



Chemistry for Better Living

**STOCK UPDATE**

Company Update

**SECTOR**

Pharmaceuticals

**COMPANY DETAILS**

Market cap:	Rs. 57,133 cr
52-week high/low:	Rs. 1141/517
NSE volume: (No of shares)	17.2 lakh
BSE code:	540222
NSE code:	LAURUSLABS
Free float: (No of shares)	39.1 cr

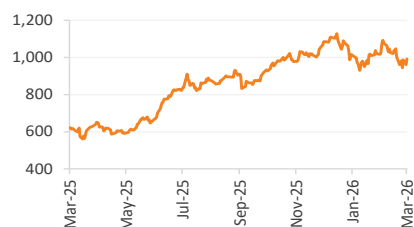
Source: NSE, BSE, Mirae Asset Sharekhan Research

**SHAREHOLDING (%)**

Promoters	27.5
FII	26.5
DII	12.4
Others	33.6

Source: NSE, BSE, Mirae Asset Sharekhan Research

**PRICE CHART**



Source: NSE, BSE, Mirae Asset Sharekhan Research

**PRICE PERFORMANCE**

(%)	1m	3m	6m	12m
Absolute	0.4	(4.2)	14.2	66.4
Relative to Sensex	9.5	7.8	21.4	69.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: <b>HOLD</b>	CMP: <b>Rs. 1,009</b>	Price Target: <b>Rs. 1,101</b>
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**Quick Snapshot**

- Management maintains target of 50% of revenues from CDMO division by FY30E.
- While the business remains lumpy, higher orders are expected from the existing client base.
- Major capex for CDMO division is completed and a ramp-up is awaited in the coming quarters.
- Laurus continues to meet guidance and given the steady increase in margins and return ratios over the years, we expect growth to sustain in the coming quarters. We value the stock at 47x on FY28E EPS of 23.4 and retain a Hold rating with a PT of Rs.1,101.

**Strong Management Backing for CDMO Expansion**

Laurus' management has reaffirmed its target of deriving 50% of consolidated revenues from CDMO operations by FY30. The strategy prioritises deepening ties with existing clients over onboarding new ones.

Capex plans for FY26 are projected above Rs. 1,000 crore, with comparable spending anticipated in FY27E. Outlays are slated to moderate from FY28E. Over the past five years, the CDMO segment has absorbed Rs.40 billion in total investments.

- CDMO sites follow standard designs, including identical equipment, configurations, and regulatory certifications. This setup promotes interchangeability across facilities, allowing smooth project execution from any location.
- Key tech investments - such as CGT, ADCs, peptides, enzymes, precision fermentation, trickle bed reactors, continuous crystallization/Grignard/DP processes, and oral dissolvable films - are poised to drive contributions starting FY28E.
- Upcoming areas of focus in the CDMO division includes human health, animal health, crop science, etc.
- Beyond the current pilot peptide unit, a fresh dedicated unit is being built, tailored solely for innovator clients.
- While partners typically fund most CDMO R&D, Laurus commits its own capital towards backward integration, although it can lead to costs overruns, management sees it as essential to maintaining a competitive edge.

**Unit 2 developments**

- A pioneering spray-drying unit (India's first) is being integrated to bolster sophisticated formulation capabilities for CDMO initiatives.
- The site also features India's biggest continuous tablet-coating setup.

**Our Call**

Laurus Labs continues to invest and the improvements in RoCE indicate that the capex is being used effectively. The management continues to meet guidance and given the increase in margins, and positive outlook, we value the stock at 47x on FY28E EPS of 23.4 and retain the Hold rating with a PT of Rs.1,101.

**Key Risks**

Delays in product approvals or any negative outcome of facility inspection by the USFDA can affect earnings prospects.

**Valuation**

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Sales	5,040.8	5,554.0	6,412.2	7,566.3	8,852.6
OPM(%)	15.4	19.0	26.3	26.9	27.4
PAT	160.5	358.3	767.5	1,058.0	1,262.1
NPM (%)	3.2	6.5	12.0	14.0	14.3
EPS	3.0	6.7	14.2	19.6	23.4
P/E	338.6	151.7	70.8	51.4	43.1
P/BV	6.1	7.0	10.2	8.5	7.0
EV/EBIDTA	32.0	23.6	14.8	12.2	10.3
ROE (%)	3.9	8.0	14.6	16.8	16.7
ROCE (%)	5.9	8.6	13.9	13.3	12.5

Source: Company; Mirae Asset Sharekhan estimates

**Additional Data****Top 10 shareholders**

Sr. No.	Holder Name	Holding (%)
1	Chava Satyanarayana	23.2
2	Capital Grp Cos	9.5
3	Small cap world fund	3.8
4	Anukar projects pvt ltd	3.2
5	Mirae Asset Financial Grp	3.1
6	Vanguard Group Inc	2.8
7	Rao Chundru	2.6
8	Barclays Wealth Trustees Ind pvt ltd	1.6
9	Bhanshali Akash	1.3
10	Blackrock Inc	1.3

Source: Bloomberg

**Key management personnel**

Name	Designation
Dr. Satyanarayana Chava	Founder and CEO
Mr. V Ravi Kumar	Executive Director and CFO
G. Venkateswar Reddy	Company Secretary and Compliance Officer

Source: Company Website

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