04 July 2025

RESEARCH

LUPIN | TARGET: Rs 2,626 | +33% | BUY

Lupin carves out Consumer Healthcare business

AUTOMOBILES

Seasonally weak month; premium segment, exports aide growth

CONSUMER STAPLES | Q1FY26 PREVIEW

Rural: Due for a spurt?

SUMMARY

LUPIN

- LPC's OTC carve-out won't significantly impact financials, but aims to double OTC sales by sharpening focus
- A slew of new product launches coming up in FY27 in the US, apart from GLP, with a focus on complex generics
- We like LPC as no Revlimid in the base and no dependence on GLP launches. Ascribe PE of 27x on FY27E EPS to arrive at TP of Rs 2,626

Click here for the full report.

AUTOMOBILES

- PV volumes grew ~1% YTD with the domestic premium SUV segment volume impacted too; compact car worries continue
- 2W segment continues its healthy pace, adding ~10% YoY continues to derive strength from premiumization and exports
- Tractors growth path firms with ~14%/27% YoY/MoM growth, CV continues to be a mixed bag; 3-W on a strong footing

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CONSUMER STAPLES: Q1FY26 PREVIEW

- A good Rabi harvest, above LPA SWM/basin storage, and rising MSPs form a positive backdrop for rural
- 1QFY26 sales growth to improve sequentially on lower elasticity but slow volume trends to persist. Online could provide a temporary boost
- Key focus areas: Jun/Jul 2025 trends in rural and urban; sudden spike in online sales growth; industry relative pricing given slower inflation

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COMPANY UPDATE

BUY
TP: Rs 2,626 | ⮝ 33%

LUPIN | Pharmaceuticals | 03 July 2025

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OTC update – LPC carves out LupinLife Consumer Healthcare into a wholly owned subsidiary, with an enhanced focus on India's rapidly growing self-care market. Lupin's OTC business has sales of Rs ~2bn and expects to grow in double digits, by increasing the direct retail coverage. Currently, the business consists of 4-5 products — Softovac, Softolax, Aptivate, Corcium and Beplex Forte — which contributes ~96% of the OTC sales.

Domestic region – LPC's domestic region consists of Rx (90% of domestic sales), Tender business (7% of domestic sales) and Adjacencies (3% of domestic sales). Currently, Lupin has 5 adjacencies, out of which Diagnostic and OTC have sales of Rs 1-2bn — the rest is very new.

New launches in the US - LPC has a slew of new product launches like Tolvaptan (USD 200mn in FY26 and 97 mn in FY27), Dulera (USD 23 mn in FY27), Glucagon (USD 15 mn in FY27), Risperdal Consta (USD 27 mn in FY27), Liraglutide (USD 15 mn in FY27), Pegfilgrastim (USD 36 mn in FY27), and Ranibizumab (USD 36 mn in FY27). New launches would aid US growth in FY27, post Tolvapton's exclusivity.

Export data to US - As per May'25 sales export data, Tolvaptan sales were at USD 55 mn, Mirabegron's at USD 15mn, Tiotropium is at USD 10 mn, and Albuterol's at USD 4mn.

Greater focus on complex generics: Complex generics sales were mere 2% of US sales in FY20 that has increased to 34% in FY25 and will likely continue rising to 55% by FY30. Hence, LPC's R&D cost has gone up 18% CAGR from FY23-25 vs 5% CAGR from FY20-25.

Valuation: We like LPC given that it does not have Revlimid in the base and is not entirely focused on GLP launches. While management has guided for ~25% EBITDA margin in FY27E, we believe this would be healthy vs other companies whose margins will shrink, as Revlimid sales would be negligible. At CMP, LPC is very attractively valued at 20x on FY27E EPS of Rs 97.68.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LPC IN/Rs 1,968
Market cap	US$ 10.4bn
Free float	53%
3M ADV	US$ 27.8mn
52wk high/low	Rs 2,403/Rs 1,626
Promoter/FPI/DII	46%/14%/29%

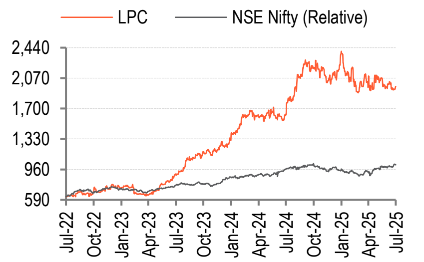
Source: NSE | Price as of 2 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	227,079	256,002	279,398
EBITDA (Rs mn)	52,775	62,511	71,192
Adj. net profit (Rs mn)	32,816	37,845	44,200
Adj. EPS (Rs)	72.5	83.6	97.7
Consensus EPS (Rs)	72.5	83.0	86.9
Adj. ROAE (%)	20.7	21.0	21.9
Adj. P/E (x)	27.1	23.5	20.2
EV/EBITDA (x)	17.2	14.3	12.3
Adj. EPS growth (%)	71.4	15.3	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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PV YTD growth softens to 1%: Domestic passenger vehicle (PV) sales in June were subdued, especially in the passenger car segment, PV volumes fell by 6.8%/8.6 YoY/MoM to 0.3mn units. MSIL domestic sales were dragged (~12% YoY/MoM) by the fall in mini & compact segments, but the overall sales were down by ~6%; helped by healthy exports. Volume softened for TTMT, Hyundai and Kia. TTMT fell the sharpest by 14.8% YoY and Hyundai's volume dipped by 6% YoY. MM was the only exception, growing 18.2% YoY driven by new models; especially EVs.

2W growth assisted by exports: Overall 2W segment volume growth was in double-digits (10.4%) YoY driven by premium segment and export sales. TVS (+19.7% YoY) with larger share of motorcycles above 125cc and EIM (+22.4% YoY) which cater to premium 350cc+ segment delivered healthy growth. HMCL was in-line with the industry grappling with the transition of a large vendor. BJAUT domestic volume fell the sharpest by ~16% YoY but was offset by strong exports (+18% YoY).

3Ws on a strong footing: The 3W segment volume grew by 20%17.7%YoY/MoM, driven by exports as domestic volume growth was in single digits ~9% YoY. TVS and BJAUT's exports grew by 29.2%/48.7% YoY respectively. Domestic markets volumes were a drag as market leader BJAUT's volume stayed flat YoY, while MM and TVSL grew by ~37%/109% YoY. The sustaining demand for last mile mobility and electrification is driving recovery in the urban and semi-urban markets.

Tractors growth unabated: With rural economy seeing an uptick as sowing season starts and onset of healthy monsoon tractor sales grow by a healthy 13.7% YoY (27.1% MoM on strong base). MM grew by 12.8%/33% YoY/MoM) in domestic markets and continued leadership. ESCORTS, too, grew by 17.5% YoY in domestic markets, while exports grew 2.1x on a low base.

CVs a mixed bag: CV segment performance was a mixed bag, declining 2.6% YoY but up 3.7% MoM. Domestic volumes were largely subdued declining 5.5%/45% YoY/MoM; while exports were slightly better, growing 53.6%/5.4% YoY/MoM.

Key ratings: BUY rating on MSIL, MM and AL, and SELL on ESCORTS and VSTT.

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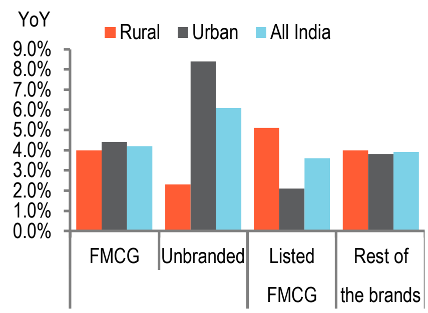
Rural / urban FMCG YoY growth by manufacturer type: March 2025 quarter



Sources: Kantar Worldpanel, Haymarket SAC

Favourable setup for agriculture and rural demand in FY26: Agriculture directly and indirectly accounts for ~70% of rural income. FY26 Agri outlook is favourable on (1) river basin storage above Long Period Average (LPA) due to sufficient South West Monsoon (SWM) in FY25, (2) the expectation of an above LPA SWM, and (3) continued rise in Kharif Minimum Support Prices (MSPs). Demand benefits will likely reflect in the September 2025 quarter and subsequently gain momentum with the completion of Kharif harvest in October 2025.

1QFY26 summary: Sequential sales growth marginally improved with stable urban and an improving rural. Weak summer likely restricted out of home consumption / impulse buy items such as single pack bakery items and beverages – both non-alcoholic (juices, energy drinks etc) and alcoholic (beer). EBITDA growth likely lagged sales growth. While commodity inflation slowed in the June 2025 quarter vs the March 2025 quarter, the impact on profits will be lagged due to forward purchase agreements of FMCG majors. Operating spending cuts will remain a partial offset to commodity headwinds.

Key focus areas: (1) Sequential trends in rural / urban demand – Pace of demand acceleration in rural will be key for BRIT, MRCO, DABUR and HUL. Exit run rate in both urban and rural will determine the growth trajectory for subsequent quarters for all FMCG majors. **(2) Online sales** – Any sudden spike in online should be a red flag as dark store additions by new players in quick commerce may temporarily drive inventory loading. **(3) Commodities** outlook – Key inflationary items of palm, tea, and coffee are easing off sequentially. GCPL and HUL are key beneficiaries on Palm derivatives, while BRIT and NESTLE on palm oil and sugar.

Our view: Rural indicators are favourable on easing CPI, agri output growth, and higher MSPs. While its early to assess rural strength with only 31 days on SWM, the backdrop is favourable on river basin storage and SWM expectations. Between DABUR, BRIT, HUVR and MRCO; we see BRIT, HUVR and MRCO as key beneficiaries of rural recovery. BRIT and HUVR have domestic focused businesses with high rural sales exposure (BRIT ~40%; HUVR mid-30s%).

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Note: Recommendation structure changed with effect from 21 June 2021

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