

Estimate change	
TP change	
Rating change	

Bloomberg	LAURUS IN
Equity Shares (m)	540
M.Cap.(INRb)/(USDb)	452 / 5.2
52-Week Range (INR)	846 / 390
1, 6, 12 Rel. Per (%)	27/32/92
12M Avg Val (INR M)	1502

Financials & valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	55.5	66.4	75.7
EBITDA	10.6	15.4	17.8
Adj. PAT	3.1	6.6	8.3
EBIT Margin (%)	11.3	16.3	17.0
Cons. Adj. EPS (INR)	5.8	12.2	15.4
EPS Gr. (%)	92.4	109.8	26.6
BV/Sh. (INR)	85.4	95.7	108.7
Ratios			
Net D:E	0.5	0.5	0.4
RoE (%)	7.2	13.4	15.1
RoCE (%)	6.7	10.6	11.7
Payout (%)	15.6	15.6	15.6
Valuations			
P/E (x)	144.4	68.8	54.4
EV/EBITDA (x)	45.2	31.1	26.9
Div. Yield (%)	0.1	0.2	0.2
FCF Yield (%)	0.6	0.8	1.1
EV/Sales (x)	8.6	7.2	6.3

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	27.6	27.6	27.2
DII	11.9	11.8	13.6
FII	25.7	25.5	25.7
Others	34.8	35.1	33.6

FII includes depository receipts

CMP: INR838

TP: INR970 (+16%)

Buy

Third consecutive earnings beat led by CDMO

Healthy pipeline/margin gains/new facilities support earnings upgrades

- Laurus Lab (LAURUS) delivered better-than-expected revenue/EBITDA/PAT (5%/23%/30% beat) for the third subsequent quarter in 1QFY26.
- The beat was led by robust execution in CDMO (small molecules) segment. The pipeline remains healthy across human/animal/crop science segments. The projects involved complex chemistries/biocatalysis across applications.
- Formulation (FDF) segment also witnessed strong YoY growth (down QoQ), led by newer contracts and some benefits from US launches.
- ARV business has been volatile (up 17% YoY/down 19% QoQ in 1QFY26) on a quarterly basis, though it is stable on an annual basis.
- We raise our earnings estimates by 16%/7% for FY26/FY27, factoring in a) strong tailwinds in CDMO segment led by 110+ active pipeline projects/ramp-up from new manufacturing facilities, b) additional contracts in generic FDF segment, and c) margin expansion from scale.
- Considering a 63% earnings CAGR over FY25-27, we value LAURUS at 56x 12M forward earnings to arrive at a TP of INR970. Reiterate BUY.

Segmental mix/scale-up of revenues drives margin expansion

- 1Q revenue grew 31.4% YoY to INR15.7b (our est. INR15b). Synthesis business (31% of sales, small molecules) was up 2.3x YoY to INR4.9b, led by improved deliveries of projects.
- FDF sales rose 50% YoY to INR4.1b (26% of sales). API sales (41% of sales) fell 4.1% YoY to INR6.4b. Bio division sales (2% of sales) fell 33% YoY to INR290m.
- Gross margin expanded 430bp YoY to 59.4% due to change in segmental mix.
- EBITDA margin expanded by ~1,000bp YoY to 24.3% (our est: 20.8%) due to better operating leverage (other expenses/employee expense down 480bp/90bp YoY as % of sales).
- EBITDA jumped 123% YoY to INR3.8b (our est. INR3.1b).
- Adj. PAT increased to INR1.6b (est. INR1.2b) vs. INR127m in 1QFY25.
- Net debt reduced from INR26b to INR23b QoQ.

Highlights from the management commentary

- LAURUS expects healthy YoY growth in CDMO segment in FY26.
- As contribution from CDMO segment rises, gross margin is expected to be at 55-60% vs. earlier guidance of 50-55%.
- Customer-specific challenges affected its bio business, though it is expected to be back on track in the coming quarters.
- ARV business grew 17% YoY, though LAURUS has maintained stable sales guidance for FY26.
- LAURUS commenced the construction of its new Gene/ADC facility in Hyderabad, and Microbial fermentation facility in Vizag.
- Its overall capex is expected to be INR50b over the next five years. Net debt-to-EBITDA ratio is expected to be in the range of 2.2x-2.5x.

Consolidated- Quarterly Earning Model

Y/E March	FY25								FY26E		FY25	FY26E	FY26	(INRm)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est (%)		
Net Sales	11,949	12,237	14,151	17,203	15,696	15,843	16,634	18,225	55,540	66,398	14,952	5.0		
YoY Change (%)	1.1	-0.1	18.4	19.5	31.4	29.5	17.6	5.9	10.2	19.6	25.1			
EBITDA	1,712	1,783	2,852	4,206	3,821	3,470	3,693	4,374	10,553	15,358	3,110	22.9		
YoY Change (%)	2.7	-5.1	57.2	74.2	123.2	94.6	29.5	4.0	35.7	45.5	81.7			
Margins (%)	14.3	14.6	20.2	24.4	24.3	21.9	22.2	24.0	19.0	23.1	20.8			
Depreciation	1,061	1,075	1,061	1,104	1,168	1,046	1,099	1,204	4,301	4,518	950			
EBIT	651	708	1,791	3,102	2,653	2,423	2,594	3,170	6,252	10,840	2,160			
YoY Change (%)	-14.5	-25.1	115.7	122.8	307.3	242.1	44.9	2.2	59.1	73.4	231.5			
Margins (%)	5.5	5.8	12.7	18.0	16.9	15.3	15.6	17.4	11.3	16.3	14.4			
Interest	492	526	578	564	515	521	521	521	2,160	2,079	521			
Other Income	25	46	94	-3	104	49	49	49	163	250	50			
PBT before EO expense	185	228	1,307	2,535	2,242	1,950	2,121	2,697	4,254	9,011	1,688			
Extra-Ord expense	0	0	0	-589	0	0	0	0	-589	0	0			
PBT	185	228	1,307	3,123	2,242	1,950	2,121	2,697	4,843	9,011	1,688			
Tax	63	51	401	785	631	507	552	715	1,299	2,405	439			
Rate (%)	33.9	22.3	30.7	25.1	28.2	26.0	26.0	26.5	26.8	26.7	26.0			
Minority Interest & Profit/Loss of Asso. Cos.	-5	-21	-17	20	7	15	15	16	30	53	15			
Reported PAT	127	198	923	2,319	1,603	1,428	1,555	1,967	3,514	6,553	1,234	29.9		
Adj PAT	127	198	923	1,878	1,603	1,428	1,555	1,967	3,126	6,553	1,234	29.9		
YoY Change (%)	-52.7	-46.3	298.9	148.4	1,165	619.9	68.4	4.7	92.4	109.6	873.4			
Margins (%)	1.1	1.6	6.5	10.9	10.2	9.0	9.3	10.8	5.6	9.9	8.3			

Key performance Indicators (Consolidated)

Y/E March	FY25								FY26E		FY25	FY26E	FY26	(INRb)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE			
INRb														
API	6.6	5.6	5.3	6.9	6.4	6.4	6.4	6.6	22.2	25.8	6.6			
YoY Change (%)	11.2	(11.4)	(7.5)	(7.9)	(4.1)	15.0	21.2	(4.0)	(12.6)	24.2	0.0			
Custom Synthesis	2.1	3.0	4.0	4.6	4.9	5.1	5.5	6.7	13.7	22.2	3.9			
YoY Change (%)	(14.4)	33.5	88.7	95.3	130.4	70.0	37.0	45.0	49.0	61.4	80.0			
Formulation	2.7	3.3	4.4	5.4	4.1	4.6	4.8	5.7	15.8	19.2	4.1			
YoY Change (%)	(3.9)	(1.2)	18.8	26.5	50.0	40.0	10.0	5.1	11.9	21.4	50.0			
Cost Break-up														
RM Cost (% of Sales)	44.9	44.8	43.1	45.5	40.6	45.1	44.9	44.3	44.6	43.8	45.5			
Staff Cost (% of Sales)	14.6	14.6	13.4	10.3	13.7	11.5	11.4	11.2	13.0	11.9	11.7			
R&D Expenses(% of Sales)	5.4	5.5	4.2	3.8	4.1	3.9	3.8	3.3	3.1	2.5	4.3			
Other Cost (% of Sales)	26.2	26.0	23.4	19.7	21.4	23.0	24.0	23.5	23.4	23.0	22.0			
Gross Margins (%)	55.1	55.2	56.9	54.5	59.4	54.9	55.1	55.7	55.4	56.2	54.5			
EBITDA Margins (%)	14.3	14.6	20.2	24.4	24.3	20.4	19.7	21.0	19.0	21.3	20.8			
EBIT Margins (%)	5.5	5.8	12.7	18.0	16.9	14.1	13.4	14.7	11.3	14.7	14.4			


Other highlights from the management commentary

- Non-ARV FDF business is expected to pick up when the FDF facility is qualified by next year.
- LAURUS has multiple programs in execution covering complex chemistries, biocatalysis, flow chemistry, and peptides within CDMO segment.
- The construction of its fermentation manufacturing site (Vizag) is on track and is expected to commence operations by CY26 end.
- The company plans to invest INR5b at JV level with KRKA.
- LAURUS would invest USD25m in gene therapy. A new site will start operations by end-CY26.

Key exhibits

Exhibit 1: Revenue grew 31.4% YoY in 1QFY26

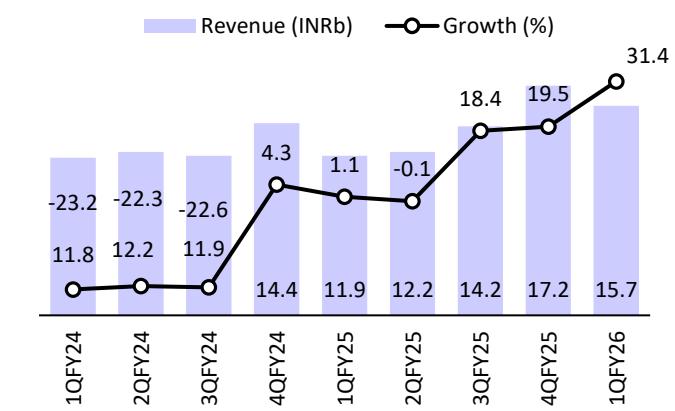


Exhibit 2: Share of FDF/CS stood at 26%/31% in 1QFY26

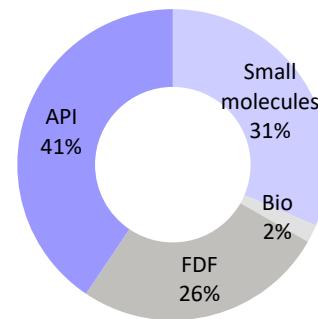


Exhibit 3: API sales declined 4% YoY

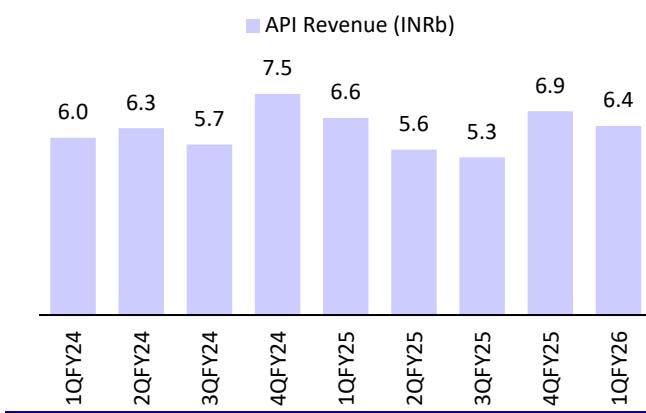


Exhibit 4: FDF sales up 50% YoY in 1QFY26

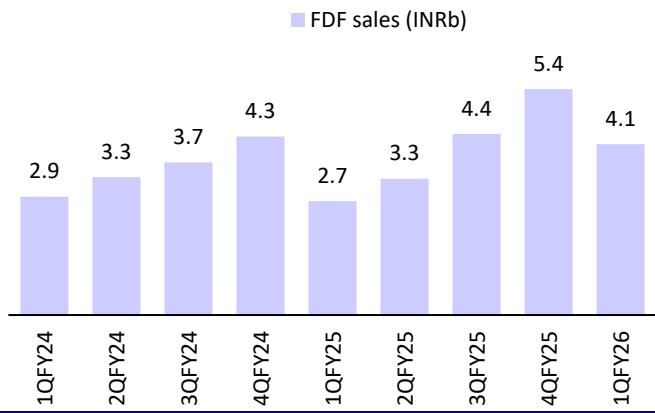
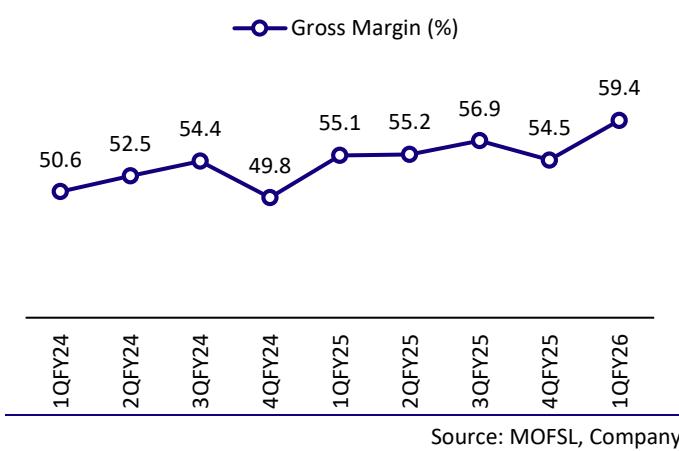
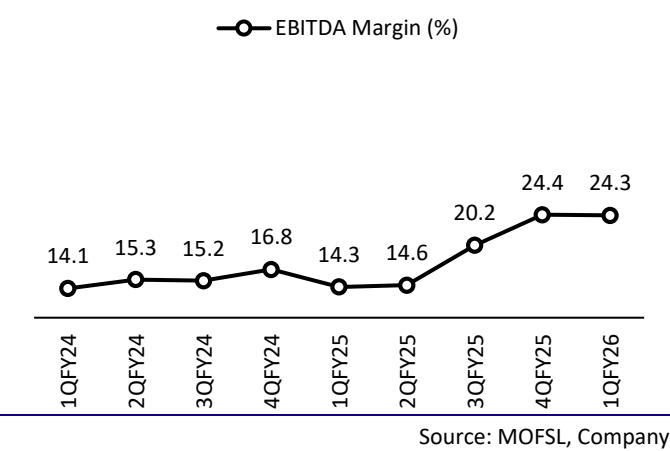


Exhibit 5: Gross margin expanded 430bp YoY in 1QFY26



Source: MOFSL, Company

Exhibit 6: EBITDA margin expanded ~1000bp YoY



Source: MOFSL, Company

CDMO growth engine gains traction; generics to pick up gradually

CDMO – Scaling up capacities/enhancing capabilities

- CDMO sales grew 2.3x YoY to INR4.9b in 1QFY26. LAURUS has multiple mid-to-late stage projects with clinical project advancements and ramp-up of new assets, leading to strong growth in CDMO sales in 1QFY26.
- In fact, continued investments in high-value specialty areas, such as complex chemistries/biologics and gene therapy, will reinforce its position as a reliable and trusted global CDMO partner.
- LAURUS is strategically strengthening its CDMO platform through the Phase 1 commissioning of its Vizag plant, enhancing its capabilities in high-value areas like gene therapy and R&D site capabilities in Hyderabad. This positions the company to capture more complex and higher-margin opportunities.
- As a part of its strategic realignment, the company is prioritizing CDMO projects by reallocating resources while gradually scaling back its focus on generic API development.
- Overall, it has ~110 active projects in the pipeline, with 90+ projects in the human health segment and the remaining in the animal health/crop protection segments.
- We expect the CDMO business to post a 38% CAGR over FY25-27E, reaching INR26b.

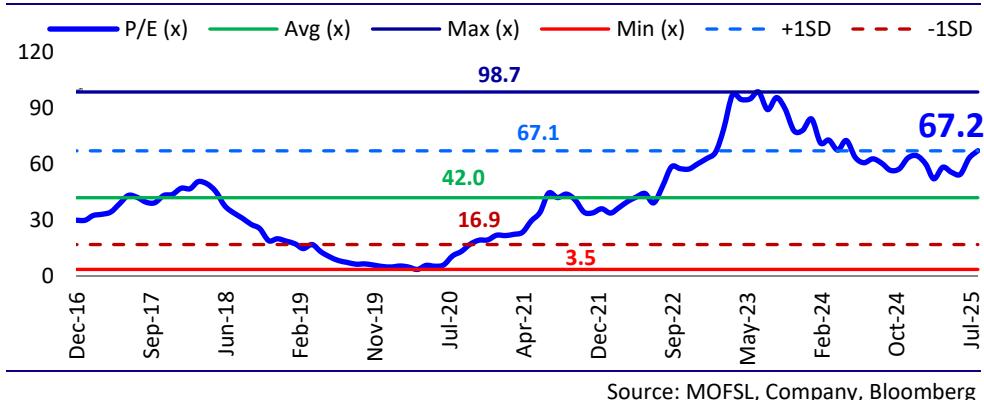
Generics – Stable ARV base; Non-ARV to scale up post capacity addition

- Generics sales grew 12% YoY to INR10.5b in 1QFY26, supported by robust contributions from the ARV and developed markets portfolio within the FDF segment. In FY25, LAURUS was able to maintain the sales run rate in ARV despite the increased competitive intensity.
- LAURUS filed one product dossier and received a total of three approvals (including tentative approvals) for FDFs in developed markets.
- KRKA JV's new Hyderabad facility marks a strategic shift toward expanding Non-ARV sales, while ARV sales are expected to remain stable.
- Accordingly, we expect a 15% sales CAGR in the FDF segment to INR21b, while the API business is likely to witness a sales CAGR of 7% over FY25-27E, reaching INR18b.

Valuation and view

- We raise our earnings estimates by 16%/7% for FY26/FY27, factoring in a) strong tailwinds in CDMO segment led by 110+ active pipeline projects/ramp-up from new manufacturing facilities, b) additional contracts in generic FDF segment, and c) margin expansion from scale.
- Considering a 63% earnings CAGR over FY25-27, we value LAURUS at 56x 12M forward earnings to arrive at a TP of INR970. Reiterate BUY.

Exhibit 7: P/E chart



Story in charts

Exhibit 8: Likely to post a sales CAGR of 17% over FY25-27E

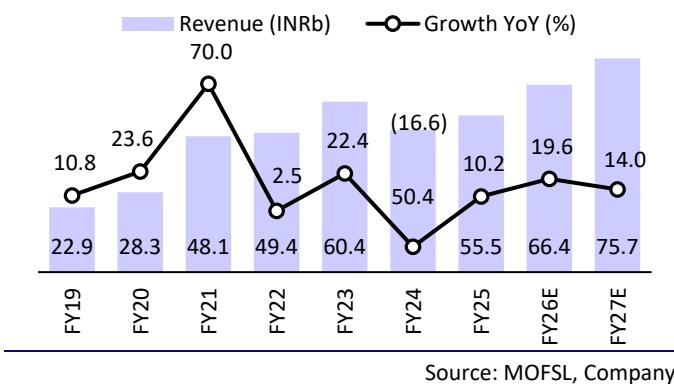


Exhibit 9: CDMO share to increase over FY25-27E

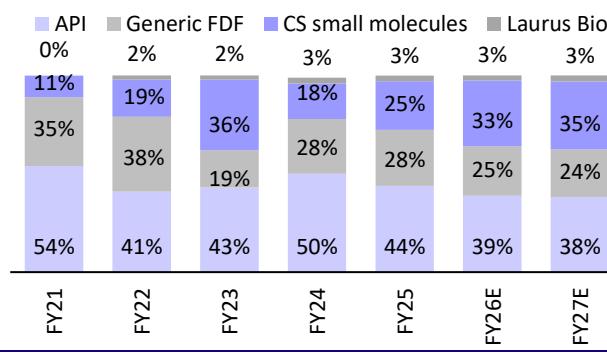


Exhibit 10: EBITDA CAGR to be 30% over FY25-27E

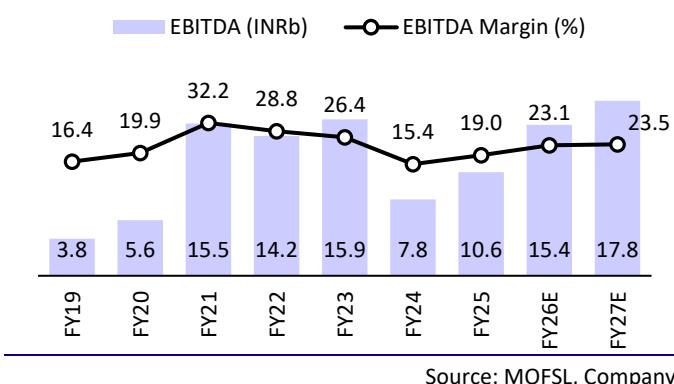


Exhibit 11: Expect a strong EPS trajectory over FY25-27

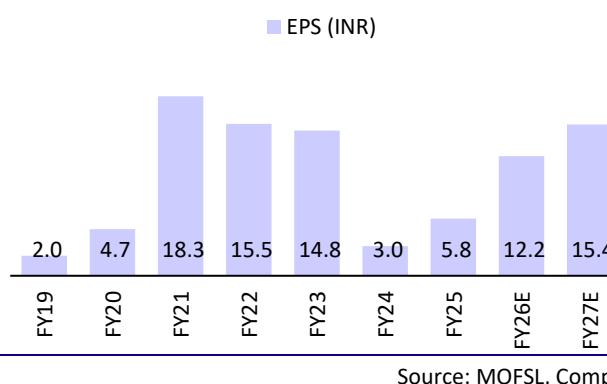


Exhibit 12: Return ratios to improve considerably over FY25-27

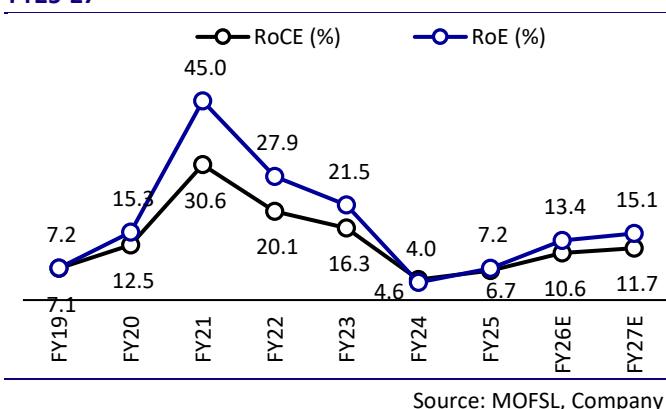
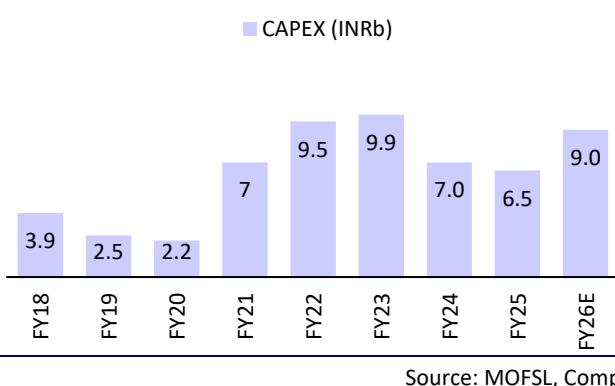


Exhibit 13: CAPEX intensity to increase with increasing CFO



Financials and valuations

Consolidated - Income Statement								(INRm)
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	66,402	75,716
Change (%)	23.6	70.0	2.5	22.4	-16.6	10.2	19.6	14.0
Total Expenditure	22,672	32,628	35,131	44,483	42,633	44,987	51,040	57,909
% of Sales	80.1	67.8	71.2	73.6	84.6	81.0	76.9	76.5
EBITDA	5,645	15,507	14,224	15,923	7,775	10,553	15,362	17,807
Margin (%)	19.9	32.2	28.8	26.4	15.4	19.0	23.1	23.5
Depreciation	1,873	2,051	2,515	3,241	3,846	4,301	4,518	4,930
EBIT	3,773	13,456	11,709	12,682	3,929	6,252	10,845	12,877
Int. and Finance Charges	896	682	1,024	1,652	1,829	2,160	2,079	1,807
Other Income	59	237	153	60	263	163	250	222
PBT bef. EO Exp.	2,936	13,011	10,839	11,090	2,364	4,254	9,016	11,291
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	9,016	11,291
Total Tax	383	3,173	2,514	3,123	684	1,299	2,405	2,923
Tax Rate (%)	13.1	24.4	23.2	28.2	28.9	26.8	26.7	25.9
Minority Interest	0	0	2	32	55	-23	53	69
Reported PAT	2,553	9,838	8,322	7,965	1,625	3,567	6,558	8,300
Adjusted PAT	2,553	9,838	8,322	7,965	1,625	3,126	6,558	8,300
Change (%)	132.6	285.4	-15.4	-4.3	-79.6	92.4	109.8	26.6
Margin (%)	9.0	20.4	16.9	13.2	3.2	5.6	9.9	11.0

Consolidated - Balance Sheet								(INRm)
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	49,181	56,184
minority interest			32	79	111	46	1,300	1,300
Net Worth	17,698	26,007	33,591	40,487	41,155	46,024	51,557	58,561
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	79,929	86,432
Gross Block	23,821	27,949	35,283	46,085	54,745	61,378	69,545	77,628
Less: Accum. Deprn.	6,655	8,706	11,221	14,462	18,308	22,609	27,126	32,056
Net Fixed Assets	17,166	19,243	24,062	31,623	36,437	38,769	42,419	45,572
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	5,417	4,833
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	50,644	57,534
Inventory	9,052	15,755	17,603	16,848	18,454	19,365	22,374	25,702
Account Receivables	7,914	13,061	13,542	15,804	16,629	20,072	22,741	26,345
Cash and Bank Balance	17	485	759	485	1,417	1,442	936	250
Loans and Advances	1,605	2,845	2,811	2,880	2,528	3,842	4,593	5,237
Curr. Liability & Prov.	9,477	17,437	18,079	14,287	16,029	19,459	23,831	26,788
Account Payables	6,156	11,787	8,764	7,107	10,512	9,585	12,026	13,327
Other Current Liabilities	2,753	4,894	7,753	6,165	4,334	8,520	10,186	11,615
Provisions	568	757	1,562	1,016	1,183	1,354	1,619	1,846
Net Current Assets	9,112	14,708	16,637	21,730	22,999	25,262	26,812	30,746
Appl. of Funds	27,081	40,070	51,602	62,317	67,842	73,896	79,929	86,432

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	4.7	18.3	15.5	14.8	3.0	5.8	12.2	15.4
Cash EPS	8.2	22.1	20.1	20.8	10.2	13.8	20.6	24.6
BV/Share	32.9	48.3	62.4	75.2	76.4	85.4	95.7	108.7
DPS	0.6	2.0	2.0	1.9	0.4	0.9	1.6	2.0
Payout (%)	15.1	13.1	15.6	15.6	15.6	15.6	15.6	15.6
Valuation (x)								
P/E	176.8	45.9	54.2	56.7	277.8	144.4	68.8	54.4
Cash P/E	102.0	38.0	41.7	40.3	82.5	60.8	40.8	34.1
EV/Sales	16.3	9.7	9.5	7.8	9.4	8.6	7.2	6.3
EV/EBITDA	81.7	30.0	32.9	29.6	61.2	45.2	31.1	26.9
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.0	0.1	0.2	0.2
FCF per share	2.0	0.9	0.6	0.1	-1.6	2.9	3.5	5.1
Return Ratios (%)								
RoE	15.3	45.0	27.9	21.5	4.0	7.2	13.4	15.1
RoCE	12.5	30.6	20.1	16.3	4.6	6.7	10.6	11.7
RoIC	13.0	32.7	23.0	18.6	4.8	7.3	11.7	12.8
Working Capital Ratios								
Asset Turnover (x)	1.0	1.2	1.0	1.0	0.7	0.8	0.8	0.9
Inventory (Days)	117	119	130	102	134	127	123	124
Debtor (Days)	102	99	100	95	120	132	125	127
Creditor (Days)	79	89	65	43	76	63	66	64
Leverage Ratio (x)								
Current Ratio	2.0	1.8	1.9	2.5	2.4	2.3	2.1	2.1
Interest Cover Ratio	4.2	19.7	11.4	7.7	2.1	2.9	5.2	7.1
Net Debt/Equity	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.4

Consolidated - Cash Flow Statement

(**INRm**)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	2,936	13,011	10,839	11,089	2,364	4,843	9,016	11,291
Depreciation	1,873	2,051	2,515	3,241	3,846	4,301	4,518	4,930
Interest & Finance Charges	837	579	862	1,455	1,750	2,100	1,829	1,586
Direct Taxes Paid	-383	-2,285	-1,823	-2,855	-1,046	-1,375	-2,405	-2,923
(Inc)/Dec in WC	-1,465	-5,941	-3,416	-3,153	-332	-2,814	-2,056	-4,620
CF from Operations	3,797	7,415	8,977	9,778	6,581	7,055	10,901	10,264
Others	-323	-85	135	161	33	-106	0	0
CF from Operating incl EO	3,474	7,330	9,111	9,939	6,615	6,949	10,901	10,264
(Inc)/Dec in FA	-2,421	-6,839	-8,767	-9,875	-7,476	-5,411	-9,000	-7,500
Free Cash Flow	1,053	491	344	64	-862	1,538	1,901	2,764
(Pur)/Sale of Investments	0	-2,584	-393	-223	-800	-1,054	0	0
Others	210	13	17	137	52	-352	250	222
CF from Investments	-2,211	-9,410	-9,143	-9,961	-8,224	-6,817	-8,750	-7,278
Issue of Shares	5	74	43	74	26	102	0	0
Inc/(Dec) in Debt	139	3,804	1,968	2,138	5,078	1,561	500	-500
Interest Paid	-896	-580	-850	-1,404	-1,743	-2,092	-2,079	-1,807
Dividend Paid	-384	-750	-859	-1,075	-862	-431	-1,024	-1,296
CF from Fin. Activity	-1,277	2,547	307	-253	2,541	-107	-2,658	-3,674
Inc/Dec of Cash	-14	467	275	-275	932	25	-507	-688
Opening Balance	28	15	483	757	482	1,415	1,442	936
Closing balance	15	483	757	482	1,415	1,442	936	250
Bank balance	2	2	2	2	1	0	0	0
Total Cash and Cash equivalent	17	485	759	485	1,417	1,442	936	250

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NOTES

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