



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	✗	↔	✓

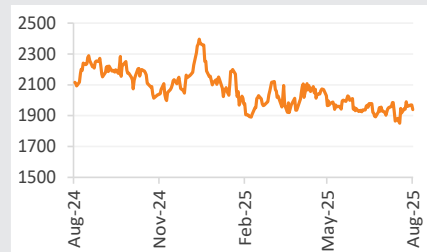
Company details

Market cap:	Rs. 89,790 cr
52-week high/low:	Rs. 1968/1933
NSE volume: (No of shares)	10.8 lakh
BSE code:	500257
NSE code:	LUPIN
Free float: (No of shares)	24.3 cr

Shareholding (%)

Promoters	46.9
FII	21.3
DII	25.6
Others	6.3

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.2	0.2	-8.1	-8.3
Relative to Sensex	-0.5	-4.0	-15.0	-9.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Lupin Ltd

Braving sector headwinds

Pharmaceuticals	Sharekhan code: LUPIN		
Reco/View: Buy	↔	CMP: Rs. 1,966	Price Target: Rs. 2,400 ↔

Summary

- Management has successfully executed plans to add high-margin complex drugs to its portfolio in the US. In five years, the management aims to launch over 100 products, of which complex drugs will comprise 55% from 34% now.
- India continues to outpace the market. Management plans to introduce over 80 products in four years. The chronic segment contributes 65% of domestic formulations as of Q1FY26 and the management aims to increase the same to 70% by FY30.
- Strategic acquisitions/ drug licence purchases have been significant growth drivers for the ex-US and ex-India markets.
- Hence, we retain a Buy with PT of Rs. 2400. At CMP, the stock trades at 21.0x/20.5x its FY2026/FY2027 earnings estimates.

- A shift to complex drugs in recent times in the US led to revenue and PAT CAGRs of 21.93% and 64.18% over FY22 to FY25. The India formulations business has consistently grown at ~1.3x the market growth rate in the last 5 years. The company is also making significant inroads into Australia and Europe. Australia is growing at 20% CAGR in the past 5 years. Going forward, continuing with the strategy of complex drugs in the US and also taking synergies from their existing pipeline, Lupin plans to launch biosimilars in Australia and New Zealand.**

- US business on steady footing:** US business grew by 13% YoY to USD 925 Mn in FY25, on the back of recent new product launches (NPL's) such as Mirabegron and Spririva Gx. Management expects Spririva to be the sole generic in the current fiscal and additionally, the 180-day exclusivity for Tolvaptan (launched in Q1FY26) is expected to drive bottomline in FY26E despite price erosion witnessed in the US.

- Indian formulations business continues to outpace the industry:** The company has amongst the best chronics to acute mix of 64% with respect to domestic peers. Lupin recently acquired insulin brand from Lilly and are on further lookout for acquisitions to boost the product portfolio. The company is looking to add over 80 products in five years and increase medical representatives by 400-500 every year. Along with continued focus on cardiac and diabetes, the focus will also increase for GI, Oncology and CNS in the medium term.

- Q1FY26 update:** Q1FY26 revenues grew 12% y-o-y to Rs. 6,163.8 crore, driven by robust numbers from North America (23% y-o-y) and EMEA (25% y-o-y). Revenue growth in India stood at 8% y-o-y. Q1FY26 recorded the highest quarterly sales since Q4FY17. Operating profit margin came in at 24.4% in Q1FY26 vs 22.5% in Q1FY25, on account of sales from high value complex products such as Tolvaptan and cost optimization efforts. Net profit stood at 1,219.1 crore, up 52.1% y-o-y.

- Strong fundamentals:** Healthy free cash flow aided by good revenue growth and high margins in recent years, Lupin is virtually debt free and is in a position to consider further growth options, both organically and inorganically. Management has guided for capex to be largely maintenance in nature to the tune of Rs500-700 crore/ year for the next four years. We expect R&D expenses to remain similar to historical rates of ~8% of revenues. We factor in a revenue growth of 11% CAGR over FY25-27 and margins to stabilize at ~25% up until 2027. After 2027, we believe the company will benefit significantly from the new launches in the complex drugs and biosimilars space resulting in improved margins and EPS growth.

Key positives

- Tolvaptan was launched in US in the quarter and gGlucagon was launched in August. Liraglutide is expected to be launched in October 2025.
- US's MFN policy expected to have limited impact on Lupin on account of the company's focus on complex drugs.
- Management has stated that a 10%-15% tariff will not have material impact on the financials.
- gSpririva expected to witness limited competition in the next 3-4 quarters.

Key negatives

- Possibility of tariffs in the US continues to be a major headwind on valuations for the sector at large.

Our Call

Valuation – Maintain Buy with PT of Rs. 2,400 - While we believe the stock has significant growth potential in the long term, factoring in current headwinds on account of possibility of US tariffs, we conservatively value the stock at three-year average one-year fwd P/E of 25.1x and arrive at a PT of Rs. 2,400.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	Rs cr FY27E
Net Sales	16,270	19,656.3	22,192.1	25,848.5	27,347.9
EBITDA Margin (%)	10.6%	19.3%	23.8%	25.0%	24.4%
Adjusted PAT	430.1	1,914.4	3,306.3	4,211.5	4,365.8
y-o-y Growth (%)	-128.1%	345.1%	72.7%	27.4%	3.7%
Adjusted EPS (Rs.)	8.4	42.1	72.7	92.7	95.6
P/E (x)	83.6	38.7	28.0	21.0	20.5
EV/EBITDA (x)	18.7	19.6	18.0	14.3	13.4
RoCE (%)	5.2	15.0	20.5	22.6	21.5
RoE (%)	2.9	14.2	21.0	24.0	21.7

Source: Company; Mirae Asset Sharekhan estimates

Management Guidance for major drug launches:

From FY27 onwards, Lupin is expected to foray into injectables and biosimilars. Management expects Complex and specialty portfolio to contribute 55% of the revenue by FY30E (as against 34% in FY25).

Platform	# of Products in Market (Net Sales in USD Mn)	# of Products in Pipeline (Market Size in USD Bn) ¹	FY26	FY27	FY28	FY29	FY30
Inhalation	12+ (350+)	~30 (20+)		MDI-1 NS-1 MDI-2 (Canada)	NS-2	DPI-1 DPI-2 MDI-3 SMI-1	MDI-4
Injectable	10+ (20+)	~30 (6+)	Glucagon Liraglutide (Victoza) Risperidone LAI	Liraglutide (Saxenda) Injectable-1 (Ind, RSA)	Injectable-2 Injectable-3	Injectable-4 Injectable-5	
Biosimilars	Etanercept (35+)	10+ (45+)	Etanercept (AU)	Ranibizumab (US, EU) Pegfilgrastim (US)	Denosumab (Japan) Biosimilar-5 (AU) Aflibercept (EU)		Aflibercept (US, AU) Etanercept (US)
Others incl OSDs	310+ (750+)	100+ (160+)	Tolvaptan * OS-1	OSD-1 OSD-2		OSD-3 Implant-1	Implant-2
Specialty (inc. 505(b)(2)s)	5 (85+)	30+ (100+)		505(b)(2) - 1	505(b)(2) - 2		Specialty-1 505(b)(2) - 3
Total # of Products (Total)	360+ (1,250+)	200+ (330+)					

Specialty

CGx

Others

78%

1%

21%

44%

2%

54%

40%

6%

54%

33%

6%

61%

33%

7%

60%

1 Source: IQVIA, MAT Entry/26 or Biopartners Sales; * Launched; MDI - Metered Dose Inhaler; NS - Nasal Spray; DPI - Dry Powder Inhaler; SMI - Soft Mist Inhaler; OS - Oral Suspension; OSD - Oral Solid

Source: Company

Management commentary

- ◆ The company looks to increase the share of chronic portfolio to 70% as against current 65% by 2030.
- ◆ Total sales force stands at 10,600 (MRs of 8,200).
- ◆ Capex as a % of sales stood at 3.4% in Q1FY26 as against 2.2% to 2.5% in the past four quarters.
- ◆ Highest-ever sales in the US since Q4FY17, at \$282 million as against \$231 million in Q1FY25.
- ◆ India business grew by 8.6%, in line with the Indian Pharmaceutical Market (IPM).

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.

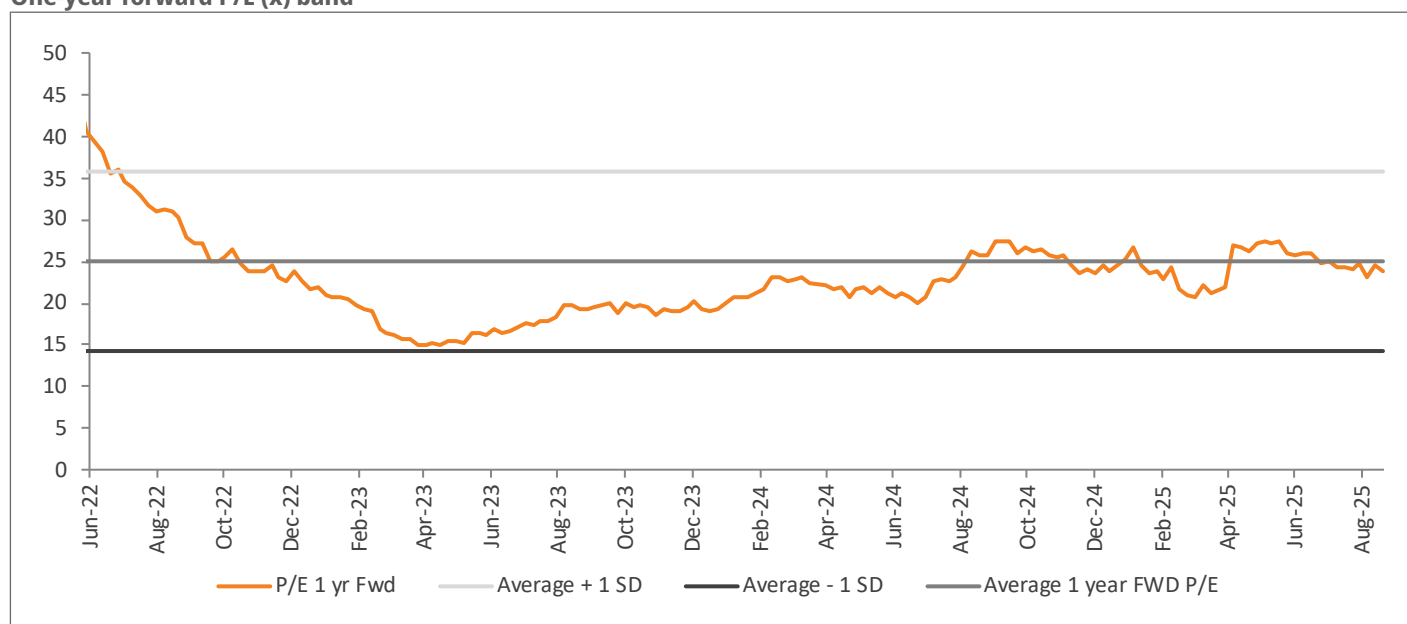
■ Company Outlook – Margins continue to expand

Margins have been surging on the back of restructuring in the US and intends to enhance it further with the help of the launching of complex generics and specialty products in respiratory, injectables, and biosimilar segments. The management expects Tolvaptan owing to 180 day exclusivity to be a key driver of bottomline growth. Further key launches are expected from FY27 onwards across the domestic and US market, accounting to 60%-65% of the consolidated revenues. The company has been seeing improved traction for diabetes, cardiology, and respiratory products sales in India. The company has guided for continued improvement in earnings on account of improved product mix, strong line-up of product launches over the short-medium term.

■ Valuation – Maintain BUY with PT of Rs.2,400

While we believe the stock has significant growth potential in the long term, factoring in current headwinds on account of possibility of US tariffs, we conservatively value the stock at three-year average one-year fwd P/E of 25.1x and arrive at a PT of Rs. 2,400.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Lupin has established itself as a leading generic player from India. US and India are the company's largest markets and contribute around 36% and 35%, respectively, to the company's FY2025 sales. The company develops and commercializes a wide range of branded and generic formulations, biotechnology products, and APIs in over 100 markets in the US, India, South Africa, across Asia Pacific (APAC), Latin America (LATAM), Europe, and Middle East regions. While in India, Lupin is among the top-10 and fastest-growing companies, it is also among the top five companies in terms of prescriptions in the US Therapy wise. Lupin has a leadership position in the cardiovascular, anti-diabetic, and respiratory segments and has a significant presence in the anti-infective, gastrointestinal (GI), central nervous system (CNS), and women's health segments.

Investment theme

Lupin is one of the leading pharmaceutical companies and is present in most markets globally. After establishing itself as a major player in the generics space, the company is making efforts to improve its presence in the specialty business. The US is a key market for Lupin where it is grappling with issues surrounding the high intensity of competition in the Oral Solid Dosage (OSD) segment in the US. The company has been trying to restructure or optimise the US business and enhance it with the help of launching complex generics and specialty products in respiratory, injectables, and biosimilar segments. With improvement in US profitability post restructuring and key product launches lined up, and as it has added sales representatives in India, we expect a sustained improvement in profitability on an operating and net basis.

Key Risks

- ♦ Delay in the resolution of USFDA issues at its plants
- ♦ Currency Risk
- ♦ Lack of resolution on tariff issues in the US.

Additional Data

Key management personnel

Name	Designation
Nilesh Deshbhandu Gupta	Managing Director
Vinita D Gupta	CEO
Ramesh Swaminathan	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI PRU HOUSING FUND	5.03
2	HDFC Asset Management Co Ltd	4.37
3	ICICI Prudential Asset Management	3.36
4	Nippon Life India Asset Management	2.31
5	Vanguard Group Inc/The	2.23
6	Blackrock Inc	2.01
7	SBI Funds Management Ltd	1.87
8	Mirae Asset Financial Group	1.65
9	NPS Trust A/c Uti Retirement Solut	1.48
10	HDFC Life Insurance Co Ltd	1.31

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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