-ARV segment over the medium term.
- LAURUS has enhanced its capacity for API by 15% in the small molecules category. It is prioritizing API capacity toward high-margin opportunities.
- Accordingly, we expect 16% sales CAGR in the FDF segment to INR21b, while the API business is likely to witness a sales CAGR of 9% over FY25-27, reaching INR29b.

Reiterate BUY

- We slightly raise our FY26/FY27 estimates by 3%/1%, factoring in: a) the scale-up from new launches in the FDF segment, and b) the accelerated pace of product orders in late-phase clinical trials/commercial stage and improved operating leverage. We value LAURUS at 47x 12M forward earnings to arrive at a TP of INR750.

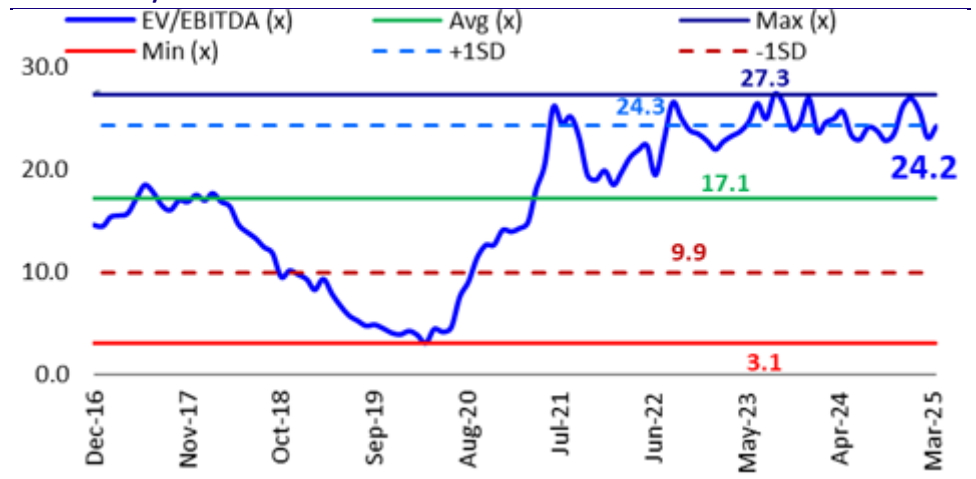
- After three years of deteriorated earnings, LAURUS ended FY25 on a strong note, with 92% YoY growth in PAT. The long manufacturing lead times for CDMO projects and higher capex intensity not only impacted earnings but also affected overall return ratios over the past two years. With improving asset utilization driven by project execution in the CDMO segment and new launches in the FDF segment, we expect 18%/25%/57% CAGR in sales/EBITDA/PAT over FY25-27. Reiterate BUY on the stock.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

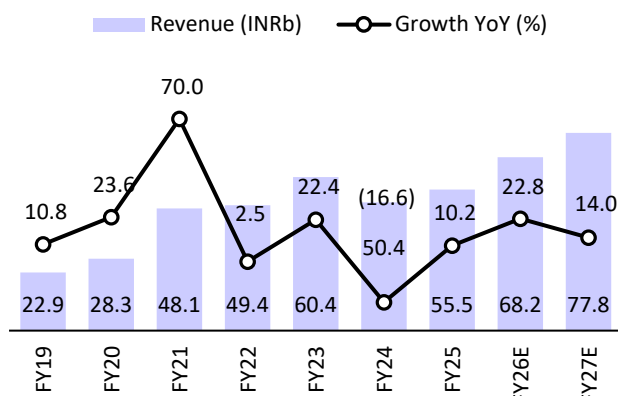
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

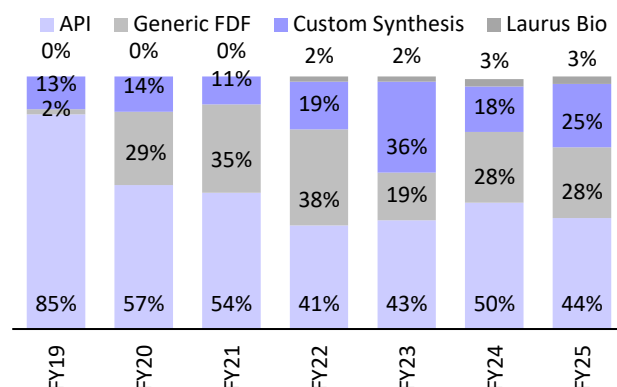
Story in charts

Exhibit 9: Likely to post a sales CAGR of 18% over FY25-27



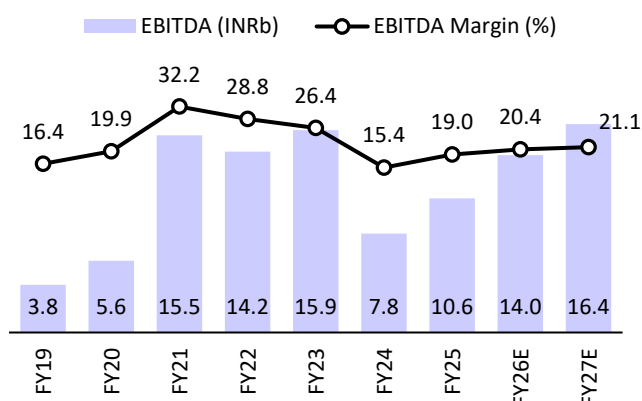
Source: MOFSL, Company

Exhibit 10: Generics API share reduced sharply over FY19-25



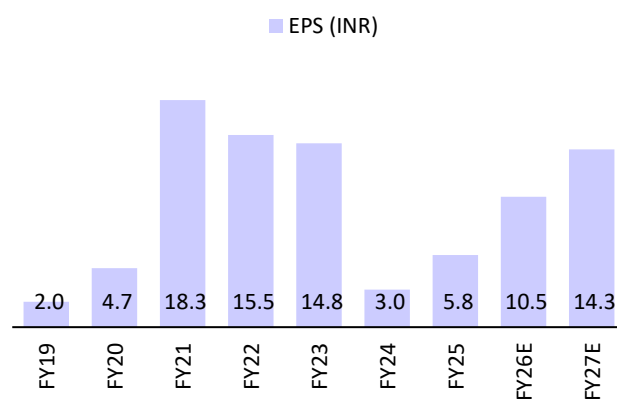
Source: MOFSL, Company

Exhibit 11: EBITDA CAGR to be 25% over FY25-27



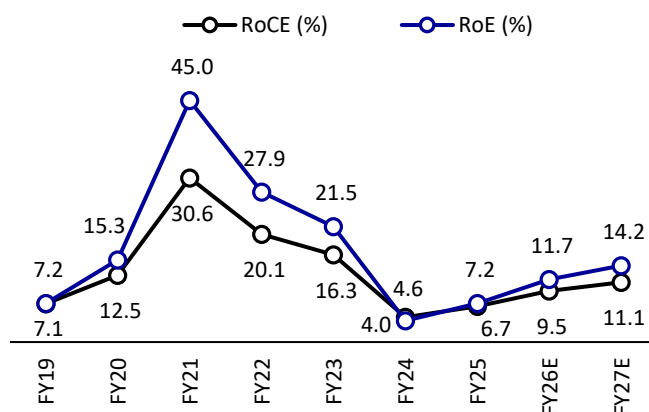
Source: MOFSL, Company

Exhibit 12: Expect a strong EPS trajectory over FY25-27



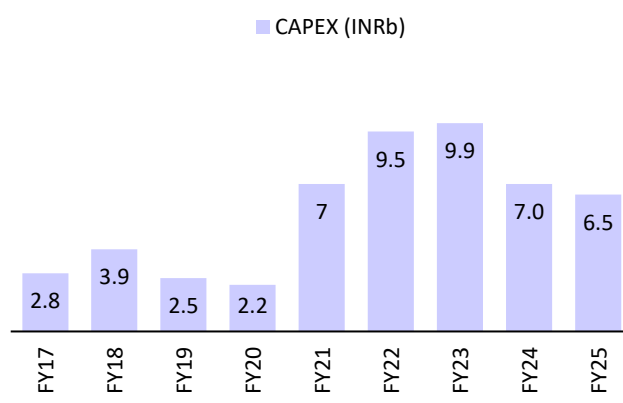
Source: MOFSL, Company

Exhibit 13: Return ratios to improve considerably over FY25-27



Source: MOFSL, Company

Exhibit 14: Significant investments in capex since FY21



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	28,317	48,135	49,356	60,406	50,408	55,540	68,227	77,782
Change (%)	23.6	70.0	2.5	22.4	-16.6	10.2	22.8	14.0
Total Expenditure	22,672	32,628	35,131	44,483	42,633	44,987	54,276	61,378
% of Sales	80.1	67.8	71.2	73.6	84.6	81.0	79.6	78.9
EBITDA	5,645	15,507	14,224	15,923	7,775	10,553	13,950	16,404
Margin (%)	19.9	32.2	28.8	26.4	15.4	19.0	20.4	21.1
Depreciation	1,873	2,051	2,515	3,241	3,846	4,301	4,339	4,354
EBIT	3,773	13,456	11,709	12,682	3,929	6,252	9,611	12,050
Int. and Finance Charges	896	682	1,024	1,652	1,829	2,160	2,085	1,807
Other Income	59	237	153	60	263	163	200	228
PBT bef. EO Exp.	2,936	13,011	10,839	11,090	2,364	4,254	7,726	10,471
EO Items	0	0	0	0	0	589	0	0
PBT after EO Exp.	2,936	13,011	10,839	11,090	2,364	4,843	7,726	10,471
Total Tax	383	3,173	2,514	3,123	684	1,299	2,019	2,710
Tax Rate (%)	13.1	24.4	23.2	28.2	28.9	26.8	26.1	25.9
Minority Interest	0	0	2	32	55	-23	61	69
Reported PAT	2,553	9,838	8,322	7,965	1,625	3,567	5,646	7,692
Adjusted PAT	2,553	9,838	8,322	7,965	1,625	3,126	5,646	7,692
Change (%)	132.6	285.4	-15.4	-4.3	-79.6	92.4	80.6	36.2
Margin (%)	9.0	20.4	16.9	13.2	3.2	5.6	8.3	9.9

Consolidated - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	1,069	1,073	1,075	1,077	1,077	1,077	1,077	1,077
Total Reserves	16,629	24,902	32,437	39,298	40,032	43,647	48,411	54,902
minority interest		32	79	111	46	1,300	1,300	1,300
Net Worth	17,698	26,007	33,591	40,487	41,155	46,024	50,788	57,279
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	10,123	13,871	17,320	21,006	26,115	27,553	28,053	27,553
Deferred Tax Liabilities	-739	192	691	825	570	319	319	319
Capital Employed	27,081	40,070	51,602	62,317	67,842	73,895	79,159	85,150
Gross Block	23,821	27,949	35,283	46,085	54,745	61,378	68,145	74,608
Less: Accum. Deprn.	6,655	8,706	11,221	14,462	18,308	22,609	26,948	31,302
Net Fixed Assets	17,166	19,243	24,062	31,623	36,437	38,769	41,197	43,307
Goodwill on Consolidation	97	2,463	2,463	2,463	2,463	2,463	2,463	2,463
Capital WIP	672	3,622	8,132	5,508	4,228	4,584	4,017	4,053
Total Investments	34	34	308	993	1,714	2,819	2,819	2,819
Curr. Assets, Loans&Adv.	18,589	32,145	34,715	36,017	39,028	44,721	53,583	60,463
Inventory	9,052	15,755	17,603	16,848	18,454	19,365	23,049	26,065
Account Receivables	7,914	13,061	13,542	15,804	16,629	20,072	21,309	24,081
Cash and Bank Balance	17	485	759	485	1,417	1,442	4,505	4,938
Loans and Advances	1,605	2,845	2,811	2,880	2,528	3,842	4,719	5,380
Curr. Liability & Prov.	9,477	17,437	18,079	14,287	16,029	19,459	24,918	27,954
Account Payables	6,156	11,787	8,764	7,107	10,512	9,585	12,788	14,125
Other Current Liabilities	2,753	4,894	7,753	6,165	4,334	8,520	10,466	11,932
Provisions	568	757	1,562	1,016	1,183	1,354	1,664	1,897
Net Current Assets	9,112	14,708	16,637	21,730	22,999	25,262	28,664	32,509
Appl. of Funds	27,081	40,070	51,602	62,317	67,842	73,895	79,159	85,150

(INRm)

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	18.3	15.5	14.8	3.0	5.8	10.5	14.3
Cash EPS	22.1	20.1	20.8	10.2	13.8	18.5	22.4
BV/Share	48.3	62.4	75.2	76.4	85.4	94.3	106.3
DPS	2.0	2.0	1.9	0.4	0.9	1.4	1.9
Payout (%)	13.1	15.6	15.6	15.6	15.6	15.6	15.6
Valuation (x)							
P/E	35.4	41.9	43.8	214.5	111.5	61.7	45.3
Cash P/E	29.3	32.2	31.1	63.7	46.9	34.9	28.9
EV/Sales	7.5	7.4	6.1	7.4	6.7	5.5	4.8
EV/EBITDA	23.3	25.7	23.2	48.0	35.5	26.7	22.6
Dividend Yield (%)	0.3	0.3	0.3	0.1	0.1	0.2	0.3
FCF per share	0.9	0.6	0.1	-1.6	2.9	10.0	7.0
Return Ratios (%)							
RoE	45.0	27.9	21.5	4.0	7.2	11.7	14.2
RoCE	30.6	20.1	16.3	4.6	6.7	9.5	11.1
RoIC	32.7	23.0	18.6	4.8	7.3	10.7	12.7
Working Capital Ratios							
Asset Turnover (x)	1.2	1.0	1.0	0.7	0.8	0.9	0.9
Inventory (Days)	119	130	102	134	127	123	122
Debtor (Days)	99	100	95	120	132	114	113
Creditor (Days)	89	65	43	76	63	68	66
Leverage Ratio (x)							
Current Ratio	1.8	1.9	2.5	2.4	2.3	2.2	2.2
Interest Cover Ratio	19.7	11.4	7.7	2.1	2.9	4.6	6.7
Net Debt/Equity	0.5	0.5	0.5	0.6	0.5	0.4	0.3

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	13,011	10,839	11,089	2,364	4,843	7,726	10,471
Depreciation	2,051	2,515	3,241	3,846	4,301	4,339	4,354
Interest & Finance Charges	579	862	1,455	1,750	2,100	1,886	1,580
Direct Taxes Paid	-2,285	-1,823	-2,855	-1,046	-1,375	-2,019	-2,710
(Inc)/Dec in WC	-5,941	-3,416	-3,153	-332	-2,814	-339	-3,412
CF from Operations	7,415	8,977	9,778	6,581	7,055	11,592	10,282
Others	-85	135	161	33	-106	0	0
CF from Operating incl EO	7,330	9,111	9,939	6,615	6,949	11,592	10,282
(Inc)/Dec in FA	-6,839	-8,767	-9,875	-7,476	-5,411	-6,200	-6,500
Free Cash Flow	491	344	64	-862	1,538	5,392	3,782
(Pur)/Sale of Investments	-2,584	-393	-223	-800	-1,054	0	0
Others	13	17	137	52	-352	200	228
CF from Investments	-9,410	-9,143	-9,961	-8,224	-6,817	-6,000	-6,272
Issue of Shares	74	43	74	26	102	0	0
Inc/(Dec) in Debt	3,804	1,968	2,138	5,078	1,561	500	-500
Interest Paid	-580	-850	-1,404	-1,743	-2,092	-2,085	-1,807
Dividend Paid	-750	-859	-1,075	-862	-431	-882	-1,201
CF from Fin. Activity	2,547	307	-253	2,541	-107	-2,530	-3,579
Inc/Dec of Cash	467	275	-275	932	25	3,062	431
Opening Balance	15	483	757	482	1,415	1,442	4,505
Closing balance	483	757	482	1,415	1,442	4,505	4,938
Bank balance	2	2	2	1	0	0	0
Total Cash and Cash equivalent	485	759	485	1,417	1,442	4,505	4,938

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