

## Laurus Labs: Generics Recovery, CDMO Scale

January 25, 2026 | CMP: INR 1,017 | Target Price: INR 1,140

Expected Share Price Return: 12.2% | Dividend Yield: 0.14% | Potential Upside: 12.4%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

## Company Info

BB Code	LAURUS IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	1,141 / 504
Mkt Cap (Bn)	INR 549 / USD 5.9
Shares o/s (Mn)	539.9
3M Avg. Daily Volume	19,08,997

## Change in CIE Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	68.1	67.1	1.4	80.8	79.8	1.3
EBITDA	16.9	16.6	2.2	21.4	20.7	3.2
EBITDAM%	24.9	24.7	20 bps	26.5	26.0	50 bps
PAT	7.5	7.5	0.4	11.0	11.0	0.6
EPS	13.9	13.8	0.4	20.5	20.3	0.6

## Actual vs CIE Estimates

INR Bn	Q3FY26A	CIE Estimate	Dev. %
Revenue	17.8	17.4	2.4
EBITDA	4.8	4.3	10.7
EBITDAM %	27.0	25.0	200 bps
PAT	2.5	2.0	25.3

## Key Financials

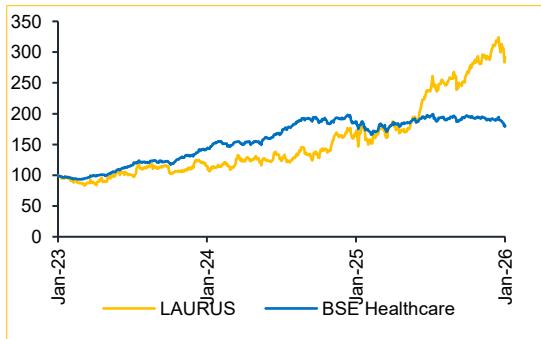
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	50.4	55.5	68.1	80.8	95.1
YoY (%)	(16.5)	10.2	22.5	18.7	17.7
EBITDA	7.8	10.6	16.9	21.4	25.2
EBITDAM %	15.4	19.0	24.9	26.5	26.5
Adj PAT	1.6	3.6	7.5	11.0	13.6
EPS	3.0	6.6	13.9	20.5	25.2
ROE %	4.0	8.0	14.5	17.7	18.1
ROCE %	5.9	8.7	15.4	18.2	19.5
PE(x)	309.7	140.9	73.3	49.7	40.3
EV/EBITDA	68.0	50.3	33.6	26.6	22.5

## Shareholding Pattern (%)

	Dec 2025	Sep 2025	Jun 2025
Promoters	27.49	27.60	27.60
FII's	26.52	26.17	25.70
DII's	12.42	11.72	11.94
Public	33.57	34.52	34.78

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	79.4	25.2	(4.2)
LAURUS	192.0	154.8	73.9



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## Generics Recovery and CDMO Scale Drive Sustained Growth

We believe LAURUS' **growth trajectory remains intact**, supported by continued momentum across both Generics and CDMO segments. **Generics (API + Formulations) should drive medium-term growth**, led by a recovery in ARV demand, **while CDMO is positioned as the key long-term growth driver** as the business increasingly transitions towards commercial supplies. We expect EBITDA margin in the range of 24.5–25.0% in FY26E, with a **healthy 100 bps+ YoY expansion** thereafter, driven by a rising contribution from CDMO.

We have slightly changed our EPS estimates by 0.4%/0.6% for FY26E/FY27E; however, we now factor in stronger revenue growth in FY28E from commercial supplies of CDMO, resulting in a revised TP of **INR 1,140** (from INR 1,085) with a revised **ADD** rating. We continue to value the stock at 50x average FY27–28E EPS, with a PEG of 0.84x providing additional support to the valuation.

## Strong Beat across Metrics; Generics see a Good Recovery

- Revenue grew 25.7% YoY / 7.5% QoQ to INR 17,783 Mn (vs. CIE estimate: INR 17,360 Mn).
- EBITDA grew 68.4% YoY / 19.1% QoQ to INR 4,802 Mn (vs. CIE estimate: INR 4,445 Mn); margin expanded 685 bps YoY / 262 bps QoQ to 27.0% (vs. CIE estimate: 25.0%).
- PAT increased 171.0% YoY / 29.5% QoQ to INR 2,519 Mn (vs. CIE estimate: INR 2,010 Mn).

## CDMO Segment Poised for Long-term Upside with 40% Growth in FY26E

The company's CDMO segment is emerging as a key value driver, with a meaningful mix of commercial supplies expected to contribute to revenue going forward. The management reiterated **the importance of multi-year visibility** over quarter-to-quarter fluctuation. A **large portion of CDMO growth** in Q4 and into the next fiscal year is **expected to be driven by existing commercial supply agreements**, rather than solely from new contract wins. We believe the management's **focus on high-complexity, low-volume chemistries** should support both revenue growth and margin expansion over the medium term. We expect 40% growth in revenue in FY26E.

## Generics (API + Formulations) Recovery Expected from FY26E

The API and Formulations (Generics) segments are poised for a strong recovery, as evidenced by the momentum over the past few quarters. **Volume recovery has been particularly visible in Antiretrovirals (ARVs)**, which we see as a key growth driver, supported by a surge in demand from global health programs and tender-based procurement. With API prices stabilizing and demand normalising, **we believe the segment is set for healthy growth**. Additional upside could emerge from favorable currency movements and regulatory shifts in key markets.

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue	17,783	14,151	25.7	16,535	7.5
Cost of Goods Sold	6,946	6,102	13.8	6,634	4.7
Gross Margin (%)	60.9	56.9	406 bps	59.9	107 bps
Operating Expenses	6,035	5,198	34.4	5,868	7.2
EBITDA	4,802	2,852	68.4	4,033	19.1
EBITDA Margin (%)	27.0	20.2	685 bps	24.4	262 bps
Depreciation	1,206	1,061	13.7	1,205	0.1
Interest	388	578	(32.9)	400	(3.0)
PBT	3,266	1,307	149.9	2,697	21.1
Tax	735	401	83.3	760	(3.3)
PAT	2,519	929	171.0	1,945	29.5
EPS (INR)	4.7	1.7	170.7	3.6	29.5

Segment Revenue	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
API	7,200	5,310	35.6	6,170	16.7
Formulations	6,070	4,360	39.2	5,180	17.2
Synthesis	4,080	4,000	2.0	4,710	(13.4)
Laurus Bio	430	480	(10.4)	470	(8.5)

Source: LAURUS, Choice Institutional Equities

## Management Call - Highlights

### CDMO:

- *Increasing share of commercial-stage supplies*, with the management indicating majority of FY27 CDMO revenue to be commercial in nature.
- Strong pipeline across human health, animal health and crop science, with multiple late-stage and commercial programs underway.
- **Strong positioning in complex chemistries** (flow, high-energy, peptides, advanced synthesis); avoids large-scale sterile and mAbs to protect ROCE.
- CDMO remains ~30% of revenues; **the management reiterated long-term aspiration of ~50% contribution**, though this is a multi-year objective.

~60% gross margin guided as sustainable; EBITDA margin expected to remain in high-20s supported by mix and operating leverage.

Strong volume-led growth in ARV formulations and improving traction in US and European CMO/formulation business.

Increasing share of commercial-stage supplies in CDMO.

### API:

- ARV APIs continue to perform well, supported by global tender demand and capacity expansion undertaken over the last few years.
- APIs remain the lowest-margin segment, though internal integration with formulations improves overall realisation.

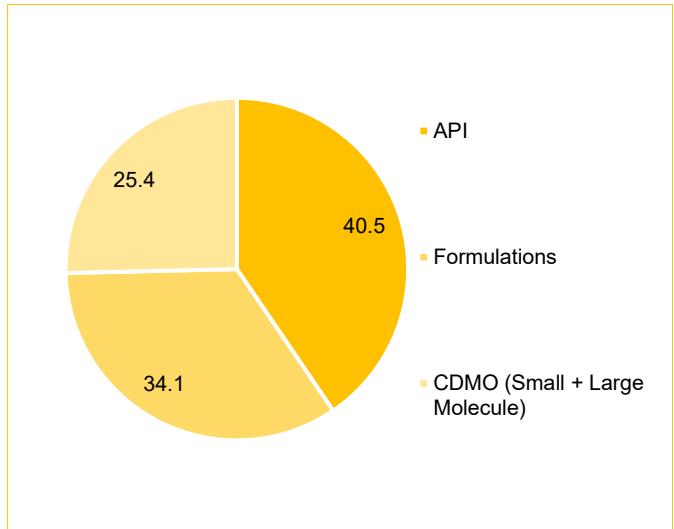
### Formulations:

- **Strong volume-led growth in ARV formulations** and improving traction in US and European CMO/formulation business.
- **Formulations structurally deliver higher margins than APIs**, supported by scale benefits and operating leverage.
- Stable to improving growth trajectory driven by ARVs, new launches in North America, and better utilization of expanded capacity.

### Outlook:

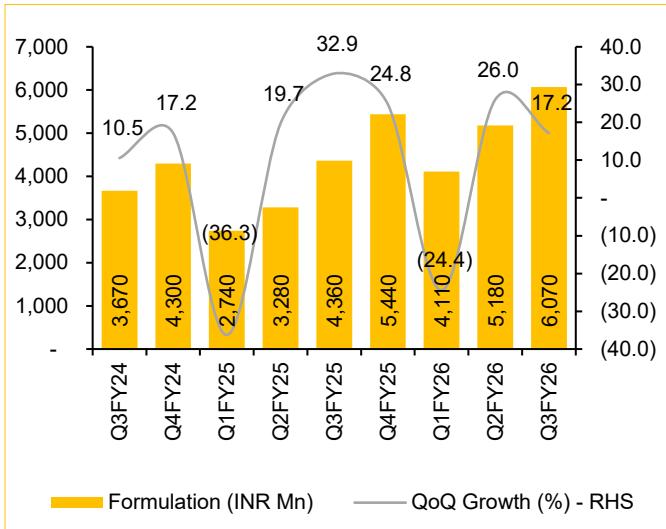
- **~60% gross margin guided as sustainable**; EBITDA margins expected to remain in high-20s supported by mix and operating leverage.
- Management confident of healthy growth into FY27, driven by ARVs, rising CDMO commercial supplies, and formulation ramp-up.

## Q3FY26 Segment Revenue Split (INR 17.8 Bn)



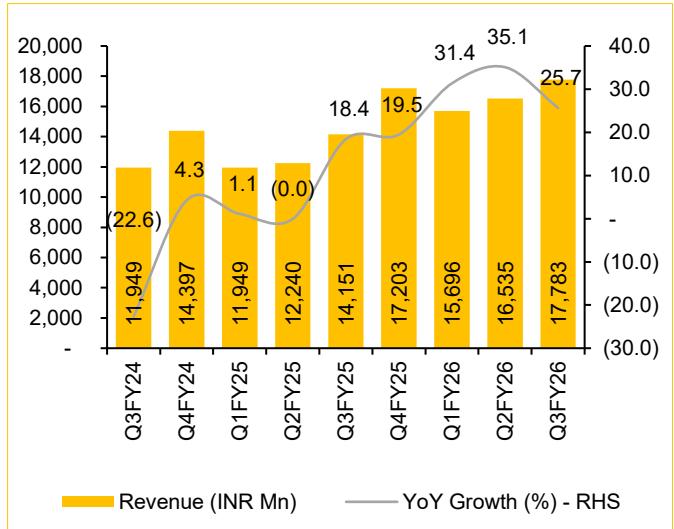
Source: LAURUS, Choice Institutional Equities

## Strong Deliveries Drive CDMO Sales Momentum



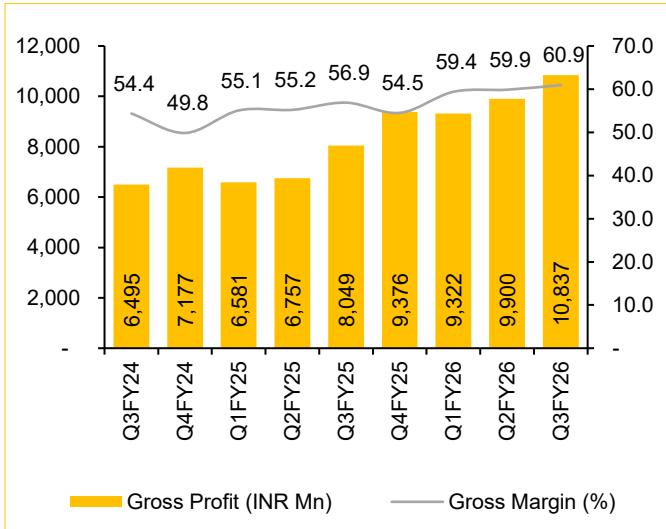
Source: LAURUS, Choice Institutional Equities

## Revenue Surges Ahead of Estimate



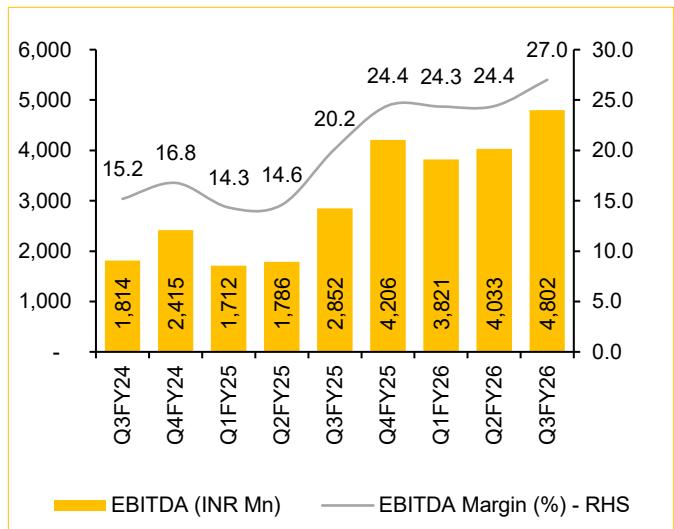
Source: LAURUS, Choice Institutional Equities

## Gross Margin Sustains on Better Product Mix



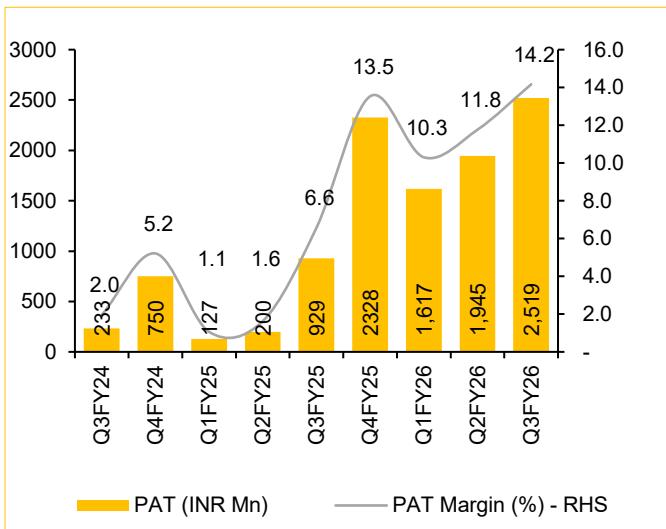
Source: LAURUS, Choice Institutional Equities

## EBITDA and Margin Gain on Increasing CDMO Contribution



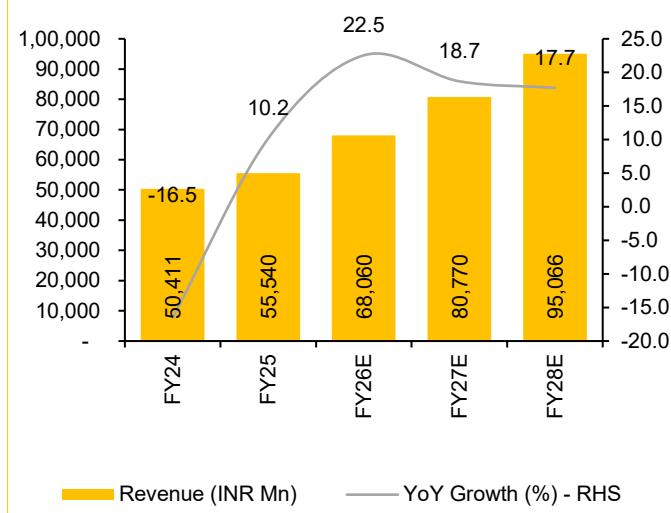
Source: LAURUS, Choice Institutional Equities

## PAT Growth Surpasses Street Estimate



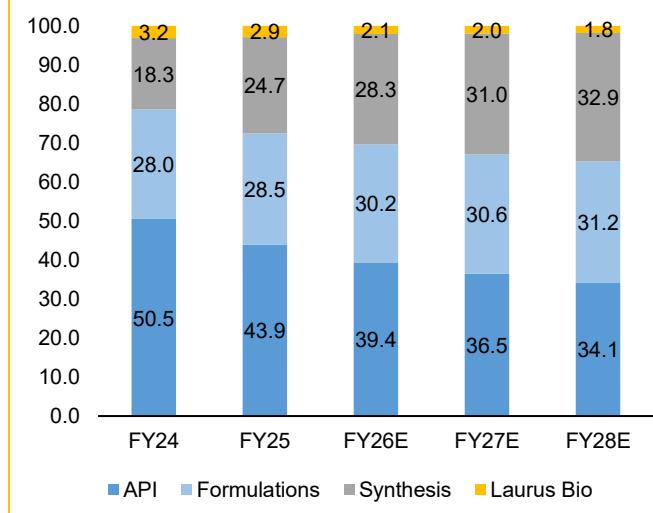
Source: LAURUS, Choice Institutional Equities

## Strong Revenue Growth Backed By CDMO and Generics



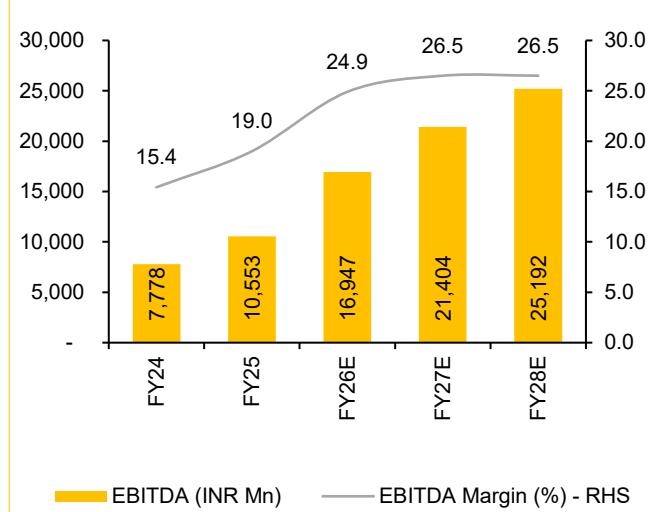
Source: LAURUS, Choice Institutional Equities

## Segment-Wise Distribution (as a % of Revenue)



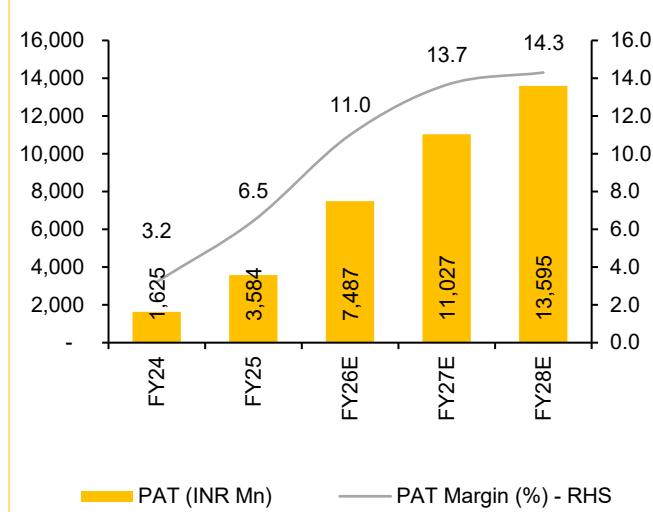
Source: LAURUS, Choice Institutional Equities

## EBITDA Set To Rebound With Improving Margin



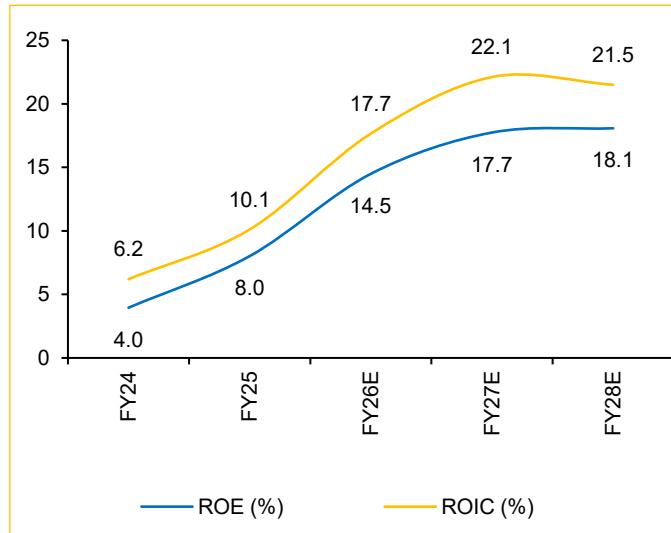
Source: LAURUS, Choice Institutional Equities

## PAT To Witness Robust Growth Ahead



Source: LAURUS, Choice Institutional Equities

## ROE and ROIC



Source: LAURUS, Choice Institutional Equities

## 1 Year Forward PE Band



Source: LAURUS, Choice Institutional Equities

## Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	50,411	55,540	68,060	80,770	95,066
Gross profit	26,087	30,760	40,700	48,462	57,039
EBITDA	7,778	10,553	16,947	21,404	25,192
Depreciation	3,846	4,301	5,035	5,775	6,515
EBIT	3,932	6,252	11,912	15,629	18,677
Other Income	263	751	340	808	951
Interest Expense	1,829	2,160	1,930	1,647	1,423
PBT	2,366	4,843	10,322	14,789	18,205
Reported PAT	1,625	3,584	7,487	11,027	13,595
EPS	3.0	6.6	13.9	20.5	25.2

## Ratio Analysis

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Ratios (%)</b>					
Revenue	(16.5)	10.2	22.5	18.7	17.7
EBITDA	(51.2)	35.7	60.6	26.3	17.7
PBT	(78.7)	104.7	113.1	43.3	23.1
PAT	(79.5)	120.5	108.9	47.3	23.3

## Margins (%)

Gross Profit Margin	51.7	55.4	59.8	60.0	60.0
EBITDA Margin	15.4	19.0	24.9	26.5	26.5
PBT Margin	4.7	8.7	15.2	18.3	19.1
Tax Rate	28.8	26.8	28.0	26.0	26.0
PAT Margin	3.2	6.5	11.0	13.7	14.3

## Profitability (%)

ROE	4.0	8.0	14.5	17.7	18.1
ROIC	6.2	10.1	17.7	22.1	21.5
ROCE	5.9	8.7	15.4	18.2	19.5

## Financial Leverage

OCF/EBITDA (x)	0.9	0.7	1.1	0.8	0.8
OCF/Net Profit (x)	4.1	1.7	2.2	1.2	1.1

## Debt to Equity

Debt to Equity	0.6	0.6	0.4	0.3	0.2
Interest Coverage	2.1	2.9	6.2	9.5	13.1
Working Capital			0.0	0.0	0.0
Inventory Days	134	127	105	104	104

Debtor Days	120	132	105	105	105
Payable Days	76	63	65	65	65
Cash Conversion Cycle	178	196	145	144	144
Valuation Metrics					

No of Shares (Mn)	539	539	539	539	539
EPS (INR)	3.0	6.6	13.9	20.5	25.2
BVPS (INR)	76.3	82.9	95.8	115.3	139.5
Market Cap (INR Bn)	504.9	505.1	548.5	548.5	548.5
PE	309.7	140.9	73.3	49.7	40.3

P/BV	12.3	11.3	10.6	8.8	7.3
EV/EBITDA	68.0	50.3	33.6	26.6	22.5
EV/Sales	10.5	9.6	8.4	7.1	6.0

## Balance Sheet (INR Mn)

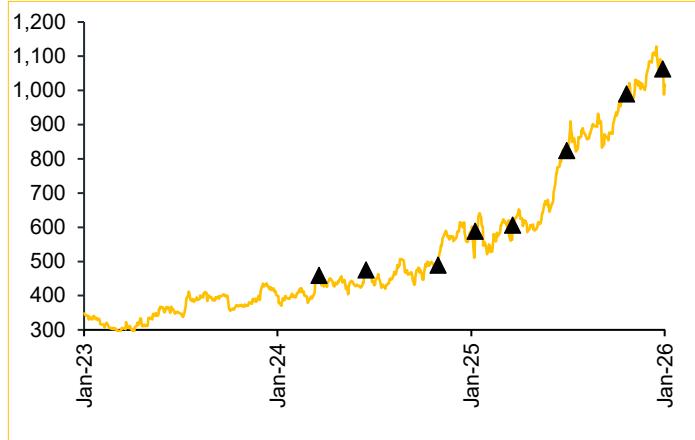
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net worth	41,156	46,025	52,972	63,460	76,516
Borrowings	25,774	27,637	26,437	24,237	21,037
Trade Payables	10,512	9,585	12,120	14,384	16,930
Other Non-current Liabilities	2,988	4,856	4,856	4,856	4,856
Other Current Liabilities	3,440	5,253	5,573	5,250	4,887
<b>Total Net Worth &amp; Liabilities</b>	<b>83,870</b>	<b>93,356</b>	<b>1,01,958</b>	<b>1,12,186</b>	<b>1,24,225</b>
Net Block	34,464	36,685	41,649	45,874	49,359
Capital WIP	4,228	4,584	5,584	6,084	6,584
Goodwill & Intangible Assets	2,653	2,656	2,656	2,656	2,656
Investments	1,240	2,333	2,333	2,333	2,333
Trade Receivables	16,629	20,072	19,579	23,235	27,348
Cash & Cash Equivalents	1,417	1,442	4,449	2,771	2,638
Other Non-current Assets	2,936	3,776	3,776	3,776	3,776
Other Current Assets	20,304	21,810	21,934	25,458	29,531
<b>Total Assets</b>	<b>83,870</b>	<b>93,356</b>	<b>1,01,958</b>	<b>1,12,186</b>	<b>1,24,225</b>

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	6,657	6,016	16,567	12,709	15,030
Cash Flows From Investing	(8,225)	(6,817)	(10,000)	(10,000)	(10,000)
Cash Flows From Financing	2,498	393	(3,561)	(4,387)	(5,162)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	68.7	74.0	72.5	74.6	74.7
Interest Burden (%)	60.2	77.5	86.7	94.6	97.5
EBIT Margin (%)	7.8	11.3	17.5	19.3	19.6
Asset Turnover (x)	0.6	0.6	0.7	0.7	0.8
Equity Multiplier (x)	2.0	2.1	2.0	1.8	1.7
<b>ROE (%)</b>	<b>4.0</b>	<b>8.0</b>	<b>14.5</b>	<b>17.7</b>	<b>18.1</b>

Source: LAURUS, Choice Institutional Equities

## Historical Price Chart: LAURUS



Date	Rating	Target Price
April 26, 2024	BUY	475
July 26, 2024	BUY	475
October 25, 2024	BUY	531
January 27, 2025	HOLD	639
April 25, 2025	BUY	750
July 28, 2025	BUY	1,025
October 24, 2025	BUY	1,085
January 25, 2026	ADD	1,140

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<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap

\*Mid &amp; Small Cap: Less Than INR 20,000 Cr Market Cap

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