



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

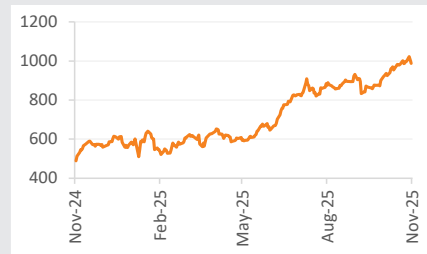
Company details

Market cap:	Rs. 1,20,927 cr
52-week high/low:	Rs. 1,034/482
NSE volume: (No of shares)	21.5 lakh
BSE code:	540222
NSE code:	LAURUSLABS
Free float: (No of shares)	24.5 cr

Shareholding (%)

Promoters	27.6
FII	26.2
DII	11.7
Others	34.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	52.3	60.4	77.1	105.7
Relative to Sensex	48.5	52.6	66.6	96.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Laurus Labs Ltd

CDMO push paying off

Pharmaceuticals	Sharekhan code: LAURUSLABS		
Reco/View: Hold	↑	CMP: Rs. 992	Price Target: Rs. 1,054 ↑

Summary

- Efforts to improve the CDMO business have been paying off in the last 4 quarters.
- Company incurred a capex of Rs. ~2,500 (~75% of the total Rs.3,200 crore for FY22-FY25) on the CDMO business alone. Company plans to ease capex in FY26 to Rs.500-600 crore focused on completing ongoing current CDMO projects and fermentation infrastructure (biotech division).
- Laurus also has a strong pipeline for generics – 91 DMFs across global regulated markets.
- Hence, we value the stock at 45x on FY28E EPS of Rs. 23.4 and upgrade to HOLD with a revised PT of Rs. 1,054.

Q2FY26 financial performance was strong as characterized by an 993.4% y-o-y surge in net profit to Rs.195 crore, driven by robust execution in its Contract Development and Manufacturing Organization (CDMO) segment and growth in generics segment. Revenues rose 35% year-on-year to Rs.1,653 crore, with a significant 135% jump in EBITDA to Rs. 430.2 crore, that in turn drove up EBITDA margin from 14.9% to 26%. Gross margins expanded to nearly 60% owing to a favourable business mix and operational efficiencies.

- CDMO business holds key:** Laurus Labs has deployed approximately Rs. 3,200 crore in capex over FY22 to FY25, primarily focused on CDMO expansions, fermentation (bio) platforms, and FDF scaling. Around 75% of this capex was allocated to the API and CDMO segments, supporting new manufacturing assets and mid-to-late stage NCE deliveries. The capex has been strategically spent on ramping up CDMO capacities and enhancing integrated drug product capabilities, contributing to a significant increase in CDMO revenue share, from about 16% to 30% of total revenues.
- Capex plans:** In Q2FY26, the company was allotted 532 acres of land from the Andhra Pradesh government to establish a pharma complex with an investment of \$600 million spread over eight years. This facility will support expansions in their CDMO business, APIs, drug products, and biotechnology segments, aiming to raise operational efficiency and capacity. The company plans to sustain R&D investment (at 4-5% of revenue) to support innovation in biotechnology and cell & gene therapy.

Key concall updates :

- ARV (Anti-retroviral) segment (part of generic drugs) and the CDMO business both experienced sustained momentum, with CDMO revenues rising sharply on higher commercial deliveries and new asset contributions.
- The generic division also grew by 28% year-on-year.
- CDMO pipeline continued to expand, with a well-balanced mix of large pharma and mid-size biotech clients.
- Company successfully completed critical API rebalancing and capacity de-bottlenecking, particularly within its key ARV business lines.
- Return on capital employed (RoCE) improved to 16.3% from 9.7% last year.
- Laurus Labs has filed over 91 DMFs, showing active engagement in global regulated markets.

Our Call

Valuation – Upgrade to Hold with PT of Rs. 1,054 - While we believe the stock has significant growth potential in the long term, we believe expectations post the turnaround have already been factored in the valuation. We roll over the valuation to FY28E and value the stock at 45x on FY28E earnings of 23.4 and arrive at a price target of Rs. 1054.

Key Risks

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

Valuation (Consolidated)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net sales	5040.8	5554.0	6412.2	7566.3	8852.6
EBITDA (%)	15%	19%	26%	27%	27%
Adjusted net profit	160.6	358.3	767.5	1058.0	1262.1
Net profit y-o-y growth	-80%	123%	114%	38%	19%
EPS	3.0	6.7	14.2	19.6	23.4
PER (x)	155.7	87.4	69.2	50.2	42.1
EV/Ebitda (x)	32.0	23.6	14.8	12.2	10.3
P/BV (x)	6.1	7.0	10.2	8.5	7.0
ROCE (%)	5.9%	8.6%	12.3%	12.0%	12.8%
ROE (%)	3.9%	8.0%	14.6%	15.8%	18.1%

Source: Company; Mirae Asset Sharekhan estimates

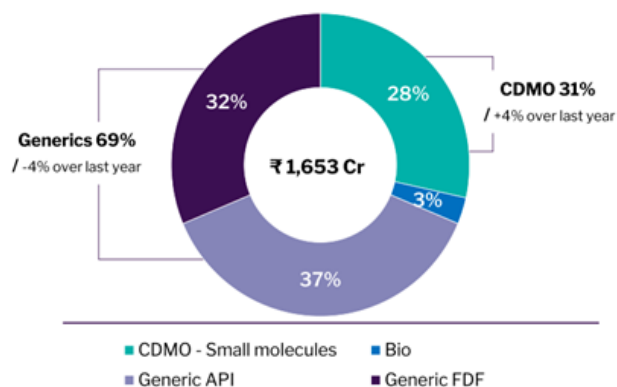
CDMO drives growth

In the early stages of ramp up of CDMO business, the company experienced high lead times, resulting in under utilisation of assets and capacities. Post H1FY25, the revenues for the CDMO division has scaled up significantly, leading to 53% y-o-y increase in revenue in Q2FY26 and 74% YoY increase in revenue for H1FY26 from the division.

2Q FY26 Divisional Revenue Performance

[₹ Crore]	1Q FY26	2Q FY26	2Q FY25	Y-o-Y	Q-o-Q
CDMO	522	518	339	53%	-1%
Small molecules	493	471	299	58%	-4%
Bio	29	47	40	18%	62%
Generics	1,048	1,135	885	28%	8%
API	637	617	557	11%	-3%
FDF	411	518	328	58%	26%
Total Revenues	1,570	1,653	1,224	35%	5%
ARV Revenues*	647	733	585	25%	13%

2Q FY26 Divisional Mix

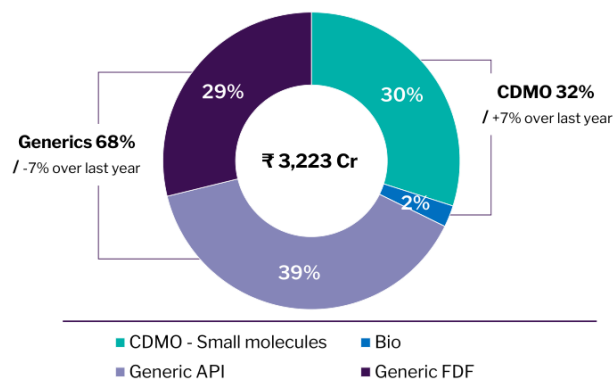


Source: Company

1H FY26 Divisional Revenue Performance

[₹ Crore]	1H FY26	1H FY25	Y-o-Y
CDMO	1,040	596	74%
Small molecules	964	513	88%
Bio	76	83	-8%
Generics	2,183	1,823	20%
API	1,254	1,221	3%
FDF	929	602	54%
Total Revenues	3,223	2,419	33%
ARV Revenues*	1,380	1,137	21%

1H FY26 Divisional Mix



Source: Company

Results

Particulars	Q2FY26	Q2FY25	YoY %	Q1FY26	Rs cr QoQ %
Total Sales	1,653.5	1,223.7	35.1	1,569.6	5.3
Expenditure	1,250.2	1,045.4	19.6	1,187.4	5.3
EBITDA	403.3	178.3	126.1	382.1	5.5
Other income	27.0	4.6	486.1	10.4	158.5
EBITDA	430.2	182.9	135.2	392.6	9.6
Interest	40.0	52.6	-24.0	51.5	-22.3
Depreciation	120.5	107.5	12.1	116.8	3.1
PBT	269.7	22.8	1082.5	224.2	20.3
Taxes	76.0	5.1	1392.7	63.1	20.3
Adjusted PAT	193.8	17.7	993.4	161.1	20.3
Reported Profit	193.8	17.7	993.4	161.1	20.3
Adj. EPS	3.6	0.4	875.7	3.0	19.5
Margins			BPS		BPS
OPM %	24.4	14.6	982	24.3	4
EBITDA %	26.0	14.9	1,107	25.0	101
Adj PATM %	11.7	1.4	1,027	10.3	146
Tax %	28.2	22.3	585	28.2	1

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Efforts to improve product mix is taking shape

Over the years, Indian pharmaceutical companies have established themselves as a dependable source for global peers. Multiple factors, including a focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. The sector is witnessing an easing of input costs-of raw material, freight, and power, which should aid in growing margins. It is also witnessing an easing of price erosion, followed by increasing contribution from product launches. We believe that the Pharma Industry is in a sweet spot, where it is experiencing a healthy product mix and cost rationalization, which increases operational profit of the companies. Hence, overall, we stay positive on the sector.

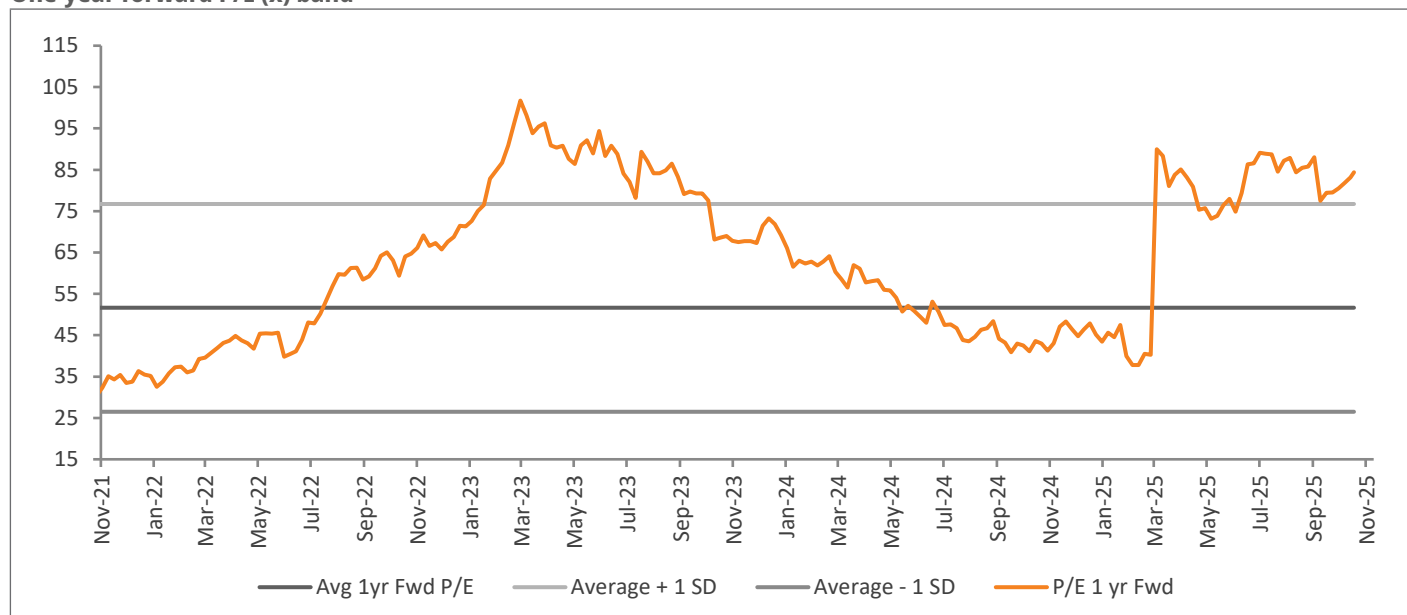
■ Company Outlook – Margins continue to expand

Management has made a strategic shift to focus heavily on CDMO and move beyond the generics. Over FY22-H1FY25, the plant utilizations were low leading to lower revenues and higher operating costs. From 2HFY25 onwards, the company has managed to scale up the CDMO business, leading to significant topline and margin growth. We expect the company to continue to growth trend, on the back of aggressive capex plans and high value contracts, thereby sustaining current valuations. We continue to track the performance beyond the period of low base (up until H1FY25), and revise our rating/valuation in the coming quarters based on the sustenance of the performance.

■ Valuation – Upgrade to Hold with a revised PT of Rs.1,054

While we believe the stock has significant growth potential in the long term, we believe expectations post the turnaround have already been factored in the valuation. We roll over the valuation to FY28E and value the stock at 45x on FY28E earnings of 23.4 and arrive at a price target of Rs. 1054.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Laurus is a leading research-driven pharmaceutical company, working with nine of the world's top 10 generic pharmaceutical companies in the world. Laurus sells APIs in 56 countries. The company's major focus areas include anti-retroviral, Hepatitis C, and oncology drugs. Oncology is one of its core competencies, where it offers a comprehensive range of APIs in this segment. Laurus is continuously extending its portfolio by focusing on molecules in diabetes, ophthalmology, and cardiovascular therapy areas. Laurus has four distinct business units, namely: Generics API, Generics FDF, Ingredients, and Synthesis.

Investment theme

Built on strong capabilities in chemical development and manufacturing, Laurus has developed a wide range of in-house APIs and intermediates. The company is one of the world's leading suppliers of anti-retroviral APIs and intermediates. The company's low-cost technologies give it an edge over other players. Leveraging on API cost advantage for forward integration into generic formulations (FDF) and capitalising on its leadership position in APIs (in key areas such as oncology, cardiovascular, anti-diabetics, and ophthalmology) with a foray into other regulated markets will drive the company's business over the next couple of years. Moreover, the company is doubling its capacity to support growth in the formulations business, which points towards healthy growth going ahead. Overall, in the wake of an expected robust growth outlook, Laurus has embarked upon a massive capex programme for the next two years, which provides ample growth visibility.

Key Risks

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

Additional Data

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

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Chava Satyanarayana	23.28
2	Capital Group Cos Inc/The	11.24
3	SMALLCAP World Fund Inc/Fund Paren	4.25
4	Anukar Projects Pvt Ltd	3.24
5	Mirae Asset Financial Group	3.04
6	Vanguard Group Inc/The	2.76
7	Rao Chunduru Venkata Lakshmana	2.65
8	BARCLAYS WEALTH TRUSTEES IND PVT	1.61
9	SBI Funds Management Ltd	1.42
10	Life Insurance Corp of India	1.34

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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