Laurus Labs

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	LAURUS IN
Equity Shares (m)	540
M.Cap.(INRb)/(USDb)	1212.5 / 12.7
52-Week Range (INR)	2245 / 913
1, 6, 12 Rel. Per (%)	12/108/145
12M Avg Val (INR M)	2999

Financials & valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	68.1	87.7	103.6
EBITDA	18.0	28.5	33.2
Adj. PAT	9.0	16.1	19.0
EBIT Margin (%)	19.4	26.3	25.8
Cons. Adj. EPS (INR)	16.8	30.0	35.2
EPS Gr. (%)	189.4	78.4	17.5
BV/Sh. (INR)	100.8	126.1	155.8
Ratios			
Net D:E	0.4	0.4	0.2
RoE (%)	18.0	26.4	25.0
RoCE (%)	13.5	19.4	18.9
Payout (%)	15.6	15.6	15.6
Valuations			
P/E (x)	133.7	74.9	63.7
EV/EBITDA (x)	68.6	43.5	37.1
Div. Yield (%)	0.1	0.2	0.2
FCF Yield (%)	1.0	-0.3	2.0
EV/Sales (x)	18.1	14.1	11.9

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	27.5	27.5	27.6
DII	11.9	13.7	11.7
FII	30.8	28.0	26.2
Others	29.8	30.8	34.5

FII includes depository receipts

CMP: INR2,244 TP: INR2,830 (+26%) Buy

Beats estimates; CDMO keeps raising the bar

Strong CDMO pipeline and peptides lift estimates ~30%

- LAURUS delivered slightly better-than-expected revenue in 2QFY27, though EBITDA/PAT significantly beat our estimates by 22%/38%. A favorable segmental mix and currency benefits boosted margins for the quarter.
- Laurus continues to break its earlier quarterly record in CDMO segment, backed by late-stage clinical projects, commercial API supplies and scale-up of new assets.
- Particularly, in Peptide segment, Laurus has operationalized a large-scale manufacturing facility ahead of schedule. It is also capturing the entire value chain in terms of pre-clinical to commercial supplies (comprising multiple steps of manufacturing followed by purification and isolation).
- Laurus continues to work on launching new products, adding new markets and sustaining efficient supply chain management despite global political turmoil.
- We raise our earnings estimates by 28%/30% for FY27/FY28, factoring in a) the scale-up of its CDMO segment, including peptide manufacturing, b) a steady uptick in affordable medicine supply, and 3) a better segmental mix. Considering the demand outlook, LAURUS' readiness to meet large innovator customer needs and improved return ratios, we value LAURUS at 74x 12-month forward earnings to arrive at a TP of INR2,830. Reiterate BUY.

Strong mix and operating leverage boost profitability

- 2Q revenue grew 33.4% YoY to INR22.1b (our est. INR21.1b), driven by robust CDMO growth and stable affordable medicine business (led by FDF).
- Gross margin (GM) expanded by 315bp YoY to 63% due to a better divisional mix.
- EBITDA margin expanded by ~960bp YoY to 34% (our est: 29.1%). Other expenses/staff costs decreased 550bp/100bp YoY.
- EBITDA grew 86% YoY to INR7.5b (our est. INR6.1b).
- Adj PAT grew 128% YoY to INR4.4b (our est: INR3.2b).
- For 1HFY27, revenue/EBITDA/PAT grew 31%/77%/128% YoY to INR42b/ INR13.9b/INR8.1b.

CDMO/FDF lead the growth pack

- Synthesis business (40% of sales, small molecules) rose 86% YoY to INR8.7b.
- FDF sales grew 31% YoY to INR6.8b (31% of sales).
- API sales (28% of sales) grew 1% YoY to INR6.3b.
- Bio division sales (1% of sales) fell 39% YoY to INR290m.

Highlights from the management commentary

- CDMO business has no significant customer inventory build-up or anticipated de-stocking event from its customers.
- Peptide commercial revenue is expected around CY29, reflecting the regulatory validation and approval timelines; existing programs are at various stages of development, scale-up and validation.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The peptide validation batch size is almost similar to commercial batch size for the contracts with LAURUS.
- Peptide resin contributes ~10-20% of peptide raw material costs, depending on fragment length.
- LAURUS expects to participate meaningfully in the GLP-1 peptide opportunity over the next five years, supported by its planned capacity and capabilities.
- Laurus Bio's LB4 facility is expected to be qualified in 3QFY27, followed by trials in 4QFY27; commercial supplies may begin in 1QFY28.
- The KRKA formulation facility remains on track, with Phase 1 production blocks and validation batches expected to commence in mid-2027; meaningful revenue contribution is expected from FY28/FY29 onwards

Consolidated- Quarterly Earning Model

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	vs Est
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%)
Net Sales	**15,696**	**16,535**	**17,783**	**18,116**	**20,263**	**22,064**	**22,185**	**23,160**	**68,129**	**87,673**	**21,139**	**4.4**
YoY Change (%)	31.4	35.1	25.7	5.3	29.1	33.4	24.8	27.8	22.7	28.7	27.8	
EBITDA	**3,821**	**4,033**	**4,885**	**5,247**	**6,383**	**7,503**	**7,166**	**7,411**	**17,986**	**28,463**	**6,152**	**22.0**
YoY Change (%)	123.2	126.1	71.3	24.8	67.0	86.1	46.7	41.2	70.4	58.2	52.5	
Margins (%)	24.3	24.4	27.5	29.0	31.5	34.0	32.3	32.0	26.4	32.5	29.1	
Depreciation	1,168	1,205	1,206	1,221	1,239	1,274	1,425	1,487	4,801	5,424	1,425	
Interest	515	400	388	404	422	441	466	466	1,707	1,795	466	
Other Income	104	270	58	118	92	130	77	77	550	375	73	
PBT before EO expense	**2,242**	**2,697**	**3,349**	**3,740**	**4,814**	**5,918**	**5,352**	**5,535**	**12,028**	**21,618**	**4,333**	
Extra-Ord expense	0	0	83	126	0	0	0	0	209	0	0	
PBT	**2,242**	**2,697**	**3,266**	**3,614**	**4,814**	**5,918**	**5,352**	**5,535**	**11,819**	**21,618**	**4,333**	
Tax	631	760	735	795	1,194	1,551	1,365	1,411	2,920	5,521	1,105	
Rate (%)	28.2	28.2	22.5	22.0	24.8	26.2	25.5	25.5	24.7	25.5	25.5	
Minority Interest & P/L of Asso. Cos.	7	-3	10	28	-56	-47	30	30	-1	-44	30	
Reported PAT	**1,603**	**1,940**	**2,521**	**2,791**	**3,676**	**4,415**	**3,957**	**4,093**	**8,899**	**16,141**	**3,198**	
Adj PAT	**1,603**	**1,940**	**2,585**	**2,890**	**3,676**	**4,415**	**3,957**	**4,093**	**9,019**	**16,141**	**3,198**	**38.0**
YoY Change (%)	1,164.5	877.9	180.1	53.9	129.3	127.6	53.1	41.6	188.5	79.0	64.8	
Margins (%)	10.2	11.7	14.5	16.0	18.1	20.0	17.8	17.7	13.2	18.4	15.1	

KPIs - Consolidated	FY26				FY27E				FY26	FY27E	FY27
INRb	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2Q
API	6.4	6.2	7.2	7.7	6.5	6.3	7.1	7.7	27.5	27.6	7.3
YoY Change (%)	(4.1)	10.8	35.6	12.5	2.7	1.3	(0.9)	(0.1)	22.7	28.7	18.6
Custom Synthesis	4.9	4.7	4.1	5.2	8.4	8.8	8.6	8.4	19.0	34.1	7.9
YoY Change (%)	130.4	57.5	2.0	13.7	69.4	85.8	110.0	60.0	38.0	79.6	68.0
Formulation	4.1	5.2	6.1	4.5	5.0	6.8	6.1	6.5	19.9	24.4	5.3
YoY Change (%)	50.0	57.9	39.2	(17.1)	22.1	30.7	0.0	45.1	25.6	22.8	3.1
Cost Break-up											
RM Cost (% of Sales)	40.6	40.1	39.1	38.6	37.3	37.0	37.2	37.3	39.6	37.2	38.5
Staff Cost (% of Sales)	13.7	13.0	12.4	12.3	12.8	12.0	12.5	12.2	12.8	12.4	13.0
R&D Expenses(% of Sales)	4.1	3.9	3.9	3.6	4.1	2.9	3.1	2.8	2.5	1.9	3.1
Other Cost (% of Sales)	21.4	22.5	21.0	20.1	18.4	17.0	18.0	18.5	21.2	18.0	19.4
Gross Margins(%)	59.4	59.9	60.9	61.4	62.7	63.0	62.8	62.7	60.4	62.8	61.5
EBITDA Margins(%)	24.3	24.4	27.5	29.0	31.5	34.0	32.3	32.0	26.4	32.5	29.1
EBIT Margins(%)	16.9	17.1	20.7	22.2	25.4	28.2	25.9	25.6	19.4	26.3	22.4



Other highlights from the management commentary

- Affordable medicines revenue is expected to continue growing in upcoming quarters, supported by product registrations across multiple countries; API pricing has stabilized despite geopolitical pressure.
- Reiterated gross margin/EBITDA margin guidance of ~60%+/30%+ for FY27.
- Reiterated capex guidance of ~INR30b over FY27 and FY28, a majority of growth capex is directed towards APIs.
- LAURUS aims for medium-term asset turnover of 1.1x, in line with its six-year average vs. a historical peak of 1.4x; improvement will depend on project maturity and ramp-up of recently commissioned capacities.
- Net debt was ~INR24b, while a net debt-to-EBITDA improved to 1.02x from 1.28x supported by internal cash generation.
- Acquisition of a 60% stake in Canada-based Galenvs Sciences for ~USD3.75m, strengthening its oligonucleotide synthesis and functional magnetic-nanoparticle (MNP) based diagnostics/therapeutics CRO-CDMO capabilities.
- Acquisition of a 52% stake in SI & C Resins for ~INR323.5m; specializing in manufacturing and supply of high-quality polymer and silica-based products for chemical, pharmaceutical , biotechnology industries.
- R&D was INR650m (~3% of revenue) for the quarter.

Key exhibits

Exhibit 1: Revenue grew 33.4% YoY in 2QFY27

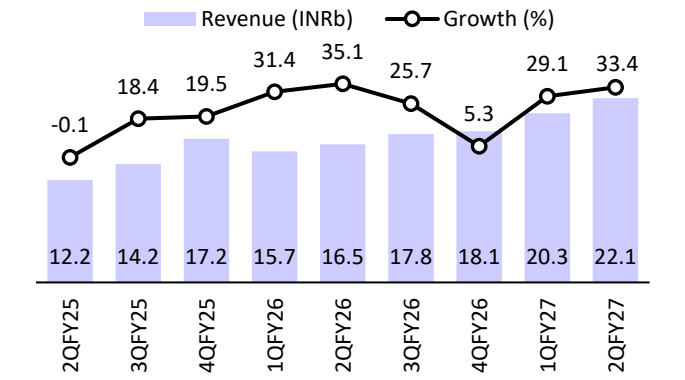


Exhibit 2: Share of FDF/API stood at 31%/28% in 2QFY27

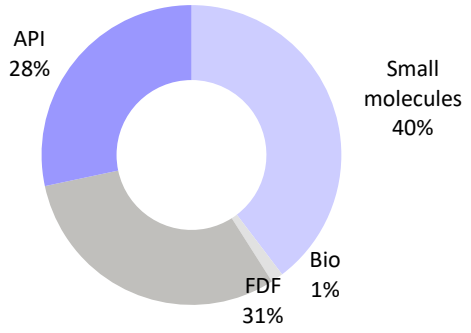


Exhibit 3: API sales flat YoY

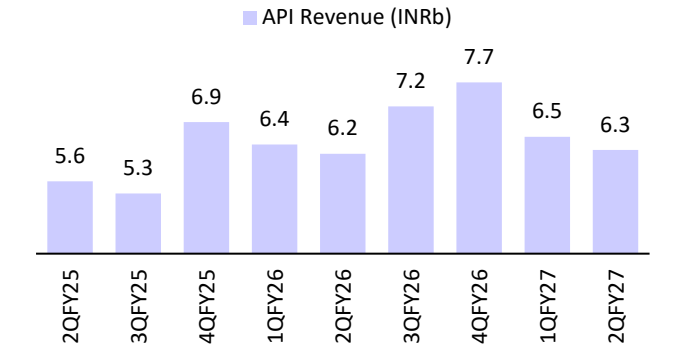


Exhibit 4: FDF sales rose 31% YoY

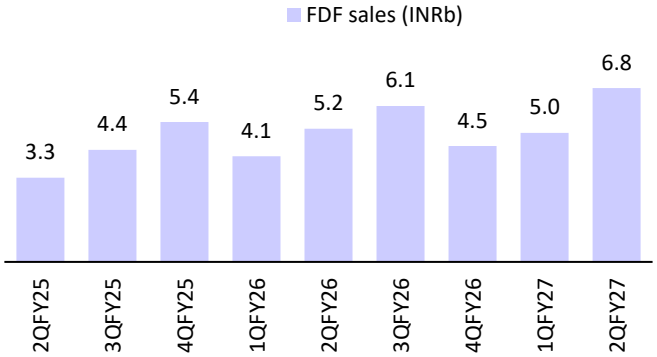
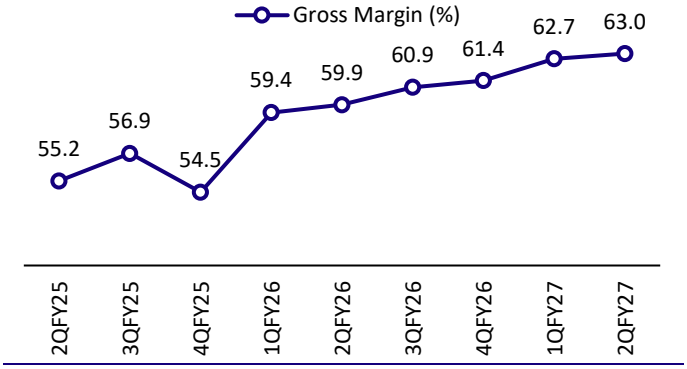
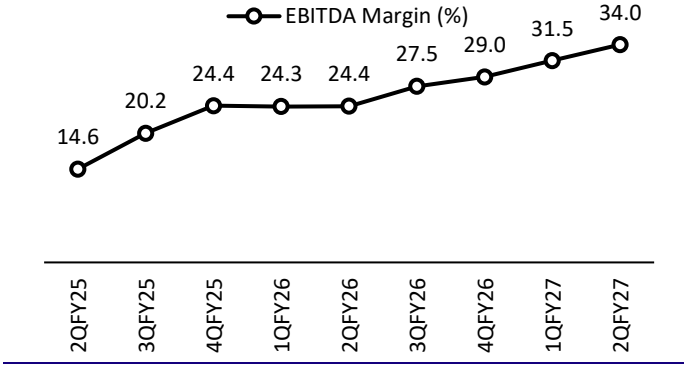


Exhibit 5: Gross margin expanded 315bp YoY



Source: MOFSL, Company

Exhibit 6: EBITDA margin expanded 960bp YoY



Source: MOFSL, Company

CDMO fuels growth; generics remain steady

CDMO - Late-stage pipeline support growth momentum

- CDMO (Small Molecules) revenue grew 77% YoY to INR17.1b in 1HFY27, driven by advancing late-stage clinical projects, commercial API supplies and ramp-up of new assets.
- Stable demand for complex and integrated small-molecule offerings continues to support CDMO growth, with the pipeline expanding across high-quality molecules, multiple technologies and therapeutic indications.
- Laurus commissioned its Vizag peptide manufacturing facility with >16,000L SPPS capacity and is further expanding capacity to cater to growing customer requirements.
- Multiple large-scale API capacity projects in Vizag are progressing well, supporting the company's ability to scale up commercial CDMO opportunities.
- The expanding pipeline across modalities and indications, coupled with increasing customer requirements, provides healthy medium-term visibility for the CDMO business.
- Capacity expansion across peptides and APIs positions LAURUS well to capture larger opportunities as projects progress from clinical to commercial stages.
- We expect the CDMO business to deliver 50.4% CAGR over FY26-28, supported by the commercialization of late-stage projects, diversified customers, with increasing contribution from complex modalities.

Generics - FDF drives growth, while API business remains resilient

- Generics revenue grew 13% YoY to INR24.6b in 1HFY27, supported by continued growth in the formulations business.
- FDF revenue increased 15% YoY to INR13b, driven by order-book growth, stable volumes and pricing resilience across ARV and US portfolio, while API revenue grew 2% YoY to INR12.8b.
- The business maintained a healthy order book and consistent execution despite ongoing global supply chain challenges.
- Potential new launches/integrated CMO engagements and ramping product registration across EM drive healthy outlook.
- The KRKA JV formulation facility is progressing as planned, with Phase I production blocks expected to open in mid-2027, focused on high-potency and general OSD capabilities.
- Regulatory filings continued steadily, with cumulative filings reaching 92 DMFs and 96 developed-market FDF dossiers, supporting future launches.
- We expect the Generics business to deliver 11.4% CAGR over FY26-28, driven by new product launches and increasing penetration across regulated and emerging markets.

Bio - Building capabilities across fermentation, advanced therapies

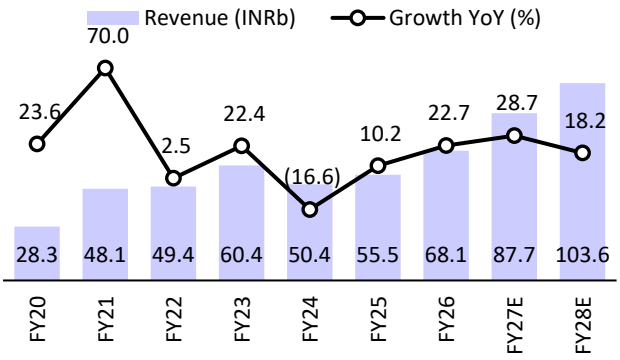
- Bio revenue declined 16% YoY to INR640m in 2QFY27, due to campaign phasing rather than any underlying weakness in pipeline momentum.
- LAURUS is strengthening long-term strategic partnerships with key customers across AOF/CDMO to support steady growth and anchor capacity utilization.
- It is expanding application of enzymatic technologies across clinical and commercial API projects, enhancing the integrated CDMO offering.
- LB-4 fermentation facility (>400kL) is progressing as planned, with commissioning targeted for 3QFY27; customer discussions on capacity reservations are advancing.
- The gradual ramp-up of fermentation assets is expected to improve capacity utilization over time, although the pace will depend on customer qualification and commercial program conversion.
- We expect the Bio business to clock a 2.6% CAGR over FY26-28 to INR1.9b

Valuation and view

- We raise our earnings estimates by 28%/30% for FY27/FY28, factoring in a) a scale-up of its CDMO segment, including peptide manufacturing, b) a steady uptick in affordable medicine supply, and 3) a better segmental mix.
- Considering the demand outlook, LAURUS' readiness to meet large innovator customer needs and improved return ratios, we value LAURUS at 74x 12-month forward earnings to arrive at a TP of INR2,830. Reiterate BUY.

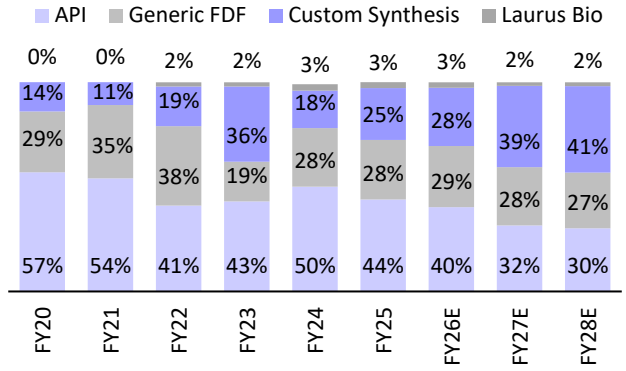
Story in charts

Exhibit 7: Expect a sales CAGR of 23% over FY26-28



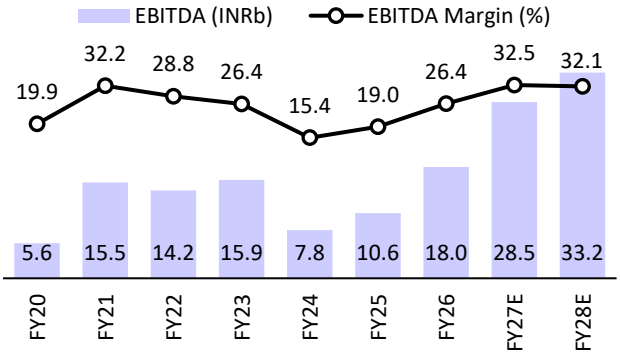
Source: MOFSL, Company

Exhibit 8: Synthesis contribution to increase



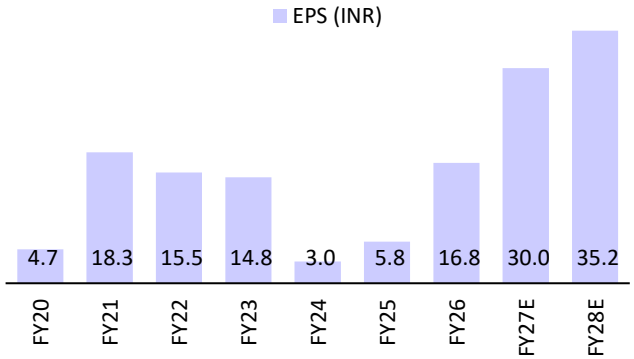
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 36% over FY26-28



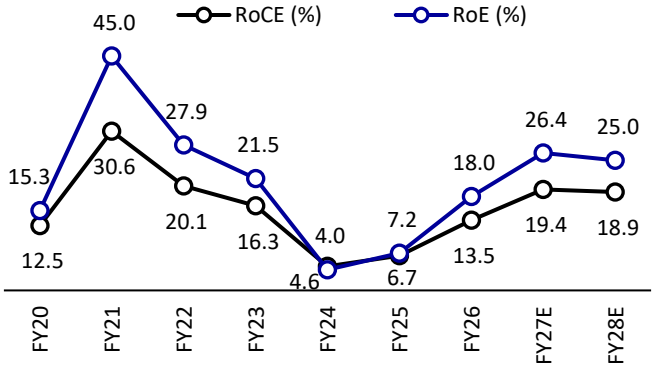
Source: MOFSL, Company

Exhibit 10: Expect a strong EPS trajectory over FY26-28



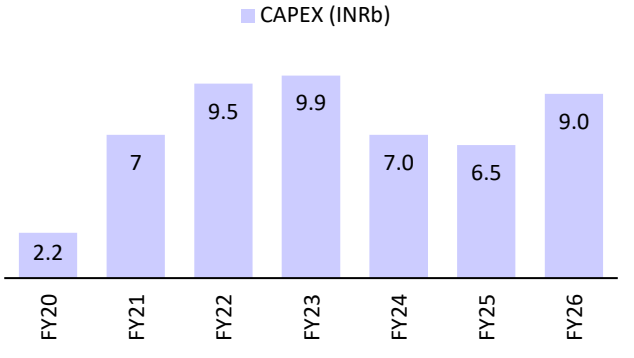
Source: MOFSL, Company

Exhibit 11: Return ratios to surge over FY26-28



Source: MOFSL, Company

Exhibit 12: Capex intensity to improve by FY28



Source: MOFSL, Company

Financials and valuations

Income Statement							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**49,356**	**60,406**	**50,408**	**55,540**	**68,129**	**87,673**	**103,598**
Change (%)	2.5	22.4	-16.6	10.2	22.7	28.7	18.2
Total Expenditure	**35,131**	**44,483**	**42,633**	**44,987**	**50,143**	**59,210**	**70,366**
% of Sales	71.2	73.6	84.6	81.0	73.6	67.5	67.9
EBITDA	**14,224**	**15,923**	**7,775**	**10,553**	**17,986**	**28,463**	**33,233**
Margin (%)	28.8	26.4	15.4	19.0	26.4	32.5	32.1
Depreciation	2,515	3,241	3,846	4,301	4,801	5,424	6,468
EBIT	**11,709**	**12,682**	**3,929**	**6,252**	**13,185**	**23,039**	**26,765**
Int. and Finance Charges	1,024	1,652	1,829	2,160	1,707	1,795	1,756
Other Income	153	60	263	163	550	375	414
PBT bef. EO Exp.	**10,839**	**11,090**	**2,364**	**4,254**	**12,028**	**21,618**	**25,423**
EO Items	0	0	0	589	-209	0	0
PBT after EO Exp.	**10,839**	**11,090**	**2,364**	**4,843**	**11,818**	**21,618**	**25,423**
Total Tax	2,514	3,123	684	1,299	2,920	5,521	6,330
Tax Rate (%)	23.2	28.2	28.9	26.8	24.7	25.5	24.9
Minority Interest	2	32	55	-23	11	-44	120
Reported PAT	**8,322**	**7,965**	**1,625**	**3,567**	**8,887**	**16,141**	**18,972**
Adjusted PAT	**8,322**	**7,965**	**1,625**	**3,126**	**9,046**	**16,141**	**18,972**
Change (%)	-15.4	-4.3	-79.6	92.4	189.4	78.4	17.5
Margin (%)	16.9	13.2	3.2	5.6	13.3	18.4	18.3

Consolidated - Balance Sheet							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	1,075	1,077	1,077	1,077	1,080	1,080	1,080
Total Reserves	32,437	39,298	40,032	43,647	51,921	65,542	81,551
minority interest	79	111	46	1,300	1,313	1,313	1,313
Net Worth	**33,591**	**40,487**	**41,155**	**46,024**	**54,313**	**67,934**	**83,944**
Minority Interest	0	0	0	0	0	0	0
Total Loans	17,320	21,006	26,115	27,553	25,185	32,185	31,685
Deferred Tax Liabilities	691	825	570	319	294	294	294
Capital Employed	**51,602**	**62,317**	**67,842**	**73,895**	**79,792**	**100,413**	**115,922**
Gross Block	35,283	46,085	54,745	61,378	68,652	83,839	97,276
Less: Accum. Deprn.	11,221	14,462	18,308	22,609	27,409	32,833	39,302
Net Fixed Assets	**24,062**	**31,623**	**36,437**	**38,769**	**41,243**	**51,005**	**57,974**
Goodwill on Consolidation	2,463	2,463	2,463	2,463	2,463	2,463	2,463
Capital WIP	8,132	5,508	4,228	4,584	7,733	10,547	7,109
Total Investments	**308**	**993**	**1,714**	**2,819**	**3,093**	**3,093**	**3,093**
Curr. Assets, Loans&Adv.	**34,715**	**36,017**	**39,028**	**44,721**	**50,580**	**63,402**	**80,939**
Inventory	17,603	16,848	18,454	19,365	23,422	26,604	31,809
Account Receivables	13,542	15,804	16,629	20,072	21,550	28,343	33,776
Cash and Bank Balance	759	485	1,417	1,442	1,137	2,701	8,555
Loans and Advances	2,811	2,880	2,528	3,842	4,471	5,754	6,799
Curr. Liability & Prov.	**18,079**	**14,287**	**16,029**	**19,459**	**25,320**	**30,097**	**35,656**
Account Payables	8,764	7,107	10,512	9,585	12,521	13,626	16,194
Other Current Liabilities	7,753	6,165	4,334	8,520	11,099	14,283	16,878
Provisions	1,562	1,016	1,183	1,354	1,700	2,187	2,585
Net Current Assets	**16,637**	**21,730**	**22,999**	**25,262**	**25,260**	**33,305**	**45,283**
Appl. of Funds	**51,602**	**62,317**	**67,842**	**73,896**	**79,792**	**100,413**	**115,922**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**15.5**	**14.8**	**3.0**	**5.8**	**16.8**	**30.0**	**35.2**
Cash EPS	20.1	20.8	10.2	13.8	25.7	40.0	47.2
BV/Share	62.4	75.2	76.4	85.4	100.8	126.1	155.8
DPS	2.0	1.9	0.4	0.9	2.1	3.9	4.6
Payout (%)	15.6	15.6	15.6	15.6	15.6	15.6	15.6
Valuation (x)							
P/E	145.3	151.8	744.2	386.8	133.7	74.9	63.7
Cash P/E	111.6	107.9	221.0	162.8	87.3	56.1	47.5
P/BV	36.0	29.9	29.4	26.3	22.3	17.8	14.4
EV/Sales	24.8	20.4	24.5	22.2	18.1	14.1	11.9
EV/EBITDA	86.2	77.2	158.7	117.1	68.6	43.5	37.1
Return Ratios (%)							
RoE	27.9	21.5	4.0	7.2	18.0	26.4	25.0
RoCE	20.1	16.3	4.6	6.7	13.5	19.4	18.9
RoIC	23.0	18.6	4.8	7.3	14.9	22.6	22.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	1.3	0.9	0.9	1.0	1.0	1.1
Asset Turnover (x)	1.0	1.0	0.7	0.8	0.9	0.9	0.9
Inventory (Days)	130	102	134	127	125	111	112
Debtor (Days)	100	95	120	132	115	118	119
Creditor (Days)	65	43	76	63	67	57	57
Leverage Ratio (x)							
Current Ratio	1.9	2.5	2.4	2.3	2.0	2.1	2.3
Interest Cover Ratio	11.4	7.7	2.1	2.9	7.7	12.8	15.2
Net Debt/Equity	0.5	0.5	0.6	0.5	0.4	0.4	0.2

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	10,839	11,089	2,364	4,843	11,819	21,618	25,423
Depreciation	2,515	3,241	3,846	4,301	4,801	5,424	6,468
Interest & Finance Charges	862	1,455	1,750	2,100	1,649	1,420	1,342
Direct Taxes Paid	-1,823	-2,855	-1,046	-1,375	-2,939	-5,521	-6,330
(Inc)/Dec in WC	-3,416	-3,153	-332	-2,814	251	-6,481	-6,124
CF from Operations	**8,977**	**9,778**	**6,581**	**7,055**	**15,580**	**16,462**	**20,779**
Others	135	161	33	-106	655	0	0
CF from Operating incl EO	**9,111**	**9,939**	**6,615**	**6,949**	**16,235**	**16,462**	**20,779**
(Inc)/Dec in FA	-8,767	-9,875	-7,476	-5,411	-10,631	-18,000	-10,000
Free Cash Flow	**344**	**64**	**-862**	**1,538**	**5,604**	**-1,538**	**10,779**
(Pur)/Sale of Investments	-393	-223	-800	-1,054	-757	0	0
Others	17	137	52	-352	502	375	414
CF from Investments	**-9,143**	**-9,961**	**-8,224**	**-6,817**	**-10,887**	**-17,625**	**-9,586**
Issue of Shares	43	74	26	102	200	0	0
Inc/(Dec) in Debt	1,968	2,138	5,078	1,561	-3,301	7,000	-500
Interest Paid	-850	-1,404	-1,743	-2,092	-1,707	-1,795	-1,756
Dividend Paid	-859	-1,075	-862	-431	-863	-2,521	-2,963
Others	5	13	43	753	422	42	-122
CF from Fin. Activity	**307**	**-253**	**2,541**	**-107**	**-5,249**	**2,725**	**-5,341**
Inc/Dec of Cash	**275**	**-275**	**932**	**25**	**99**	**1,562**	**5,852**
Opening Balance	**483**	**757**	**482**	**1,415**	**1,442**	**1,543**	**3,107**
Total Cash and Cash equivalent	**759**	**485**	**1,417**	**1,442**	**1,137**	**2,701**	**8,555**

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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