

29 January 2021

Q3-FY21 Result Update

- ❑ Laurus Lab reported consolidated revenues of ₹12,880 million showcasing strong growth of 76% for the quarter and ₹ 34,020 million for 9M FY21 growing by 71% driven by growth in all the divisions.
- ❑ Generic FDF business maintains healthy growth momentum of 47% for the quarter (YoY) and 121% for 9M (Y-o-Y) led by higher sales from tender business in LMIC and strong order book for the coming quarters. Moreover, 9 products have received Final Approvals, and 8 products have received Tentative Approvals.
- ❑ Revenue from Generic API segment showcased the growth of 103% for the quarter (Yo-Y) and 52% for 9M (Y-o-Y). The Anti-Viral segment showed a robust growth of 165% for the quarter and 58% for 9M (Y-o-Y) and is expected to have good growth for the full year. Filed 282 patent applications and 141 patent granted as on Dec 31, 2020.
- ❑ Revenue from synthesis and ingredients showcased the growth of 63% for the quarter (Y-o-Y) and 45% for 9M (Y-o-Y). Total Number of Active Projects in the CDMO division stood at 49 as of 9M FY21.
- ❑ Consolidated EBITDA grew 189% y/y to ₹4,330 million while margins improved by 120bps to 34% from 32.8% in the previous year quarter owing to better operating leverage and product mix. PAT stood at ₹2730 million for the quarter, showcasing a robust growth of 274%.
- ❑ Company continue to maintain healthy cash position with ~ 600cr of headroom available in the form of unutilized bank limits.
- ❑ Laurus Labs has completed the acquisition of majority stake 72.55% in Richcore Lifesciences Pvt Ltd which will be renamed to be Laurus Bio Pvt. Ltd. valued at ₹340 Cr and the cost of acquisition of 72.55% stake is ₹246.67 Cr funded through internal accruals.
- ❑ Laurus Bio/ Richcore is an emerging biotech company as it is fastest Growing Research Driven Bio Manufacturing Company; it has a Precision Fermentation capabilities scale up expertise and large scale manufacturing capabilities and it also has a Strategic global partnerships for commercialization of products.
- ❑ With continuity of robust growth across segments, we expect the growth momentum to continue in the medium to long term. Hence, we maintain our **Buy** rating on the stock with a target price of **₹424 per share**.

Financials

(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Net Sales	12,884	7,296	76.6%	34,016	19,926	70.7%
Operating Expense	8,622	5,814	48.3%	23,232	16,233	43.1%
EBITDA	4,262	1,482	187.6%	10,784	3,692	192.1%
Other Income	69	19		191	78	
Depreciation	516	476		1,514	1,412	
EBIT	3,815	1,025	272.0%	9,461	2,358	301.2%
Interest	174	208		462	689	
PBT	3,641	817	345.6%	8,999	1,669	439.3%
Tax	913	82		2,130	217	
Exceptional Items	-	-		-	-	
PAT	2,728	735	271.3%	6,869	1,451	373.3%
Minority /Other Adj.	-	-		-	210	
Consolidated PAT	2,728	735	271.3%	6,869	1,661	313.5%

Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	33.1%	20.3%	1277	31.7%	18.5%	1317
Net Margin %	21.2%	10.1%	1110	20.2%	8.3%	1186

Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	22,919	28,317	43,664	53,982
Operating Expense	19,359	22,672	35,467	42,769
EBITDA	3,560	5,645	8,197	11,213
Other Income	162	59	59	59
Depreciation	1,642	1,873	2,048	2,111
EBIT	2,079	3,832	6,208	9,162
Interest	882	896	1,122	1,348
Misc. items	-	-	-	-
PBT	1,198	2,936	5,086	7,814
Tax	260	383	763	1,172
Minority Interest	-	-	-	450
PAT	938	2,553	4,323	7,092

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	11.5%	23.6%	54.2%	23.6%
Operating Margin %	15.5%	19.9%	18.8%	20.8%
Net Margin %	4.1%	9.0%	9.9%	13.1%

(In ₹ mn)	FY-19	FY-20E	FY-21E	FY-22E
Liabilities				
Equity Share Capital	1,118	1,115	1,069	1,069
Reserves & Surplus	14,466	16,582	20,905	27,997
Total Shareholder's Funds	15,584	17,698	21,974	29,066
Minority Interest	-	-	-	-
Long-Term Liabilities	2,587	1,650	1,650	1,650
Other Long-term Liabilities	902	1,232	-	-
Deferred Tax Liability	(534)	(739)	(58)	(109)
Short-term Liabilities	14,239	16,924	21,054	24,994
Total	32,778	36,764	44,621	55,602
Assets				
Net Fixed Assets	17,387	17,935	16,165	15,505
Long-Term L&A	256	408	550	700
Non Current Investments	34	34	34	34
Other Non-Current Assets	472	266	351	500
Current Asset	14,630	18,121	27,521	38,863
Total	32,778	36,764	44,621	55,602

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	1.7	4.8	8.1	13.2
P/E (x)	206.3	75.8	44.8	27.3
P/B (x)	12.4	10.9	8.8	6.7
ROE	6.0%	14.4%	19.7%	24.4%

Source: Company, Anand Rathi Research

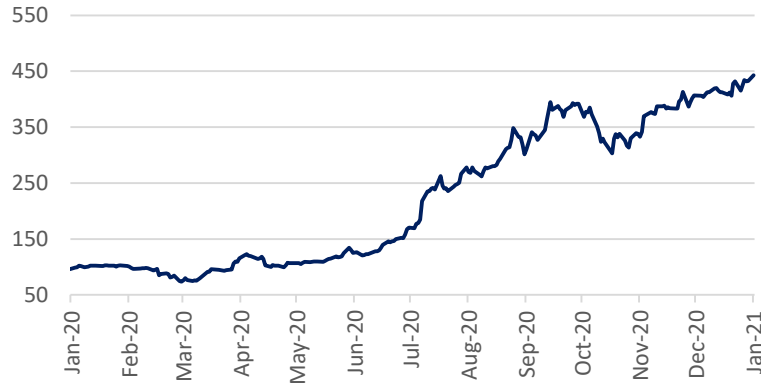
Key Risks:

- ❑ Any delay in product approvals or any negative outcome of facility inspection by the USFDA can affect earnings prospects.
- ❑ The pharmaceutical industry is highly regulated in many countries and requires various approvals, licenses, registrations and permissions for business activities.



Rating and Target Price history:

LAURUS IN rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 29 January 2021 close.

LAURUS IN rating details

Date	Rating	Target Price (₹)	Share Price (₹)
11-Dec-2020	BUY	424	329

Source: Bloomberg, Anand Rathi Research

Disclaimer:

Analyst Certification

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter “SEBI”) and the analysts’ compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Ratings Methodology

- ❑ Analysts’ ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion) and Mid/Small Caps (<₹300 Billion) or SEBI definition vide its circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

Disclaimer:

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues.

General Disclaimer: - This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the reader. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Continued...

Disclaimer:

Contd...

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i. e. www.rathi.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Copyright: - This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Contd...

Disclaimer:

Contd.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Sr. No.	Statement	Answers to the Best of the knowledge and belief of the ARSSBL/ its Associates/ Research Analyst who is preparing this report
1	ARSSBL/its Associates/ Research Analyst/ his Relative have any financial interest in the subject company? Nature of Interest (if applicable), is given against the company's name?.	NO
2	ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?.	NO
3	ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report or at the time of public appearance?.	NO
4	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months.	NO
5	ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months.	NO
6	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
7	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
8	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report.	NO
9	ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	NO
10	ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	NO