HOLD
TP: Rs 2,222 | ▼ 5%

LAURUS LABS

| Pharmaceuticals | 02 November 2026

Formulations growth to sustain; CDMO to moderate

- **Sales/EBITDA/PAT reported 4.8%/11.4%/13.7% above our estimates. EBITDA Margin reported 201 bps above our estimates**
- **Though 2QFY27 EBITDA Margin was at 34%, the management expects FY27 EBITDA Margin to exit at 30%+**
- **We continue to ascribe a PE of 55x and roll forward to Sep'28 EPS of Rs 40 to arrive at a PT of Rs 2194. Maintain Hold.**

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Earnings above estimates on all fronts – Sales grew by 33.4% YoY and 8.9% QoQ to Rs 22bn, driven by 85% YoY and 6.1% QoQ growth in the Custom Synthesis segment and 31% YoY and 34.9% QoQ growth in the Formulations segment. This was partly offset by a 1.3% YoY and 4.4% QoQ decline in Generics API and a 38% YoY and 17% QoQ decline in Laurus Bio. Healthy sales from the Custom Synthesis and Formulations segments led to 40% growth in gross profit to Rs 13.9bn, with gross margin at 63% in 2QFY27. Personnel cost grew by 23% YoY, which was offset by a 5.8% YoY decline in R&D cost to Rs 650mn in 2QFY27, leading to 86% YoY growth in EBITDA to Rs 7.5bn. Subsequently, PAT grew by 127% YoY to Rs 4.4bn in 2QFY27.

Custom Synthesis sales continue to grow – On a high base, the Custom Synthesis segment grew 85.8% YoY and 4.8% QoQ to Rs 8.7bn. The growth was driven by commercialized products and late-stage programs, across both human health and animal health. We expect the company's Custom Synthesis sales to grow at a 25% CAGR over FY27-29E to Rs 53.3bn, contributing 45% of sales by FY29E.

Foraying into Peptide API – Laurus intends to participate in all types of peptides, i.e., solid phase, liquid phase and hybrid. The company has envisaged a Rs 30bn capex for FY27 and FY28 towards various modalities like peptides, enzymes, and gene and ADC. The company announced a solid phase peptide capacity of 16kl, with reactor volume (including synthesizer) of up to 2kl. Laurus intends to provide peptide API, with commercialization commencing post FY29, thus making it one of the few companies able to provide the entire value chain of peptides (synthesis, purification and isolation).

Valuations - We revise our earnings estimates upwards by 10% for FY27E and 19% for FY28E, as earnings were above our estimates on all fronts. On Sep'28 roll-forward EPS, the stock trades at a PE of 59x. We ascribe a PE of 56x (earlier 55x), with the rise in estimates to arrive at a PT of Rs 2,198 (earlier PT 1,708), implying 5% downside. We therefore maintain our Hold rating on the stock.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LAURUS IN/Rs 2,348
Market cap	US$ 13.3bn
Free float	74%
3M ADV	US$ 49.5mn
52wk high/low	Rs 2,442/Rs 918
Promoter/FPI/DII	27%/23%/5%

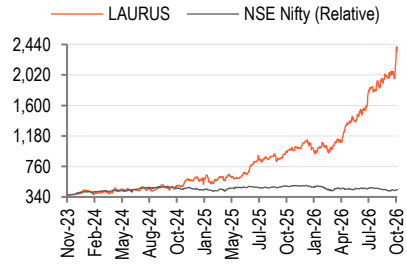
Source: NSE | Price as of 2 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	68,129	86,525	101,476
EBITDA (Rs mn)	17,463	27,688	33,487
Adj. net profit (Rs mn)	8,574	15,875	19,142
Adj. EPS (Rs)	16.0	29.6	35.7
Consensus EPS (Rs)	16.0	25.3	29.9
Adj. ROAE (%)	17.5	26.3	24.9
Adj. P/E (x)	147.0	79.4	65.8
EV/EBITDA (x)	70.8	44.6	36.8
Adj. EPS growth (%)	139.3	85.2	20.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Financial Highlights

Fig 1 – Quarterly highlights

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY26	QoQ (%)	Q2FY27E	Variance
Net Sales	22,064	16,535	33.4	20,263	8.9	21,050	4.8
Total Expenses	14,561	12,502	16.5	13,880	4.9		
(%) of net sales	66	76		69			
Raw material consumed	8,161	6,634	23.0	7,560	7.9		
(%) of net sales	37	40		37			
Gross Profit	13,903	9,900	40.4	12,703	9.4		
Staff cost	2,657	2,156	23.3	2,587	2.7		
(%) of net sales	12	13		13			
R&D cost	650	690	(5.8)	1,180	(44.9)		
(%) of net sales	3	4		6			
SG&A	3,093	3,022	2.3	2,553	21.1		
(%) of net sales	14.0	18.3		12.6			
EBITDA	7,503	4,033	86.1	6,383	17.6	6,736	11.4
Depreciation	1,274	1,205	5.7	1,239	2.8		
EBIT	6,229	2,828	120.3	5,144	21.1		
Interest	441	400	10.3	422	4.5		
Other Income	130	270	(51.7)	92	41.7		
PBT	5,918	2,697	119.4	4,814	22.9		
Less: Taxation	1,551	760	104.1	1,194	29.9		
Less: Minority Interest	(47)	(7)	540.5	(56)	(15.5)		
Recurring PAT	4,415	1,945	127.0	3,676	20.1	3,884	13.7
Key Ratios (%)			Bps		Bps		
Gross Margin	63.0	59.9	314	62.7	32		
EBITDA Margin	34.0	24.4	962	31.5	251	32.0	201
Tax / PBT	26.2	28.2	(196)	24.8	141		
NPM	20.0	11.8	825	18.1	187	18.5	156
EPS (Rs)	8.2	3.6	127.0	6.8	20.1	7.2	13.7

Source: Company, BOBCAPS Research

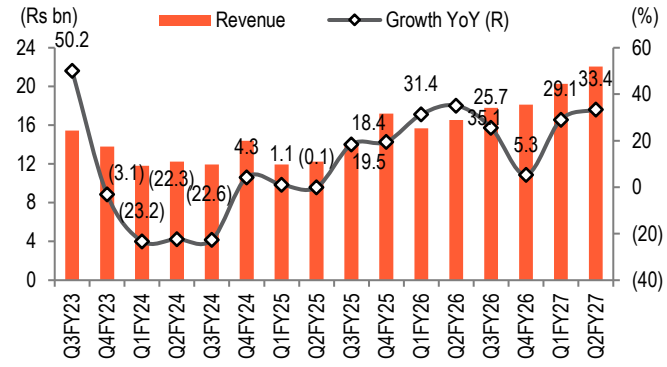
Fig 2 – Segmental mix

(Rs Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY26	QoQ (%)	Q2FY27E	Variance
Generics – API	6,250	6,170	1.3	6,540	(4.4)	6,350	-1.6%
Custom Synthesis	8,750	4,710	85.8	8,350	4.8	8,250	6.1%
Formulations	6,770	5,180	30.7	5,020	34.9	6,000	12.8%
Bio	290	470	(38.3)	350	(17.1)	450	-35.6%
Net Sales	22,060	16,530	33.5	20,260	8.9	21,050	4.8%

Source: Company, BOBCAPS Research

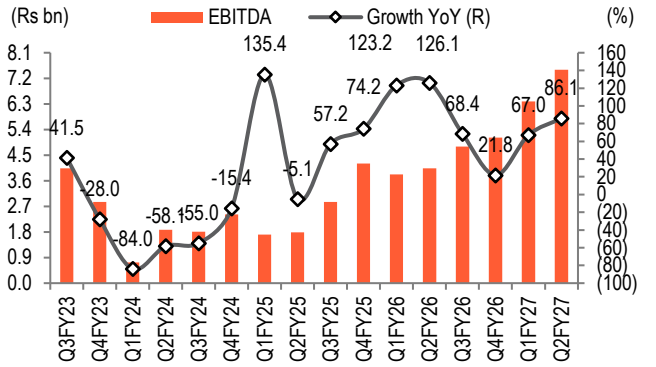
Financial Charts

Fig 3 – Sales growth driven by higher custom synthesis and formulations sales



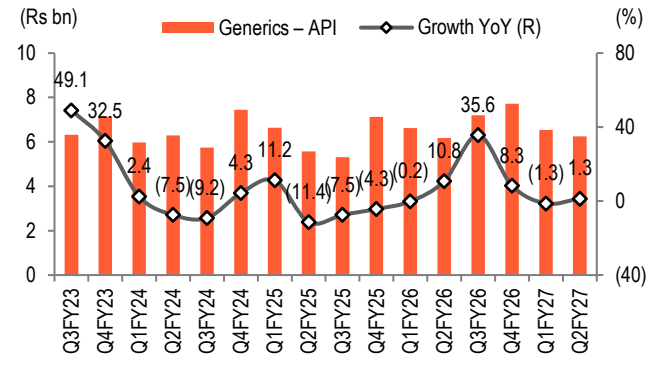
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth driven by change in the business mix



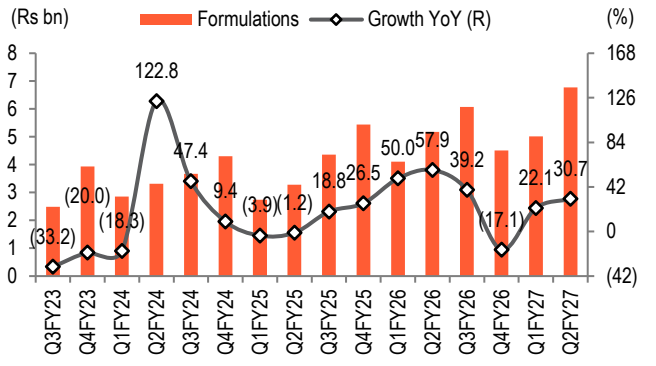
Source: Company, BOBCAPS Research

Fig 5 – Generics API sales recovering as prices stabilize



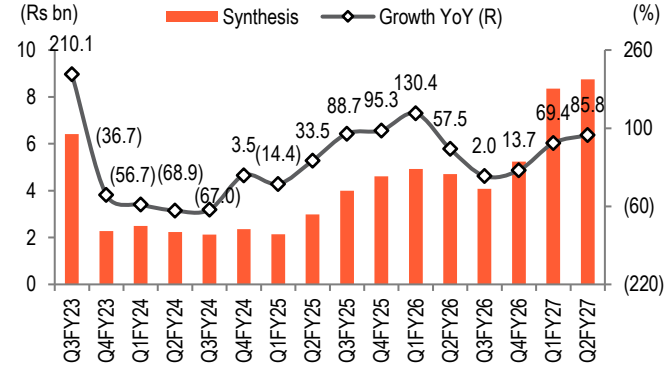
Source: Company, BOBCAPS Research

Fig 6 – Formulation sales growth driven by increase in capacity



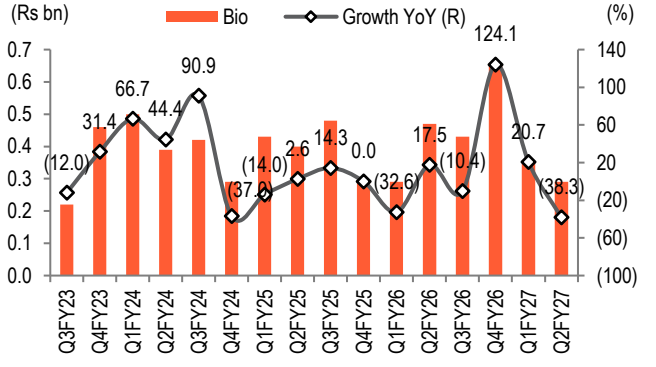
Source: Company, BOBCAPS Research

Fig 7 – Custom Synthesis sales driven by diversification of products



Source: Company, BOBCAPS Research

Fig 8 – Laurus Bio sales declined due to campaign phasing



Source: Company, BOBCAPS Research

Earnings call highlights

Small molecule CDMO

- Q2 sales were INR 875 crore, up 86%. H1 was INR 1,710 crore, up 77%.
- Growth came from late-stage program delivery and commercial API supplies to multiple global partners. There was no specific one-off.
- Newly commissioned assets across human health and animal health are seeing encouraging demand from existing and new clients.
- Management is focusing on fully integrated projects from preclinical development to finished drug product. The pipeline is expanding with clinical programs across diverse technologies and therapeutic areas.
- Management does not expect customer inventory build-up or a destocking pause in the near term, and says volume changes across commercial programs tend to balance out.
- Several programs are at the NDA filing stage.
- Crop science remains miniscule compared with human and animal health, though discussions continue with several partners. No human versus animal health split was given.
- CDMO is now about 40% of revenue (an analyst's observation).

Laurus Bio

- Q2 sales were INR 29 crore and H1 was INR 64 crore.
- Management attributes the YoY decline to campaign phasing, and says the pipeline is strong.
- Longer-term strategic relationships are being built across both AOF and CDMO programs.
- The commercial fermentation facility, Laurus Bio 4 (LB4), will be qualified this quarter, with trials in Q4 FY27 and commercial supplies possibly from Q1 FY28.
- Management expects Laurus Bio to be on good track from Q1 next financial year, and customer capacity reservations are being advanced.

Affordable Medicines

- Q2 revenue was INR 1,302 crore, up 15% YoY. H1 growth was 13%.
- Drivers were a growing order book across established portfolios and stable pricing in ARVs and developed-market products.
- Q2 split : ARV API INR 625 crore and ARV FDF INR 677 crore.
- API pricing has stabilized despite geopolitical pressure, helped by supply chain resilience, which kept deliveries reliable.
- Formulation revenue should keep growing, with product registrations under way in multiple countries.

Krka JV:

- The formulation facility is on track, with Phase I production blocks (high-potent and general OSD) starting in mid-2027.
- Product validations start in mid-2027, then filings, with meaningful revenue expected in FY28-FY29.

Filings:

- 92 DMFs filed cumulatively.
- In developed-market formulations, two dossiers were filed and two approvals received in H1.
- 96 products filed cumulatively.

Capacity and Capex

- Total reactor volume exceeds 9,000 kL and will keep expanding.

Capex guidance:

- INR 3,000 crore over FY27-FY28, mostly growth capex with the majority going to API. Management declined to split it by modality.
- First-half spend was lower, but investments are on track.
- Beyond FY28, about INR 1,500 crore a year is expected, possibly more if opportunities arise.

Asset turns:

- Currently about 1.0, against a six-year average of 1.1 and a peak of 1.4. The peak came from a large purchase order in one year.
- The first target is 1.1, with the possibility of inching toward 1.4 as unutilized assets get used.
- Brownfield projects (Unit 4 and Unit 2) should help.

Cash flow:

- An analyst said H1 operating cash flow fell 26%, free cash flow was slightly negative and net debt rose.
- Management said inventory is regular (not expiry inventory) and will be utilized this quarter and next.
- Free cash flow was positive last year, but management is deliberately prioritizing growth capex. It is comfortable because net debt to EBITDA is about 1.

Peptides

- Capacity: A commercial-scale peptide block has been commissioned, with over 16,000 L of solid-phase peptide synthesis (SPPS) reactor volume. Liquid-phase (LPPS) capacity is also being strengthened, and a significant further expansion is under way.
- Why expand: Current capacity may not meet near-to-mid-term needs, and management wants to move early-clinical programs to commercial blocks once they reach validation.
- Integration: Capability is fully integrated (synthesis, purification and isolation), offering the complete API and not just fragments.
- The CFO said synthesis, purification and isolation each carry roughly one-third of the complexity.

Timeline:

- Commercial revenue timing depends on validation and regulatory approvals, and there is no revenue trajectory to share.
- Validation batches could begin in about 12-18 months, though clinical programs can shift.
- Validation needs commercial-scale batches, so the block serves both validation and commercial demand.
- Utilization for validation campaigns will be fairly high.

Technology mix:

- Current programs are mostly SPPS, LPPS or hybrid.
- Fermentation-based peptides make sense mainly for long sequences of natural amino acids, and each program is unique.
- Management expects SPPS, LPPS, hybrid and fermentation to all keep a role.
- Resin economics: Resin is roughly 10-20% of peptide raw material cost, depending on fragment length.
- Amino acids: Partner programs use multiple suppliers (including Laurus), and some derivatives are bought from third parties.
- GLP-1: Management would not comment on existing GLP-1 products, but expects to play a very meaningful role in GLP-1 peptides within five years.
- Declined topics: Gross block, asset turn, peak revenue, capacity commitments, percentage of capacity committed, amino acid and LPPS capacity, investment split by process step, and whether synthesizers will move from 2,000 L to 3,000 L (an analyst's figure, which management did not confirm). Management cited confidentiality and strategic reasons, and said it can only share information with all investors, not selectively.

Fermentation

- GMP facility in Bangalore, up to 5,000 L.
- Tumkur food and industrial-grade facility, 200,000 L.
- A 500,000 L food and industrial-grade facility will be operational this quarter (not GMP).
- A GMP-grade fermentation facility for animal health products will be operational in H2 of next year.

New Modalities and Acquisitions

Galenus Sciences (Canada):

- Laurus will acquire a 60% stake.
- Galenus specializes in oligonucleotides and precision magnetic nanoparticle-based purification.
- It brings early-stage oligo, process development, conjugation, purification and fill-finish expertise, combined with Laurus' large-scale complex chemistry.
- The aim is a one-stop solution for RNA and DNA-based therapies.
- Management says it will add significant value in the near-to-medium term, though there is currently no customer.
- Oligos are not expected to reach ARV scale in the next 4-5 years, and Laurus is investing because customers are asking.

SA&C Resins:

- Laurus will acquire a majority stake.
- SA&C is a peptide resin technology company, which gives insourced supply of solid support resins and chromatography stationary phases, and so supply security and manufacturing competitiveness.
- Management does not expect much direct financial benefit, but it strengthens peptide synthesis.
- Capabilities: Laurus can take any tech pack in any chemistry modality, scale or potency, except mAbs (monoclonal antibodies), cephalosporins and penicillins. Over time it added biocatalysis (first commercial scale 2021), flow chemistry, flow hydrogenation and fermentation, and just commercialized an OEB-5 facility for payload linkers.
- ADCs: Volumes will be low, but value will be significant, and investment can be sizable.
- Strategy: Management builds capacity itself and fills technology and talent gaps through acquisitions, as with Laurus Bio (enzymes and fermentation). It describes the integrated end-to-end approach as similar to, but not the same as, the ARV playbook.

Margins and Guidance

Management's commitment is gross margin above 60% and EBITDA margin above 30%.

Customers and risk:

- No significant customer or program concentration.
- Visibility of 18-24 months, with no expected launch-supply destocking.
- No patent cliff on supported programs, and management credits some luck on how projects have come through.
- Active CDMO projects: The CFO said the figure of about 125 is dated, but you can still assume it. Project sizes range from about USD 200,000 to several tens of millions of dollars, so project counts mislead. Management would not disclose commercialized or Phase 3 program counts.
- Exports: Domestic is under 20% of sales, so exports are the majority.
- Currency: The sequential constant-currency effect was about INR 12 crore.
- What could break the winning loop: Difficult to predict. Management says it is protecting service levels and will not take on more than it can handle.

Valuation methodology

We revise our earnings estimates upwards by 10% for FY27E and 19% for FY28E, as earnings were above our estimates on all fronts. On Sep'28 roll-forward EPS, the stock trades at a PE of 59x. We ascribe a PE of 56x (earlier 55x) due to rise in estimates, to arrive at a PT of Rs 2,198 (earlier PT 1708), implying 5% downside, thus maintain HOLD on the stock.

Fig 9 – Change in estimates table

Rs Mn	New		Old		Variance	
Particulars	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	86,525	101,476	82,501	91,805	5%	11%
EBITDA	27,688	33,487	26,400	30,296	5%	11%
EBITDA M	32.0%	33.0%	32.0%	33.0%	0bps	0bps
EPS	29.6	35.7	26.9	30.1	10%	19%

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

Key upside risks are

1- Higher than expected growth in the CDMO segment

2- Slower price erosion in the ARV segment

3- Higher asset turn

Key downside risks are

1- Slower than expected growth in the CDMO segment due to high base

2- Higher price erosion pressure in the ARB segment

3- Lower asset turn

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**55,540**	**68,129**	**86,525**	**101,476**	**119,633**
EBITDA	10,553	17,463	27,688	33,487	40,675
Depreciation	4,301	4,801	5,187	6,487	7,787
EBIT	6,252	12,663	22,500	26,999	32,888
Net interest inc./(exp.)	(2,160)	(1,707)	(1,748)	(1,963)	(2,159)
Other inc./(exp.)	751	550	476	558	658
Exceptional items	0	0	0	0	0
EBT	4,843	11,505	21,229	25,595	31,386
Income taxes	1,299	2,920	5,343	6,442	7,900
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(39)	11	11	11	11
Reported net profit	**3,583**	**8,574**	**15,875**	**19,142**	**23,476**
Adjustments	0	0	0	0	0
Adjusted net profit	**3,583**	**8,574**	**15,875**	**19,142**	**23,476**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	9,585	12,521	15,408	17,793	20,649
Other current liabilities	5,378	8,057	11,248	12,177	11,963
Provisions	1,354	1,700	1,870	2,057	1,954
Debt funds	31,013	28,521	32,799	36,079	39,686
Other liabilities	0	0	0	0	0
Equity capital	1,078	1,079	1,079	1,079	1,079
Reserves & surplus	44,947	53,234	68,098	86,228	108,693
Shareholders' fund	46,025	54,312	69,176	87,307	109,772
Total liab. and equities	**93,355**	**105,111**	**130,501**	**155,412**	**184,024**
Cash and cash eq.	1,504	1,136	788	1,332	1,688
Accounts receivables	20,072	21,550	26,076	30,860	36,709
Inventories	19,365	23,422	29,158	33,640	39,659
Other current assets	4,266	4,471	4,326	5,074	8,374
Investments	2,333	3,093	3,402	3,742	4,116
Net fixed assets	38,576	41,059	55,872	69,384	81,597
CWIP	4,584	7,733	8,233	8,733	9,233
Intangible assets	2,656	2,647	2,647	2,647	2,647
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**93,355**	**105,111**	**130,501**	**155,412**	**184,024**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**3,031**	**13,595**	**17,194**	**19,116**	**18,633**
Capital expenditures	(6,410)	(10,000)	(20,000)	(20,000)	(20,000)
Change in investments	(1,093)	(760)	(309)	(340)	(374)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(7,503)**	**(10,760)**	**(20,309)**	**(20,340)**	**(20,374)**
Equities issued/Others	0	1	0	0	0
Debt raised/repaid	3,852	(2,493)	4,278	3,280	3,608
Interest expenses	0	0	0	0	0
Dividends paid	(808)	(1,011)	(1,011)	(1,011)	(1,011)
Other financing cash flows	1,516	300	(500)	(500)	(500)
Cash flow from financing	**4,559**	**(3,202)**	**2,767**	**1,769**	**2,097**
Chg in cash & cash eq.	**87**	**(368)**	**(348)**	**545**	**356**
Closing cash & cash eq.	**1,504**	**1,136**	**788**	**1,332**	**1,688**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	6.7	16.0	29.6	35.7	43.7
Adjusted EPS	6.7	16.0	29.6	35.7	43.7
Dividend per share	1.2	1.5	1.5	1.5	1.5
Book value per share	83.3	98.8	126.5	160.3	202.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	22.3	18.1	14.3	12.1	10.3
EV/EBITDA	117.2	70.8	44.6	36.8	30.2
Adjusted P/E	351.6	147.0	79.4	65.8	53.7
P/BV	28.2	23.8	18.6	14.7	11.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.0	74.5	74.8	74.8	74.8
Interest burden (PBT/EBIT)	77.5	90.9	94.3	94.8	95.4
EBIT margin (EBIT/Revenue)	11.3	18.6	26.0	26.6	27.5
Asset turnover (Rev./Avg TA)	19.1	21.3	23.4	22.5	21.9
Leverage (Avg TA/Avg Equity)	1.7	1.6	1.5	1.5	1.4
Adjusted ROAE	8.3	17.5	26.3	24.9	24.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	10.2	22.7	27.0	17.3	17.9
EBITDA	35.7	65.5	58.6	20.9	21.5
Adjusted EPS	122.9	139.3	85.2	20.6	22.6
Profitability & Return ratios (%)					
EBITDA margin	19.0	25.6	32.0	33.0	34.0
EBIT margin	11.3	18.6	26.0	26.6	27.5
Adjusted profit margin	6.5	12.6	18.3	18.9	19.6
Adjusted ROAE	8.3	17.5	26.3	24.9	24.1
ROCE	9.6	16.5	24.9	24.5	24.6
Working capital days (days)					
Receivables	132	115	110	111	112
Inventory	127	125	123	121	121
Payables	63	67	65	64	63
Ratios (x)					
Gross asset turnover	0.9	1.0	1.0	0.9	0.9
Current ratio	2.8	2.3	2.1	2.2	2.5
Net interest coverage ratio	2.9	7.4	12.9	13.8	15.2
Adjusted debt/equity	0.7	0.5	0.5	0.4	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

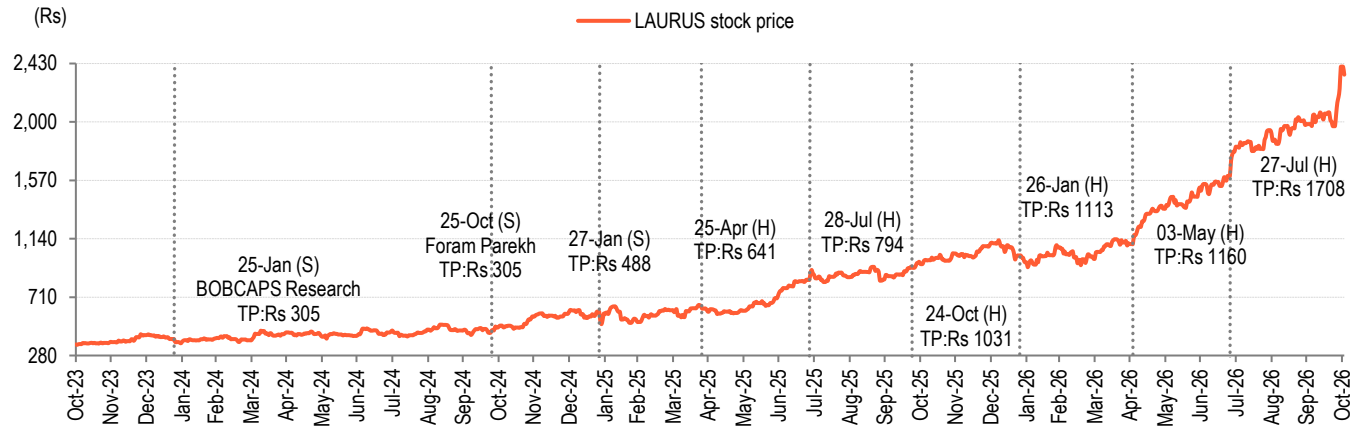
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): LAURUS LABS (LAURUS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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