

Generics drive growth in Q3, Awaiting further scale up in CDMO

Reco/View: **HOLD**

CMP: **Rs. 1,000**

Price Target: **Rs. 1,101**

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Pharmaceuticals

COMPANY DETAILS

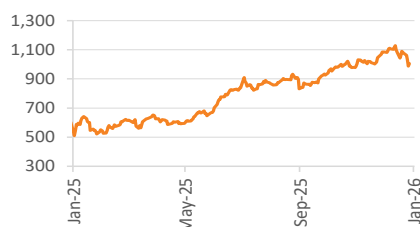
Market cap:	Rs. 57,133 cr
52-week high/low:	Rs. 1141/501
NSE volume: (No of shares)	27.4 lakh
BSE code:	540222
NSE code:	LAURUSLABS
Free float: (No of shares)	39.1 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	27.5
FII	26.5
DII	12.4
Others	33.6

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-5.5	8.9	20.1	76.2
Relative to Sensex	-1.7	11.4	19.0	68.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- Generic formulations revenue drove growth, segment rose ~37% y-o-y
- Margins now back in 'high-20s', on a better mix (more CDMO and higher-value generics) and improved cost absorption. ROCE improved to ~18.5%, indicating better asset productivity as new capacities start contributing.
- CDMO business continues to scale up and can significantly add to bottomline in 2-3 years.
- With improving asset utilisations, we value the stock at 47x on FY28E earnings of 23.4 and retain the Hold rating with a PT of Rs.1,101.

Result overview

- Q3FY26 numbers were stellar with robust revenue growth, sharp margin expansion, and a big jump in profitability, led by generics segment. Revenue stood at ~Rs.1,778 crore, up ~26% y-o-y from Rs. 1,415 crore. Gross margin stood at ~60.9%, is the highest in the past eight quarters, and EBITDA at around ~Rs.480 crore, with EBITDA margin at ~27% vs ~20% a year ago is also at near its highest levels in the last eight quarters, reflecting a richer product mix and operating leverage. PAT stood at about Rs. 252 crore, up roughly 170-174% y-o-y from Rs. 92 crore.
- Generic formulations/division revenue was the main growth engine, with this segment growing at 37% y-o-y. The generics division's growth is supported by strong uptake in recently launched products within developed markets. The management guided for healthy visibility for the rest of FY26E. Phae 1 of the KRKA JV facility in Hyderabad is also expected to come on-stream in mid-2027 (phase 1) and will manufacture formulations for the European market.
- **CDMO to get more traction in Q4FY26:** On a y-o-y basis, CDMO revenue growth was muted at 1%, and has been attributed to phasing of deliveries for very long and complex synthetic processes. The management expects the revenue growth to occur in Q4. Despite muted revenue growth in the segment in Q3, over a 9M period, revenue has improved by 50%, on account of strong recurring business and project ramp-ups. This has led to 3% increase in portfolio mix for the segment in the overall revenue mix resulting in margin improvements.

Our Call

Laurus Labs continues to invest and the improvements in RoCE indicate that the capex is being used effectively. The management continues to meet guidance and given the increase in margins, and positive outlook, we value the stock at 47x on FY28E EPS of 23.4 and retain the Hold rating with a PT of Rs.1,101.

Key Risks

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

Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Sales	5,040.8	5,554.0	6,412.2	7,566.3	8,852.6
OPM(%)	15.4	19.0	26.3	26.9	27.4
PAT	160.5	358.3	767.5	1,058.0	1,262.1
NPM (%)	3.2	6.5	12.0	14.0	14.3
EPS	3.0	6.7	14.2	19.6	23.4
P/E	335.9	150.5	70.3	51.0	42.7
P/BV	6.1	7.0	10.2	8.5	-
EV/EBIDTA	32.0	23.6	14.8	12.2	10.3
ROE (%)	3.9	8.0	14.6	16.8	-
ROCE (%)	5.9	8.6	13.9	13.3	-

Source: Company; Mirae Asset Sharekhan estimates

Management commentary:

- In the anti-retrovirals (ARV) business, the steep price reductions and margin reductions have been largely offset by increased volumes, optimising asset utilisation, and cost improvement mechanisms.
- The management expects to maintain gross margins in the range of 60% with increased share of CDMO and formulations (FDF) business.
- For the CDMO segment, the majority of FY27 revenues are expected to come from commercial supplies of new molecules.
- Non-ARV formulations business expects sustained performance due to new launches in North America (US and Canada).
- Vizag commercial fermentation facility's Phase 1 capacity (>400 kL) expected operational by end-2026.
- Peptide commercial manufacturing facilities slated for qualification in 2026.
- Laurus Labs invested Rs.246 crore in capex during Q3 FY26, lifting 9MFY26 total to Rs.735 crore, with full-year FY26 guidance at ~Rs.1,000 crore (and over Rs.1,000 crore again in FY27).
- \$25 million has been allocated to the ADC GMP facility, but meaningful revenues from ADCs are not expected in the next two years.
- CDMO revenue will remain lumpy quarter-to-quarter due to timing of partner manufacturing needs and demand.

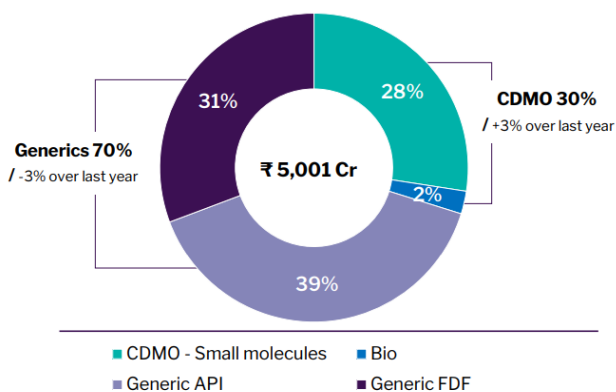
CDMO - Long-term growth story

- During 9MFY26, the CDMO division's contribution has increased by 4% in comparison with the previous year. While the segment's growth was muted in Q3, management expects Q4 to be better. Management continues to maintain its guidance in terms of revenue and additional capex for both generics and CDMO segments.

9M FY26 Divisional Revenue Performance

[₹ Crore]	9M FY26	9M FY25	Y-o-Y
CDMO	1,491	1,044	43%
Small molecules	1,372	913	50%
Bio	119	131	-9%
Generics	3,510	2,790	26%
API	1,974	1,752	13%
FDF	1,536	1,038	48%
Total Revenues	5,001	3,834	30%
ARV Revenues*	2,124	1,756	21%

9M FY26 Divisional Mix



Source: Company; Mirae Asset Sharekhan Research

Other Highlights

- Generics drove growth in the quarter. Increase in volumes help negate price erosion effect and boost margins.
- Significant y-o-y growth is also on account of a low base effect.
- With the expected improvement in CDMO revenues, management expects to maintain gross margins in the range of 60% for the full year.

Results

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Revenues	1778.3	1415.1	25.7%	1653.5	7.5%
EBITDA	480.2	285.2	68.4%	403.3	19.1%
Adjusted PAT	251.9	92.9	171.0%	194.5	29.5%
EPS	4.7	1.7	171.9%	3.6	28.8%
			BPS		BPS
NPM(%)	14.2	6.6	760	11.8	240
EBITDA M (%)	27.0	20.2	685	24.4	262

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Chava Satyanarayana	23.28
2	Capital Grp Cos	9.56
3	Small cap world fund	3.82
4	Anukar projects pvt ltd	3.24
5	Mirae Asset Financial Grp	3.10
6	Vanguard Group Inc	2.80
7	Rao Chundru	2.65
8	Barclays Wealth Trustees Ind pvt ltd	1.61
9	Bhanshali Akash	1.32
10	Blackrock Inc	1.30

Source: Bloomberg

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

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