

Estimate change



TP change



Rating change



CMP: INR1,852

TP: INR2,000 (+8%)

Neutral

Superior US execution drives earnings surprise

Pipeline in inhalation/injectables/specialty products to support growth

- Lupin (LPC) exhibited better-than-expected performance with a beat of 4%/10%/23% on revenue/EBITDA/PAT in 1QFY26. This was driven by a higher-than-expected US revenue, better product mix, and lower R&D spend for the quarter.
- US sales have been on a strong uptrend for the past 14 quarters, driven by improved traction in niche products, including recent additions such as g-Jynarque (Tolvaptan) and g-Xarelto (Rivaroxaban). LPC has a strong pipeline of products in the inhalation/injectable space to sustain this growth momentum going forward. It is also working on specialty products (Namuscla, Xopenox) for the US market.
- The domestic formulation (DF) segment had a breather in YoY growth this quarter, primarily due to increased competition in one of the in-licensed products. Given its strong anti-diabetes franchise, LPC is gearing up for the launch of semaglutide as part of the first wave of market formation in India.
- LPC is also scaling additional growth drivers in India, including consumer health, diagnostics, and digital offerings for cardiac patients.
- We raise our earnings estimate by 5.5%/2% for FY26/FY27, factoring in: a) superior execution in limited competition products in the US market, b) loss of exclusivity in one of the in-licensed products in the DF market, and c) lower opex. We value LPC at 22x 12M forward earnings to arrive at a TP of INR2,000.
- LPC has achieved 3x/8x EBITDA/PAT over FY23-25. Considering the product pipeline for the US market and chronic focused approach in the Indian market, we estimate a 14%/16% EBITDA/PAT CAGR over FY25-27. Moreover, the valuation leaves limited scope for appreciation from current levels. Reiterate Neutral.

Robust US sales and 290bp margin expansion drive 27% YoY growth in PAT

- LPC's 1QFY26 revenue grew 11.9% YoY to INR62.7b. (our est. INR60.5b).
- US sales grew 24.3% YoY to INR24b (up 22% YoY in CC to USD282m; 39% of sales). DF sales grew 7.8% YoY to INR20.9b (34% of sales). Other developed market sales grew 17.4% YoY to INR7.7b (13% of sales). Emerging market sales grew 5.2% YoY to INR 6.5b (10% of sales).
- API sales decreased 32.9% YoY to INR2.4b (4% of sales).
- Gross Margin (GM) expanded 290bp YoY to 71.7% due to a better product mix and reduction in raw material costs.
- EBITDA margin expanded 190bp YoY to 26.2% (our est: 24.6%, largely due to a better GM. The benefit was partly offset by higher R&D spend (+150bp YoY as % of sales).
- As a result, EBITDA grew 21% YoY to INR16.4b (vs our est: INR15b).
- Adj. PAT grew 27% YoY INR11.5b (our est: INR9.3b), further supported by a lower tax rate.

Bloomberg	LPC IN
Equity Shares (m)	457
M.Cap.(INRb)/(USD\$)	845.8 / 9.6
52-Week Range (INR)	2403 / 1774
1, 6, 12 Rel. Per (%)	-3/-19/-6
12M Avg Val (INR M)	2335

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	225.0	252.3	279.4
EBITDA	52.7	66.1	68.5
Adj. PAT	32.7	42.8	43.8
EBIT Margin (%)	18.2	21.2	19.9
Cons. Adj. EPS (INR)	71.6	94.1	96.3
EPS Gr. (%)	72.4	31.2	2.3
BV/Sh. (INR)	376.8	487.9	581.2

Ratios

Net D:E	0.1	-0.1	-0.2
RoE (%)	20.8	21.7	18.0
RoCE (%)	17.7	18.4	16.0
Payout (%)	4.1	3.1	3.0

Valuations

P/E (x)	25.8	19.7	19.2
EV/EBITDA (x)	16.4	12.3	11.3
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.2	5.6	5.1
EV/Sales (x)	3.8	3.2	2.8

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	46.9	46.9	47.0
DII	25.6	25.4	26.8
FII	21.3	21.5	19.3
Others	6.3	6.2	6.9

FII Includes depository receipts

Highlights from the management commentary

- LPC guided for strong double-digit YoY revenue growth, with EBITDA margin expected at 24%-25% in FY26.
- The goal dates for Risperdal Consta/Ranibizumab are Sep'25/Jun'26.
- LPC has gained considerable market share for g-Spiriva in the commercial channel and is actively working on the Medicare/Medicaid channels to further drive business from this product.
- LPC expects to launch g-Dalbavancin this year.
- Patient recruitment for Namuscla in the US market is underway, with commercialization targeted by FY29.
- Regarding Spiriva, a couple of companies have filed ANDAs for the US market.
- LPC plans to launch g-Victoza (liraglutide) in Oct'25. Pending approval of g-Victoza, the scope of USFDA approval for g-Saxenda has increased, with a goal date set for FY27.

Quarterly Performance (Consolidated)

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	
Net Sales	56,003	55,427	56,927	56,671	62,684	64,166	63,190	62,236	2,25,028	2,52,275	60,525	3.6
YoY Change (%)	21.5	10.0	9.5	14.2	11.9	15.8	11.0	9.8	13.6	12.1	8.1	
Total Expenditure	42,389	43,059	43,162	43,750	46,269	47,803	46,508	45,557	1,72,361	1,86,137	45,636	
EBITDA	13,614	12,368	13,765	12,921	16,415	16,362	16,682	16,679	52,668	66,139	14,889	10.2
YoY Change (%)	109.0	34.0	34.7	29.6	20.6	32.3	21.2	29.1	46.6	25.6	9.4	
Margins (%)	24.3	22.3	24.2	22.8	26.2	25.5	26.4	26.8	23.4	26.2	24.6	
Depreciation	2,477	2,569	2,715	3,932	2,990	3,259	3,209	3,161	11,693	12,618	3,074	
EBIT	11,137	9,799	11,050	8,989	13,425	13,104	13,473	13,519	40,975	53,521	11,815	13.6
YoY Change (%)	167.3	45.1	44.5	21.3	20.5	33.7	21.9	50.4	57.7	30.6	6.1	
Margins (%)	19.9	17.7	19.4	15.9	21.4	20.4	21.3	21.7	18.2	21.2	19.5	
Interest	680	709	669	891	918	880	820	749	2,949	3,367	900	
Other Income	678	423	537	570	790	590	620	450	2,207	2,450	580	
EO Exp/(Inc)	1,204	-1,036	956	-291	-859	0	0	0	834	-859	0	
PBT	9,930	10,549	9,963	8,958	14,156	12,814	13,273	13,219	39,401	53,464	11,495	23.1
Tax	1,875	1,954	2,124	1,135	1,941	2,447	2,588	2,604	7,087	9,581	2,127	
Rate (%)	18.9	18.5	21.3	12.7	13.7	19.1	19.5	19.7	18.0	17.9	18.5	
Minority Interest	-42	-69	-37	-99	-24	-75	-70	-72	-246	-241	-85	
Reported PAT	8,013	8,526	7,802	7,726	12,191	10,291	10,615	10,544	32,067	43,640	9,284	31.3
Adj PAT	8,990	7,682	8,554	7,472	11,450	10,291	10,615	10,544	32,698	42,899	9,284	23.3
YoY Change (%)	214.9	55.5	42.6	47.0	27.4	34.0	24.1	41.1	73.2	31.2	3.3	
Margins (%)	16.1	13.9	15.0	13.2	18.3	16.0	16.8	16.9	14.5	17.0	15.3	
EPS	20	17	19	16	25	23	23	23	72	94	20	23.3

E: MOFSL estimates

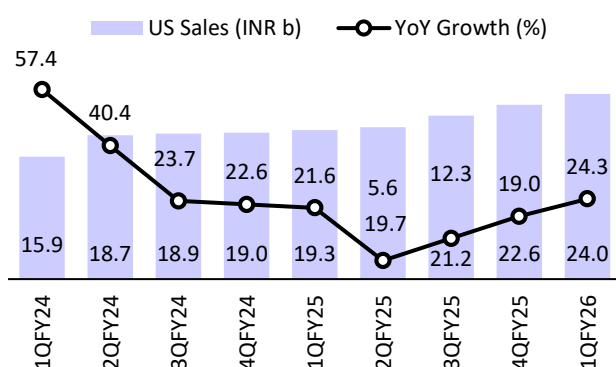


Highlights from the management interaction

- LPC benefited from g-Tolvaptan for part of 1QFY26.
- Competition in mirabegron for the US market is subject to litigation outcome for peers.
- LPC witnessed additional competition in Albuterol with the entry of Amphastar.
- It has added oncology and CNS as newer focus therapies in the DF market.
- The company has a pipeline of 80 products, which are expected to be launched in the Indian market over the next five years.
- LPC received two ANDA approvals and launched three ANDAs in 1QFY26.
- It launched five brands across therapies in the DF segment in 1QFY26.
- R&D was 7.9% of sales for the quarter.
- ETR is expected to be 19% for FY26.
- Capex for the quarter was INR2b.
- Cash surplus stood at INR12.4b at the end of Jun'25

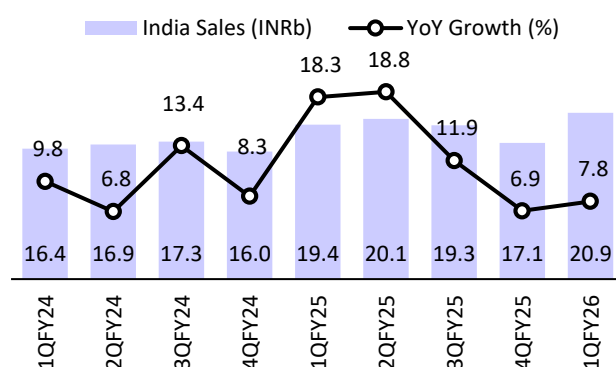
Key exhibits

Exhibit 1: US sales increased 24% YoY in 1QFY26



Source: MOFSL, Company

Exhibit 2: DF sales up 7.8% YoY in 1QFY26



Source: MOFSL, Company

US pipeline strength offsets DF weakness

US – Niche pipeline and exclusivity fuel momentum

- LPC has exhibited robust growth momentum in US generics since FY24. After delivering a 21% CAGR over FY23-25, LPC's US sales run rate continues to track upwards, with 1QFY26 sales at USD282m, up 24% YoY.
- LPC continues to add niche products to its commercial as well as development pipeline.
- Specifically, 1QFY26 has benefited from g-Jynarque (sole 180 day exclusivity), leading to the highest quarterly sales since 4QFY17.
- The company is further building its pipeline in the inhalation, injectables, and biosimilar space. It is working on the complete value chain, from the development to manufacturing of metered dose inhalers (MDIs), dry powder inhalers (DPI), soft mist inhalers, nasal sprays, and nebulas within the respiratory segment. Likewise, it is also working on peptides, iron colloid, depot liposome, and 505b2 injectables.
- Accordingly, it is targeting about 20 complex product launches till FY28.
- It has also completed remediation measures at Tarapur/Mandideep-1.
- Given the complex nature of products, the approval timeline remains unpredictable based on historical instances. We build in a 13% sales CAGR over FY25-27 in the US segment, reaching USD1.2b.

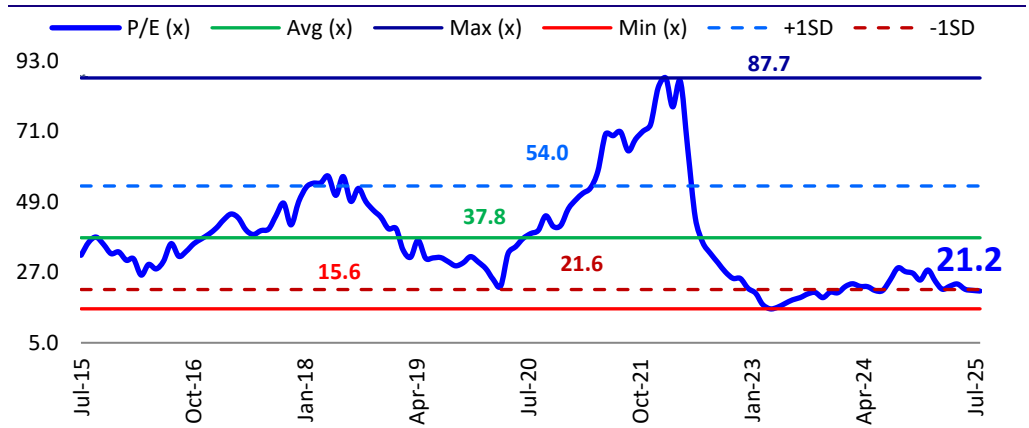
DF – Growth moderates on LOE in in-licensed product

- After a healthy outperformance to industry in FY25, LPC's YoY growth in the DF segment has moderated to 8% in 1QFY26.
- Specifically, in prescription (Rx) segment, it grew in-line with industry for the quarter. This was partly due to the loss of a product exclusivity in the in-licensed portfolio for anti-diabetes therapy.
- Subsequently, the share of in-licensed products reduced to 6.1% of DF sales vs 12% in FY25.
- With respect to other therapies like cardiology, respiratory, gastro-intestinal and VMS, LPC delivered better-than-industry growth for the quarter.
- Based on new launches (20+ in FY26) and field force addition (to increase reach), we expect 10% sales CAGR in the DF segment over FY25-27.

Reiterate Neutral

- We raise our earnings estimate by 5.5%/2% for FY26/FY27, factoring in: a) superior execution in limited competition products in the US market, b) loss of exclusivity in one of the in-licensed products in DF market, and c) lower opex. We value LPC at 22x 12M forward earnings to arrive at a TP of INR2,000.
- LPC has achieved 3x/8x EBITDA/PAT over FY23-25. Considering the product pipeline for the US market and chronic-focused approach in the India market, we estimate 14%/16% EBITDA/PAT CAGR over FY25-27. Moreover, the valuation leaves limited scope for appreciation from current levels. Reiterate Neutral.

Exhibit 3: P/E chart



Story in charts

Exhibit 4: Revenue mix in 1QFY26

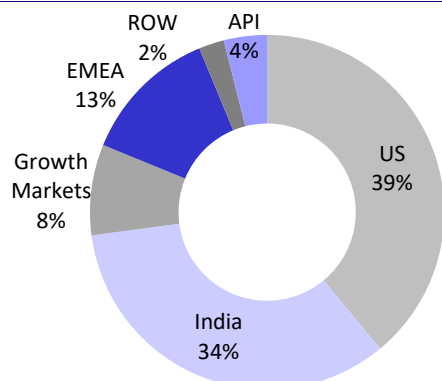


Exhibit 5: Expect 12% sales CAGR over FY25-27

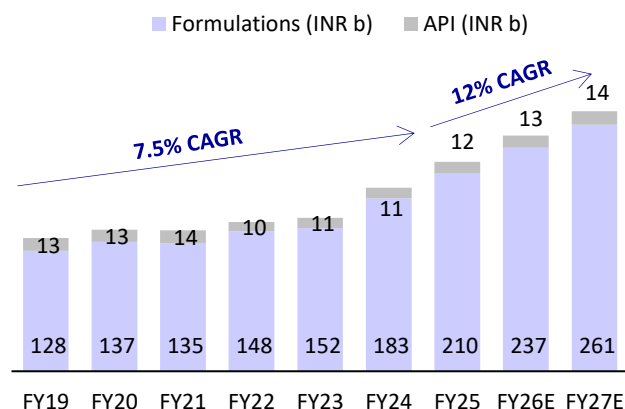


Exhibit 6: R&D spending to inch up going forward

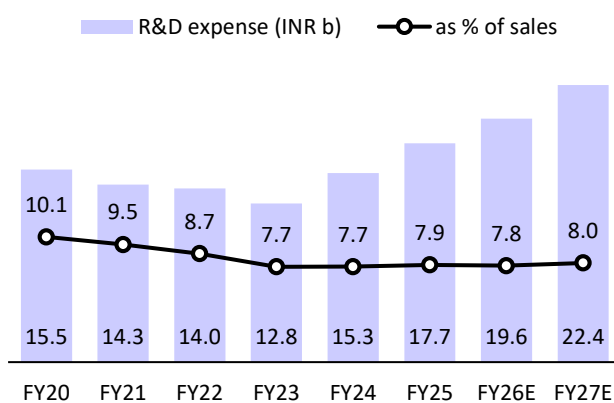


Exhibit 7: EBITDA margin to be stable over FY25-27

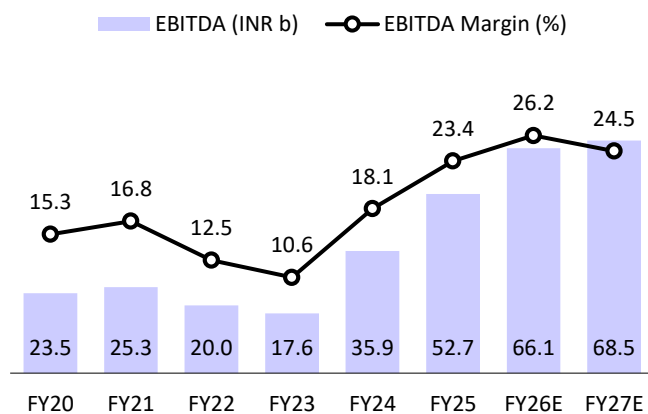


Exhibit 8: Expect EPS to register 16% CAGR over FY25-27

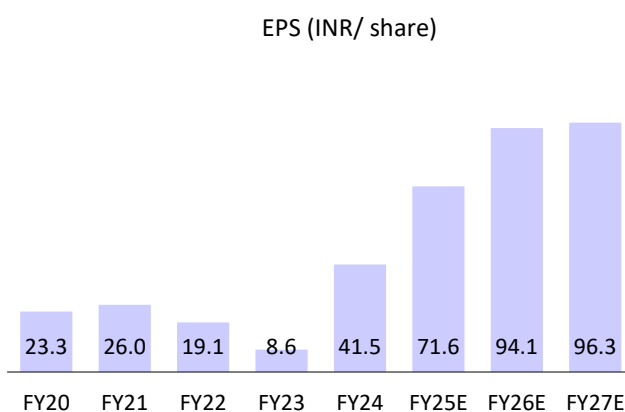
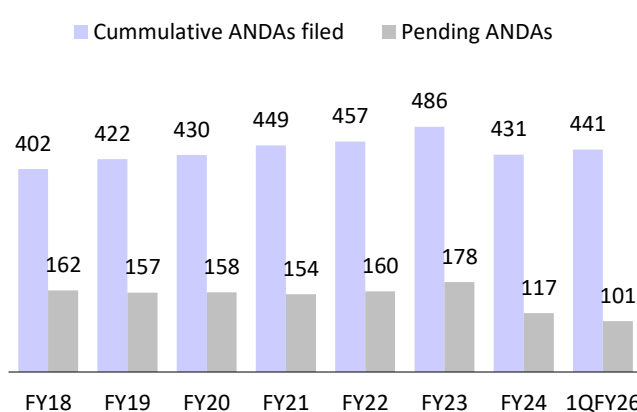


Exhibit 9: 101 ANDAs – pending approval



Source: MOFSL, Company,

Financials and valuations

Income Statement								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	1,46,646	1,53,748	1,50,930	1,60,321	1,66,417	1,98,054	2,25,029	2,52,275	2,79,419
Change (%)	-7.2	4.8	-1.8	6.2	3.8	19.0	13.6	12.1	10.8
EBITDA	25,607	23,548	25,316	19,968	17,582	35,932	52,668	66,138	68,458
Margin (%)	17.5	15.3	16.8	12.5	10.6	18.1	23.4	26.2	24.5
Depreciation	8,461	9,702	8,874	8,220	8,807	9,956	11,693	12,618	12,891
EBIT	17,147	13,846	16,442	11,748	8,775	25,977	40,975	53,520	55,567
Int. and Finance Charges	3,025	3,630	1,406	1,428	2,743	3,116	2,949	3,367	3,043
Other Income - Rec.	3,330	3,578	1,479	1,504	757	1,218	2,207	2,450	2,550
PBT before EO item	17,452	13,794	16,515	11,824	6,790	24,079	40,234	52,603	55,074
EO Expense/(Income)	3,400	6,261	-236	25,550	-375	-147	834	0	0
PBT after EO item	14,052	7,533	16,751	-13,726	7,165	24,227	39,400	52,603	55,074
Tax	8,879	11,571	4,485	1,372	2,688	4,867	7,087	9,581	11,015
Tax Rate (%)	63.2	153.6	26.8	-10.0	37.5	20.1	18.0	18.2	20.0
Less: Minority Interest	52	-43	-101	-183	-176	-211	-246	-241	-292
Reported PAT	5,121	-3,995	12,165	-15,280	4,301	19,149	32,066	43,640	43,767
PAT Adj for EO items	6,066	10,572	11,790	8,699	3,915	18,875	32,698	42,899	43,767
Change (%)	-58.0	74.3	11.5	-26.2	-55.0	382.1	73.2	31.2	2.0
Margin (%)	4.1	6.9	7.8	5.4	2.4	9.5	14.5	17.0	15.7

Consolidated Balance Sheet								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	905	906	907	909	910	909	913	909	909
Total Reserves	1,36,517	1,24,461	1,37,124	1,20,624	1,23,695	1,41,992	1,71,122	2,20,826	2,63,264
Net Worth	1,37,422	1,25,367	1,38,031	1,21,533	1,24,605	1,42,901	1,72,035	2,21,735	2,64,173
Minority Interest	469	445	550	687	783	831	909	1,150	1,442
Deferred liabilities	-4,457	252	496	711	738	-567	-6,053	-3,327	-3,327
Secured Loan	70,546	25,180	6,133	6,147	4,153	3,115	20,820	20,570	20,320
Unsecured Loan	15,802	24,928	30,494	37,023	42,165	26,699	34,173	29,104	25,104
Total Loans	86,347	50,108	36,627	43,170	46,318	29,814	54,993	49,675	45,425
Capital Employed	2,19,781	1,76,172	1,75,704	1,66,101	1,72,444	1,72,979	2,21,884	2,69,233	3,07,712
Gross Block	72,189	76,431	85,479	95,368	1,05,127	1,17,618	1,31,807	1,37,084	1,43,147
Less: Accum. Deprn.	23,073	32,776	41,650	49,870	58,677	68,632	80,325	92,943	1,05,833
Net Fixed Assets	49,115	43,656	43,829	45,498	46,450	48,986	51,482	44,141	37,314
Capital WIP	10,186	7,582	8,515	8,475	8,948	5,957	3,555	5,127	5,914
Investments	22,954	23,743	24,549	9,000	5,169	10,747	13,840	13,840	13,840
Goodwill & Intangibles	67,963	37,540	37,126	31,306	40,534	41,566	47,323	47,323	47,323
Curr. Assets	1,21,935	1,35,575	1,20,283	1,22,236	1,26,861	1,29,656	1,69,796	2,23,300	2,78,940
Inventory	38,368	34,569	40,920	46,307	44,918	49,539	54,764	54,261	66,652
Account Receivables	51,498	54,459	44,743	42,619	44,807	46,920	54,971	63,512	72,582
Cash and Bank Balance	9,872	24,543	17,425	10,981	12,931	12,025	31,423	76,841	1,11,020
Others	22,197	22,004	17,195	22,328	24,205	21,171	28,638	28,686	28,686
Curr. Liability & Prov.	52,372	71,924	58,598	50,414	55,519	63,931	64,111	64,498	75,617
Account Payables	41,390	59,884	47,460	42,254	46,937	54,928	57,019	57,405	68,525
Provisions	10,982	12,040	11,139	8,160	8,581	9,003	7,093	7,093	7,093
Net Current Assets	69,563	63,651	61,685	71,822	71,342	65,725	1,05,685	1,58,802	2,03,322
Appl. of Funds	2,19,781	1,76,172	1,75,704	1,66,101	1,72,444	1,72,979	2,21,884	2,69,232	3,07,712

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
EPS (Fully Diluted)	13.4	23.3	26.0	19.1	8.6	41.5	71.6	94.1	96.3
Cash EPS (Fully Diluted)	32.1	44.8	45.5	37.2	28.0	63.4	97.2	121.9	124.7
BV/Share	303.7	276.7	304.2	267.4	273.9	314.4	376.8	487.9	581.2
DPS	5.0	9.0	7.0	9.0	2.0	2.5	2.5	2.5	2.5
Payout (%)	53.3	-119.0	30.4	-31.3	24.7	6.9	4.1	3.1	3.0
Valuation (x)									
P/E (Fully Diluted)	138.0	79.4	71.2	96.7	215.0	44.5	25.8	19.7	19.2
Cash P/E (Fully Diluted)	57.6	41.3	40.6	49.7	66.2	29.2	19.0	15.2	14.8
P/BV	6.1	6.7	6.1	6.9	6.8	5.9	4.9	3.8	3.2
EV/Sales	6.3	5.6	5.7	5.4	5.3	4.3	3.8	3.2	2.8
EV/EBITDA	35.8	36.8	34.0	43.7	49.7	23.9	16.4	12.3	11.3
Return Ratios (%)									
RoE	4.4	8.0	9.0	6.7	3.2	14.1	20.8	21.7	18.0
RoCE	3.5	4.8	7.5	8.6	3.5	12.6	17.7	18.4	16.0
RoIC	3.6	5.1	9.8	9.8	3.9	14.3	21.2	25.3	25.4
Working Capital Ratios									
Asset Turnover (x)	0.7	0.9	0.9	1.0	1.0	1.1	1.0	0.9	0.9
Fixed Asset Turnover (x)	3.0	3.3	3.5	3.6	3.6	4.2	4.5	5.3	6.9
Debtor (Days)	128	129	108	97	98	86	89	92	95
Creditor (Days)	184	162	137	129	136	163	158	156	159
Inventory (Days)	95	82	99	105	99	91	89	79	87
Leverage Ratio									
Current Ratio	2.3	1.9	2.1	2.4	2.3	2.0	2.6	3.5	3.7
Interest Cover Ratio	5.7	3.8	11.7	8.2	3.2	8.3	13.9	15.9	18.3
Debt/Equity (x)	0.6	0.2	0.1	0.3	0.3	0.1	0.1	-0.1	-0.2

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT Before Extraordinary items	15,172	8,768	16,765	-13,722	7,165	24,223	40,150	66,138	68,458
Interest/Dividends Recd.	2,037	2,194	808	468	2,422	2,280	1,589	2,450	2,550
Direct Taxes Paid	-9,394	-5,112	-6,954	469	-2,432	-3,261	-9,060	-6,855	-11,015
(Inc)/Dec in WC	-5,002	-4,710	-1,925	-150	3,265	855	-14,105	-7,700	-10,341
CF from Operations	2,812	1,139	8,694	-12,936	10,420	24,098	18,573	54,034	49,652
Others	13,847	13,549	9,524	16,609	8,552	12,386	11,426	2	2
CF from Op. incl EO Exp.	16,660	14,688	18,218	3,673	18,972	36,484	29,999	54,036	49,654
(inc)/dec in FA	-9,599	-6,713	-6,714	-8,980	-14,611	-9,166	-16,531	-6,850	-6,850
Free Cash Flow	-6,786	-5,574	1,980	-21,916	-4,191	14,931	2,042	47,184	42,802
(Pur)/Sale of Investments	-20,245	-1,192	-255	15,891	3,958	-5,374	-324	0	0
Others	-2,981	18,974	-5,427	6,011	-2,214	-2,582	-24,864	0	0
CF from Investments	-32,825	11,070	-12,396	12,922	-12,868	-17,122	-41,719	-6,850	-6,850
Change in Net Worth	37	60	108	161	19	146	399	7,531	192
Inc/(Dec) in Debt	12,922	-2,674	-14,719	-11,693	700	-17,331	24,277	-5,319	-4,250
Interest Paid	-2,804	-3,562	-1,518	-1,240	-2,267	-2,829	-2,295	-3,367	-3,043
Dividend Paid	-2,248	-2,265	-2,723	-2,951	-1,825	-1,828	-3,653	-1,329	-1,329
CF from Fin. Activity	7,441	-8,906	-18,853	-15,723	-3,373	-21,842	17,319	-2,627	-8,625
Inc/Dec of Cash	-8,724	16,853	-13,031	872	2,732	-2,481	5,599	45,418	34,180
Add: Beginning Balance	14,164	5,441	22,293	9,262	9,913	12,317	9,836	15,436	60,853
Cash/Cash Eq. at end of the year	5,441	22,293	9,262	10,134	12,645	9,836	15,436	60,853	95,033
Forex/Bank	0	0	0	-221	-328	0	15,988	15,988	15,988
Closing Balance	5,441	22,293	9,262	9,913	12,317	9,836	31,423	76,841	1,11,020

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NOTES

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