

Twitter Thread by Man Vs Trade



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#MotilalOswal reiterated Buy Call on #lauruslabs with Target price of 800 means 23% upside from CMP. It's not just a noise or hype on Laurus. It's true that we will see laurus in a better position in 3 years. It's in a transforming phase. Try to accumulate in dips.

Laurus Labs

BSE SENSEX	S&P CNX
58,130	17,324

**Stock Info**

Bloomberg	LAURUS IN
Equity Shares (m)	532
M.Cap.(INRb)/(USDb)	350.1 / 4.8
52-Week Range (INR)	724 / 226
1, 6, 12 Rel. Per (%)	-7/66/125
12M Avg Val (INR M)	1851
Free float (%)	72.7

Financials Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	48.1	62.7	75.9
EBITDA	15.5	20.1	25.0
Adj. PAT	9.8	12.9	16.4
EBIT Margin(%)	28.0	28.1	28.9
Adj. EPS (INR)*	18.3	24.1	30.5
EPS Gr. (%)	285.4	31.3	26.8
BV/Sh. (INR)	48.7	69.2	95.2
Ratios			
Net D:E	0.5	0.4	0.2
RoE (%)	45.0	41.0	37.3
RoCE (%)	30.6	30.3	30.7
Payout (%)	15.1	15.1	15.1
Valuations			
P/E (x)	35.6	27.1	21.4
EV/EBITDA (x)	23.4	18.0	14.3
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.1	0.8	1.9
EV/Sales (x)	7.5	5.8	4.7

*Cons.

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	27.3	27.5	32.1
DII	4.2	3.6	8.8
FII	21.5	20.7	16.1
Others	47.0	48.3	43.0

FII Includes depository receipts

CMP: INR652 TP: INR800 (+23%) Buy

Gearing up for the next phase of growth

- The Custom Synthesis business, built on the firm foundation of its chemistry skill set and execution, is set for the next leg of growth, supported by capacity expansion. Incorporation of two new subsidiaries, a dedicated R&D facility, and two manufacturing facilities will aid the Custom Synthesis business.
- The developed market Generics business is set to grow meaningfully from FY23E, supported by backward integration, making LAURUS a full-fledged Pharma company. Laurus Bio is currently at the nascent stage and provides long-term opportunities for LAURUS in the Biologics CDMO space.
- We expect 29% earnings CAGR over FY21-23E, led by a 30%/42%/19% sales CAGR in the FDF/Synthesis/API segment and ~80bp margin expansion.

Laurus Bio – additional lever for growth and diversification

- Laurus Bio marks LAURUS' entry into the Biotechnology space. It is looking to explore CDMO opportunities to expand this division. New fermentation capacities are partially commercialized currently and will be fully commercialized by Sep'21.
- It is in the process of finalizing plans to add a new facility, taking the total fermentation capacity to 1m liters from 0.18m liters currently.

New projects/client additions to drive the Synthesis business

- LAURUS is working with global innovators across clinical development and commercial supplies. It is working on 50 projects currently in the CDMO segment, up from 40 in FY20.
- It is among the top five companies in reactor capacity in the CDMO space globally. Its chemistry skill set, manufacturing efficiency, and consistent compliance make it one of the preferred partners in the CDMO segment.
- We expect 42% sales CAGR in the CDMO segment to INR10.5b over FY21-23E.

FDF – product buildup in the non-ARV space

- On the non-ARV product front, LAURUS is building an ANDA pipeline in therapeutic areas such as Cardiac/Diabetic and other non-ARV segments (28 filed/10 awaiting approval). It has 66 products under development for the US/EU market, 80% of which are in the non-ARV category, with an addressable market size of USD37b.
- LAURUS is also investing in a greenfield expansion program, which will add a 4b unit capacity by FY22-end. Around 75% of this greenfield capacity would be used for non-ARV products.
- Based on this, we expect a 42% sales CAGR in FDF over FY21-23E, reaching INR33.5b by FY23E.