



Lupin Ltd

On trailing earnings, Lupin is the cheapest large Indian pharma stock and has the highest returns on capital. Both numbers come from a year that management has already said will not repeat. About half of FY26 profit came from three US generics that are now facing competition, and the company has guided FY27 margins down by roughly five points.

RATING

SELL

TARGET PRICE

₹1,810

CMP (9 OCT 2026)

₹1,956

DOWNSIDE (BASE CASE)

-7.5%

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SELL

Lupin Ltd

LUPIN

A record year built on three US exclusivities that are now running out. The ex-US business is real and growing, but at ₹1,956 the stock already prices in a recovery the pipeline has yet to deliver

Summary

Lupin is a Mumbai-based generic and branded-generic drugmaker founded in 1968 by the late Dr Desh Bandhu Gupta. It sells in more than 100 markets from 15 manufacturing sites. By prescriptions it is the third-largest generics company in the US, and it ranks eighth in the Indian pharmaceutical market. It holds the number-one position in anti-TB drugs in India and is among the top three in respiratory, cardiology and diabetes. The founding family holds 46.85% of the equity.

FY26 (year to March 2026) was the best year in the company's history. Sales rose 23.9% to ₹27,488 crore. US sales rose 46% to US\$1,318 million, and reported profit after tax rose 62% to ₹5,355 crore. Most of the jump came from a few limited-competition US launches, principally generic Jynarque (tolvaptan), generic Myrbetriq (mirabegron) and generic Spiriva (tiotropium). PL Capital estimates that these three products made up about half of FY26 EPS. Q1 FY27 was stronger still, with record sales of ₹8,217 crore, US sales of \$366 million and an EBITDA margin near 30%.

Management then guided the rest of the year down. Apotex, Teva and a third new entrant are launching tolvaptan from Q2, and mirabegron prices are falling. US sales are guided at \$250–280 million a quarter for Q2–Q4, which is 23–32% below Q1. Full-year US sales are guided at \$1.1–1.2 billion, against \$1.318 billion in FY26. Group EBITDA margin is guided at about 25%, against roughly 30% in FY26 on a like-for-like basis. The stock has fallen 17% since the Q1 results, from ₹2,364 on 7 August to ₹1,956 on 9 October, close to its 52-week low of ₹1,900.

Our rating is SELL, though the margin is narrow. On our base case, FY27 EPS falls about 18% to around ₹95, so the stock trades at roughly 20x forward earnings rather than the 15x the screens show. The ex-US business is genuinely strong and the balance sheet holds net cash. The issue is price: today's level already assumes that pegfilgrastim, apixaban and the inhalation pipeline replace the lost exclusivities on schedule. Our P/E method gives ₹2,073 and our DCF gives ₹1,552, and the average of the two is ₹1,810. The Street consensus of about ₹2,500 is well above both.

TARGET PRICE

12-month target	₹1,810
CMP (9 Oct 2026)	₹1,956
Implied downside	–7.5%
Rating	SELL

KEY STOCK DATA

Market cap	₹89,469 cr
P/E (TTM)	15.0x
P/E (FY27E, Dart base)	20.6x
52-week range	₹1,900 – ₹2,530
Book value/share	₹491
Dividend (FY26)	₹18/share
Net cash (Jun 2026)	₹2,831 cr
Shares outstanding	~45.7 cr

SHAREHOLDING (JUN 2026)

Promoter (Gupta family)	46.85%
FII	22.42%
DII (of which MFs ~14.8%)	24.65%
Public	6.08%

FINANCIAL SNAPSHOT (₹ CR)

	FY25	FY26	Q1 FY27
Revenue	22,708	27,958	8,277
EBITDA	5,278	8,160†	2,450
PAT	3,306	5,355	1,417

Revenue from operations; EBITDA excludes forex and other income. †Company-reported FY26 EBITDA is ₹9,240cr because it includes a ₹656cr forex gain and ₹424cr of other income. See the financial summary.



Core thesis: where we think the market has it wrong

- **The 15x trailing P/E is not a real discount.** FY26 EPS of ₹116.65 includes several quarters of near-exclusive pricing on tolvaptan and mirabegron, plus a ₹656 crore forex gain. Management's own guidance (high single-digit revenue growth and a ~25% margin) points to FY27 EPS of about ₹95 on our numbers. At ₹1,956 the stock trades at about 20.6x FY27E and 19.8x FY28E. Zydus, the closest peer on margin and ROCE, trades at 22.9x trailing. Once the earnings base is corrected, the valuation gap is small.
- **Consensus is still about ₹2,500, which assumes the FY28 rebound arrives on time.** Most published targets apply 24–24.5x to FY28 EPS of ₹100–104. Axis (₹2,545) and PL (₹2,500) are examples. That multiple only holds if the replacement products land on schedule: pegfilgrastim in H2 FY27, apixaban oral suspension (only tentatively approved as of 28 September 2026), Respimat and Ellipta inhaler filings, and 10 exclusive first-to-file launches over three years. Biosimilar pricing in the US has eroded by 85–90%, a point analysts raised on the Q1 call, so each of these launches is likely to be worth less than the products it replaces. Citi moved to SELL (₹2,050) on 27 August and JM Financial has been at REDUCE since February.
- **What the market may be under-pricing is the ex-US business, and it limits the downside.** Ex-US organic growth was above 20% in Q1 FY27. India core prescriptions grew 15.1%, emerging markets 52% and other developed markets 48%, the last helped by VISUfarma. These businesses now make up about 58% of sales, and the group has net cash and a 30% ROCE. That is why our bear case is ₹1,370 and not lower, and why this is a valuation SELL rather than a call on a broken company.

Business model, revenue mix & moat

Segment (₹ crore)	FY25	FY26	YoY	% of FY26	Q1 FY27	YoY
United States	7,998	11,678	+46.0%	42%	3,435	+42.9%
India	7,577	8,114	+7.1%	30%	2,380	+13.9%
Other developed markets (Europe, Canada, Australia)	2,864	3,244	+13.3%	12%	1,149	+48.3%
Emerging markets	2,576	3,483	+35.2%	13%	990	+51.7%
API	1,177	969	–17.7%	4%	264	+8.5%
Total product sales	22,192	27,488	+23.9%	100%	8,217	+33.3%

Source: Lupin press releases dated 7 May 2026 and 6 August 2026. Total product sales exclude other operating income (₹471cr in FY26). Percentages are as reported and may not add to 100 because of rounding. Q1 FY27 US sales of ₹3,435cr equal US\$366m.

How the money is made. Lupin runs two different businesses under one name. The first is US generics, which earns most of the profit swings. It has 149 marketed products, holds first place in 56 of them and is in the top three in 112. Most of this is a commodity business where prices fall every year. The returns come from the small number of launches that face little competition, either because they are hard to make (inhalers, long-acting injectables) or because Lupin filed first and won 180 days of exclusivity. The second is branded generics in India and emerging markets, built around chronic therapies. Chronic drugs were 67% of the India portfolio in Q1 FY27, and the company is targeting 70% within five years. This business grows steadily and depends on doctor relationships through a field force of about 11,300, including roughly 8,700 medical representatives. It is not exposed to US price erosion.

Moat: real in places, absent in others.

- **Inhalation manufacturing is the strongest barrier.** Lupin holds about 35% of the US generic tiotropium market and about 16% of albuterol (per Axis Direct). Generic inhalers need device engineering and clinical bioequivalence work that only a handful of companies have completed, which is why the Spiriva franchise has held up longer than a typical oral solid. The risk is that the barrier is product-specific. Each new inhaler (Respimat, Ellipta, Dulera) needs its own multi-year development and filing.



- **India gives scale, but not pricing power.** Lupin has the #8 IPM ranking, leads in TB, is #2 in respiratory and is among the top three in cardiology and diabetes (per ICRA). These positions are hard to displace, but some 384 drugs sit under India's NLEM price-control list. In Q1 FY27 core prescriptions grew at only 1.1x the market, below management's 1.2–1.3x target.
- **Backward integration gives a cost advantage in specific molecules.** Lupin has been a global API leader in cephalosporins, anti-TB and cardiovascular molecules for more than 15 years, and it is one of the largest anti-TB suppliers to the WHO Global Drug Facility. The API business is now housed in a separate subsidiary, Lupin Manufacturing Solutions.
- **There are no switching costs or network effects in US oral generics.** Pharmacies and wholesalers buy on price and supply reliability. When a fourth tolvaptan entrant arrives, market share and price both move within a quarter, as the FY27 guidance shows.

Financial analysis & catalysts

Metric	Value	Read
Revenue CAGR, FY23–FY26	18.9%	₹16,642cr → ₹27,958cr; the 10-year CAGR is only 7%
EBITDA margin path	10% → 19% → 23% → 29%	FY23 to FY26, excluding forex and other income
FY27 margin guidance	~25%	About 1.5 points of the drop is attributed to "adjacency losses"
FCF conversion (FCF / PAT)	103% FY26; 41% FY25; 141% FY24	CFO ₹7,334cr and FCF ₹5,527cr in FY26
ROCE vs WACC	29.9% vs ~11.5%*	Narrows to roughly 18–19% pre-tax on our FY27 base case
Net cash	₹2,831cr (Jun 2026)	Down from ₹4,636cr in March after the VISUfarma purchase
R&D intensity	7.5% FY26; ~8% FY27 guided	About 70% goes to complex products (injectables, inhalation, biosimilars)
Working capital	87 → 90 days	Inventory days of 303 (screener, FY26) are high even by generics standards

*WACC of 11.5% is a Dart Consultants assumption, not a sourced figure. ROCE is screener.in's current figure; ICRA reports debt/OPBDITA of 0.8x, gearing of 0.3x and interest cover of 20.3x for FY26.

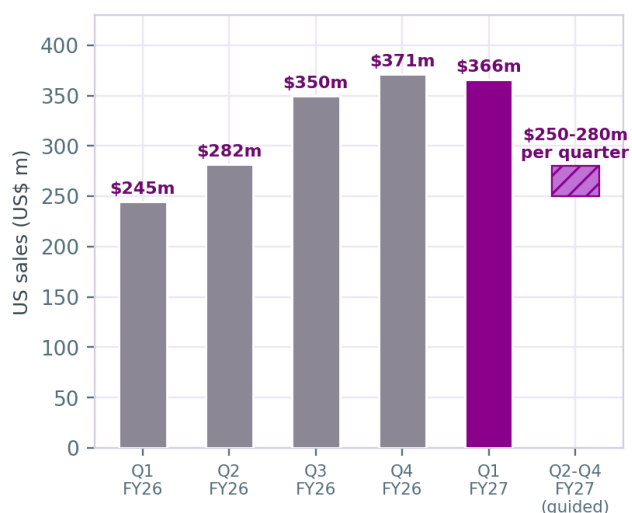
Margins. The rise from 10% to 29% over three years is real, but most of it is product mix rather than cost discipline. Gross margin rose from 69.2% in FY25 to 73.3% in FY26 and 74.6% in Q1 FY27 as tolvaptan and mirabegron sales grew. Employee costs and other expenses fell only modestly as a share of sales. When those products lose pricing, gross margin should give back much of the gain. Management's ~25% guidance implies about 23% on average for Q2–Q4. ICRA's own expectation is 22–25% over the near-to-medium term.

Cash flow. This is the strongest part of the story. FY26 operating cash flow was ₹7,334 crore, 137% of PAT, and free cash flow was ₹5,527 crore after capex. That paid for the ₹190 million (about ₹1,970 crore) VISUfarma purchase with cash on hand, and still left net cash. ICRA puts FY27 capex at ₹3,500–4,000 crore including VISUfarma, and FY28 capex at ₹1,000–1,500 crore. Management has also said it is looking for a further \$200–300 million of specialty M&A.

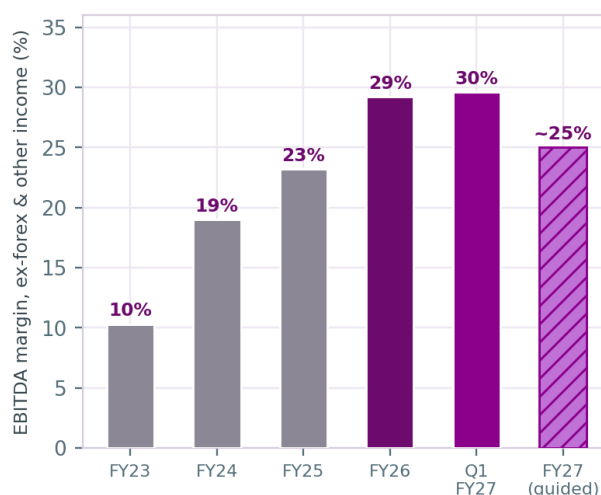
Returns. ROCE of 29.9% is the highest among the six large Indian pharma names we compared. On our FY27 base case (EBITDA ₹7,549cr, D&A of about ₹1,800cr), EBIT falls to about ₹5,750cr on capital employed of about ₹29,000–31,000 crore. That is a pre-tax ROCE of 18–19%, or about 14% after tax, still above our assumed 11.5% WACC but by a much smaller margin than the trailing number suggests.



US sales: peak quarter is already behind



Margin: guided back to ~25%



Both US sales and margins peaked in the last two reported quarters. US sales are as reported in USD. Margins are screener.in-basis EBITDA (excluding forex and other income) divided by revenue from operations. The FY27 figures are management guidance from the Q1 FY27 call (August 2026), not Dart estimates.

Near-term catalysts (6–12 months)

- **Q2 FY27 results.** This is the first quarter with a full period of tolvaptan competition and of mirabegron price pressure. A US print at or above the top of the \$250–280 million range would challenge our call. A print below it would support it.
- **Final FDA approval and launch timing for apixaban oral suspension.** The product received tentative approval on 28 September 2026 and will be made at Somerset. Management said on the Q1 call that it expects 10–12 months before others enter, and that it could lift margins. The final approval date is not public.
- **Pegfilgrastim biosimilar launch (guided for H2 FY27),** along with dalbavancin, sugammadex, raltegravir (an exclusive first-to-file) and eribulin, also guided for FY27.
- **India GLP-1s.** Semaglutide injection is already launched. Vial and oral forms are due in H2 FY27. Axis reports a management aim of ₹50–60 crore in first-year sales, so this is modest at group scale.
- **A specialty acquisition of \$200–300 million,** which could be in respiratory, neurology or ophthalmology, in the US, Europe or India.

Longer-term catalysts (2–3 years)

- More than 50 US launches over three years, including 10 exclusive first-to-files (ivacaftor among them), five biosimilars and two or three 505(b)(2) products. Management expects US growth to resume in FY28.
- Respiratory pipeline: more than seven filings targeted in FY27, including fluticasone nasal spray (Rx approval in FY27, OTC in FY28). A Spiriva Respimat filing is also due in FY27, and Breo (Ellipta) has shown positive PK. The aflibercept biosimilar is guided for FY29, and a Nexplanon filing is targeted for FY28.
- India: chronic therapies reaching 70% of the mix within five years, and novel proprietary products reaching one-third of India revenue within ten years. The second target is long-dated and has not been tested.

What gives us pause

- **Earnings are highly concentrated in a few products.** Tolvaptan, mirabegron and tiotropium made up about half of FY26 EPS (PL Capital estimate). The first two are now facing competition. JM Financial named Spiriva, albuterol and mirabegron as the main products at risk and warned that EPS could decline over two years starting in early FY27.



- **The headline margin includes non-operating items.** Company-reported FY26 EBITDA of ₹9,240 crore (33.6%) includes a ₹656 crore forex gain and ₹424 crore of other income. Excluding both, the margin is about 29.7%. Different sources give FY26 EBITDA as ₹9,240cr (company), ₹8,816cr (Axis), about ₹8,813cr implied by ICRA's 30.8% OPM on its own revenue base, and ₹8,160cr (screener). The definitions differ, so comparisons with the ~25% guidance need care. We use the screener basis throughout.
- **The guided fall in the US is large.** At the midpoint, US sales fall from \$366 million in Q1 to about \$265 million a quarter, roughly a 28% sequential drop. Citi's August downgrade cited US sales falling from about ₹12,400 crore in FY26 to about ₹9,300 crore by FY29. We have not seen Citi's full model, so treat that path as one bearish view rather than a consensus.
- **The replacement products are expected to earn less.** Biosimilar prices have eroded by 85–90%, a concern raised on the Q1 call. Management describes the biosimilar opportunity as "a couple of hundred million dollars" over three years across the US and Europe. That is meaningful, but it does not replace on its own what tolvaptan and mirabegron contributed at their peak.
- **Inventory is high.** Inventory days stood at 303 in FY26 (screener), and working capital rose from 87 to 90 days in Q1. This is partly normal for a vertically integrated company, but it has been rising rather than falling.
- **Litigation costs keep recurring.** In Q3 FY26 Lupin booked a US\$50 million (about ₹449 crore) provision for US antitrust class actions. ICRA cites a ₹316.3 crore provision and a ₹26.5 crore settlement for FY26, a figure we could not reconcile with the press-release number. A \$30 million settlement with Humana (April 2026, already provided for) and a \$5.7 million reseller settlement (preliminary approval, May 2026) followed. The US DoJ's industry-wide price-fixing investigation is still open.

Corporate governance assessment

1. Which rules actually apply

Lupin is a large-cap listed on the NSE and BSE and falls under the full SEBI LODR framework. Because 42% of its sales are in the US, the US FDA is effectively a second regulator. Its inspection outcomes (Form 483, VAI, OAI, warning letter) affect revenue directly. US antitrust exposure falls under the Department of Justice and civil courts in Pennsylvania. In India, drug pricing is governed by the NLEM and the DPCO.

2. What the company does well

Promoter holding has been essentially unchanged: 46.94% in December 2024 and 46.85% in June 2026, with the only small changes coming from ESOP dilution. We found no pledge disclosures in the sources we reviewed. The board has a strong international independent bench. As of the most recent list we found (2024), it included Jean-Luc Bélingard, Mark McDade, Jeffrey Kindler, K.B.S. Anand, Punita Kumar Sinha and Alfonso Zulueta. We did not re-verify the 2026 composition. In 2026 the company cleared two FDA sites to VAI status, Somerset and Ankleshwar, after Form 483s. It disclosed the antitrust provisions and settlements through exchange filings as they occurred. ICRA reaffirmed its A1+ rating in July 2026, and CRISIL gave an ESG score of 69 ("Strong") in August 2026.

3. Grey areas

Management is a family arrangement. Vinita Gupta has been CEO since 2013, Nilesh Gupta is Managing Director, and their mother, Manju Gupta, is non-executive chair. This is common in Indian pharma, but it means the founder's children run both the operating side and the board. Q1 FY27 tax rose to 29.8% from 13.7% a year earlier, and we did not find a full explanation in the sources we reviewed. The nature of the Q4 FY26 exceptional charge of ₹131 crore is also undisclosed in the material we saw. Mutual-fund ownership fell from 18.0% to 14.8% between December 2025 and June 2026, while FII ownership rose from 21.5% to 22.4%. This may simply be rotation, but domestic funds were net sellers during the strongest quarters in the company's history.



4. Red flags

None new, but some long-standing issues remain open. Two US FDA warning letters are still unresolved, at Tarapur and Mandideep, and Pithampur is classified OAI (per ICRA, July 2026). ICRA notes that none of these sites carries a material US pipeline, which limits the damage. Remediation at Pithampur Unit II is described as on track. The Nagpur injectables site received six observations in September 2025. Its status matters because Nagpur is relevant to the injectables pipeline management is relying on. Lupin is also part of the DoJ's long-running price-fixing investigation. It denies the allegations, but booked a provision in Q3 FY26 and agreed two further settlements in April–May 2026.

5. Items to watch

The inspection outcome at Nagpur and the next inspections at Pithampur; whether the antitrust provisions need topping up; the nature of the Q4 FY26 exceptional item; any equity or debt financing for the \$200–300 million specialty acquisition; and the board's succession arrangements beyond the current generation.

GOVERNANCE CONCLUSION

Sound, with regulatory and legal issues that are recurring rather than one-off. Ownership is stable, disclosure is timely and the balance sheet is conservative. Nothing we found suggests aggressive accounting. The cost shows up elsewhere: ₹558 crore of exceptional charges in FY26, mostly antitrust, more settlements in early FY27, and two warning letters that have now been open for years. Neither changes the investment case, but both are real costs and should not be treated as one-offs.

SWOT analysis

STRENGTHS

- #3 US generics player by prescriptions; first in 56 marketed products
- Highest ROCE (29.9%) among six large Indian pharma peers
- Net cash of ₹2,831cr after paying for VISUfarma in cash; FY26 FCF of ₹5,527cr
- Inhalation capability: ~35% share in generic tiotropium
- India top-three positions in TB, respiratory, cardiology and diabetes

WEAKNESSES

- ~50% of FY26 EPS from three US products (PL estimate)
- FY27 margin guided to ~25%, against ~29–30% in FY26
- Inventory days of 303; working capital rising
- India sales grew only 7.1% in FY26; Q1 FY27 core Rx ran at 1.1x the market, against a 1.2–1.3x target
- Reported EBITDA includes forex gains, which makes comparison harder

OPPORTUNITIES

- Apixaban oral suspension (505(b)(2)) with a possible 10–12 month head start
- Pegfilgrastim and four other biosimilars; aflibercept in FY29
- Respiamat, Ellipta and Dulera inhaler filings
- Europe platform via VISUfarma (60+ ophthalmic brands, €54m revenue in 2025E)
- India GLP-1 launches (semaglutide vial and oral in H2 FY27)

THREATS

- More competitors in tolvaptan and mirabegron from Q2 FY27
- Biosimilar price erosion of 85–90% in the US
- Section 232: generics are exempt from the 100% tariff for now, but the exemption is under review within a year
- Two unresolved FDA warning letters plus one OAI site; ongoing DoJ antitrust investigation
- NLEM/DPCO price controls in India



Valuation

₹ crore unless stated

Multiples against peers. All prices are 9 October 2026 closes from screener.in. Trailing P/E and ROCE are screener's figures. P/S is market cap divided by FY26 sales. Lupin's forward multiples use our base case. We could not consistently source peer net debt, so we have not built a peer EV/EBITDA comparison and show Lupin's own only. We also could not find a reliable source for Lupin's historical average forward P/E, so we do not quote one. The longer record is worth noting, though. Over ten years Lupin's profit grew at a 10% CAGR while its share price grew at 3%. The market has watched a US-led earnings peak unwind before: PAT of ₹2,565cr in FY17 fell to ₹258cr in FY18, and the company made losses in FY20 and FY22.

Company	Mcap (₹cr)	P/E TTM	P/S (FY26)	FY26 OPM	ROCE	3-yr sales CAGR
Lupin	89,469	15.0x	3.2x	29%	29.9%	19%
Sun Pharma	4,22,283	33.4x	7.2x	28%	20.5%	10%
Zydus Lifesciences	1,11,471	22.9x	4.1x	31%	21.1%	16%
Cipla	1,05,104	29.4x	3.7x	21%	15.5%	7%
Dr Reddy's	99,911	31.0x	3.0x	19%	13.0%	11%
Aurobindo	97,411	25.8x	2.9x	20%	12.9%	11%

Lupin multiples at ₹1,956	Trailing	FY27E (Dart base)	FY28E (Dart base)
P/E	15.0x (TTM EPS ₹121)	20.6x (EPS ₹95.1)	19.8x (EPS ₹98.7)
EV/EBITDA (EV ~₹86,638cr)	9.1x (TTM ₹9,538cr)	11.5x (₹7,549cr)	11.2x (₹7,768cr)
P/S	3.0x (TTM ₹29,967cr)	3.0x (₹30,195cr)	2.8x (₹31,704cr)

EV is market cap less net cash of ₹2,831cr (June 2026). Forward estimates are Dart Consultants' own, built from management guidance and described below. For comparison, Axis Direct's FY27E/FY28E EPS is ₹100.1/₹103.9 and Gurufocus showed a forward P/E of 21.1x on 2 October 2026.

Method 1: forward P/E scenarios. We start from FY26 revenue from operations of ₹27,958cr. We hold D&A at about ₹1,800cr (the Q4 FY26–Q1 FY27 run-rate, which is higher than in FY26 because of VISUfarma amortisation), interest at about ₹440cr and other income at ₹450–520cr. We assume a 25% tax rate, against 29.8% in Q1 and 22% for FY26. EPS uses 45.7cr shares. These are our simplifying assumptions, not company disclosures. We value on FY28 EPS because it is the first year that is not distorted by exclusivity. The target P/E is set against Lupin's current ~21x forward multiple and the peer range of 23–33x trailing.

Scenario	FY27 rev. growth	FY28 rev. growth	EBITDA margin FY27 / FY28	FY28E EPS (₹)	Target P/E	Value/share	vs CMP
Bear	5%	0%	23% / 22%	76.1	18.0x	₹1,370	–30.0%
Base	8%	5%	25% / 24.5%	98.7	21.0x	₹2,073	+6.0%
Bull	10%	10%	27% / 27%	121.1	24.0x	₹2,906	+48.6%

The bear case uses the bottom of ICRA's 22–25% margin range and assumes FY28 revenue is flat because US growth does not return. The base case takes the midpoint of management's FY27 guidance and assumes only a partial US recovery in FY28. The bull case assumes apixaban and pegfilgrastim launch on time and hold price, with margins at 27%. A 24x multiple is what Axis and PL apply today.

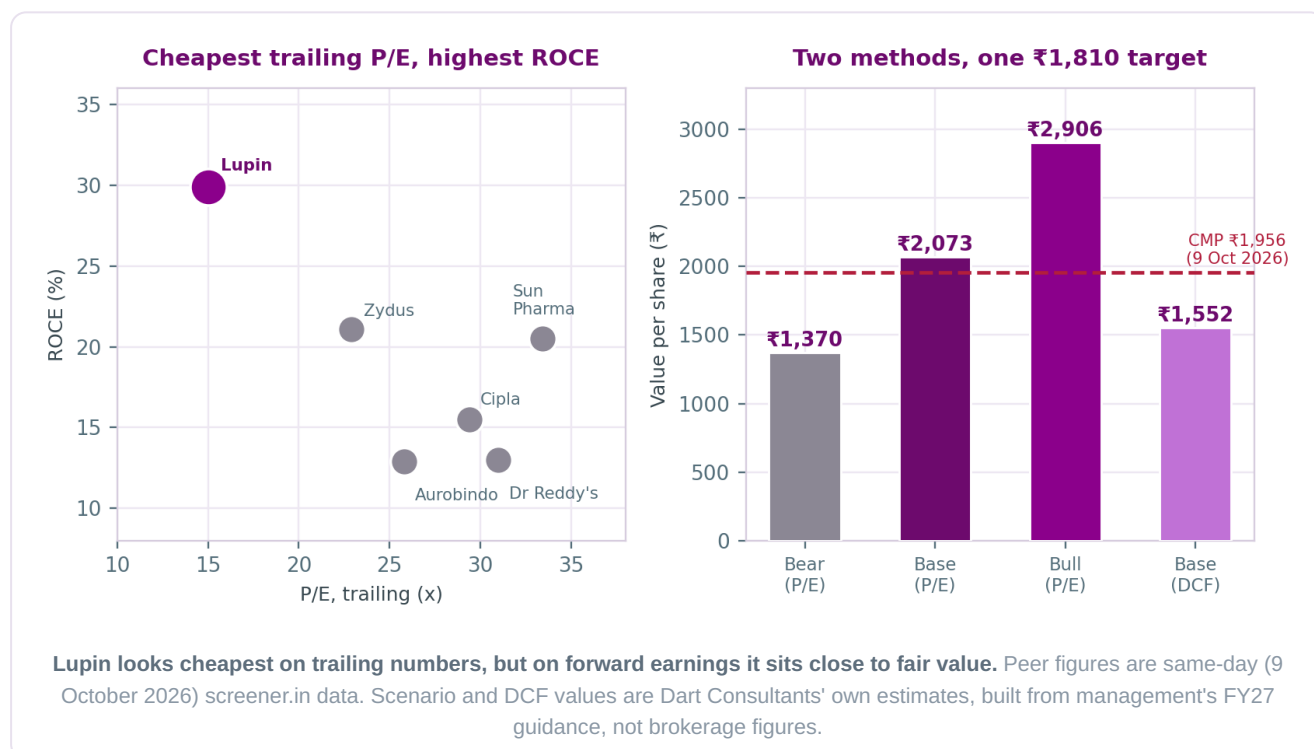
Method 2: discounted cash flow. We use a five-year explicit forecast (FY27–FY31), a WACC of 11.5% and terminal growth of 5%. Base-case revenue growth is 8%, 5%, 8%, 9% and 9%, with EBITDA margins of 24.5–25% and a 25% tax rate. Capex is ₹2,000cr in FY27, excluding VISUfarma, and ₹1,500–1,800cr a year after that, slightly above ICRA's FY28 range of ₹1,000–



1,500cr. Incremental working capital is 25% of incremental revenue, about 90 days. Free cash flow rises from about ₹3,550cr to ₹5,510cr. Adding net cash of ₹2,831cr gives an equity value of about ₹70,950cr, or **₹1,552 per share (-20.7%)**. The terminal value is 76% of EV, so the result depends heavily on the assumptions. The sensitivity grid below shows how much.

DCF value/share (₹)	g = 4%	g = 5%	g = 6%
WACC 10.5%	1,603	1,829	2,156
WACC 11.5%	1,392	1,552	1,771
WACC 12.5%	1,231	1,350	1,504

The DCF only exceeds the current price with both a WACC of 10.5% or below and terminal growth of 6%. The bear and bull DCF cases, using the same paths as the P/E scenarios, give ₹1,134 and ₹1,921.



Target. The simple average of the two base cases (₹2,073 and ₹1,552) is ₹1,812, which we round to **₹1,810, 7.5% below the current price**. The ₹520 gap between the two methods is mostly the difference between paying 21x for a year of flat earnings and valuing the cash flows those earnings actually produce. We show both instead of choosing the one that gives the more comfortable answer. Under Dart's rating bands, -7.5% is a SELL (-5% or below). It is a narrow SELL: a fall of under 3% in the share price, to about ₹1,905, would make it a HOLD at the same target, and below about ₹1,575 it would be a BUY.

RECOMMENDATION: SELL, TARGET ₹1,810 (-7.5% FROM ₹1,956, 9 OCT 2026)

Upgrade triggers: US sales of \$280 million or more in Q2 or Q3 FY27, meaning above the top of guidance; final approval of apixaban with a launch date inside FY27; a pegfilgrastim launch that holds price better than the 85–90% erosion analysts have flagged; or a share price at or below about ₹1,905, where our target would imply a HOLD. **What would make us more negative:** FY27 margin guidance cut below 25%; an OAI or warning letter at Nagpur or Somerset; further antitrust provisions; or a specialty acquisition priced richly enough to bring back net debt.



Key risks to our call & sensitivities

A SELL can go wrong in both directions. These are the three risks most likely to make it wrong, followed by the variables that move the numbers most.

- **1. US erosion turns out slower than guided (upside risk to our call).** Management has been conservative before. It raised FY26 margin guidance from 25–26% to 27–28% in February 2026 and then delivered about 29–30%. Axis notes that tolvaptan competition arrived later than expected. If Q2–Q4 US sales average \$300 million instead of \$265 million, that adds roughly ₹990 crore of revenue at Q1's implied ₹94/\$. If 50–60% of it reaches EBITDA, FY27 EPS rises by about ₹8–10, to ₹103–105.
- **2. The complex pipeline arrives on schedule (upside risk).** Apixaban with 10–12 months of limited competition, plus pegfilgrastim, plus the first Respimat filing, is roughly what the bull case assumes. The bull value of ₹2,906 is not unrealistic. It requires the FDA, the patent courts and competitors all to move on management's timetable.
- **3. A regulatory or legal shock (downside risk, separate from the earnings path).** A warning letter at a site that matters for new launches, such as Nagpur for injectables or Somerset for apixaban, would delay the products the recovery depends on. A larger antitrust settlement would hit book value directly. Neither is in our base case.

Sensitivity factor	Rough effect (Dart arithmetic)
EBITDA margin ± 100 bp (FY28 base)	$\pm ₹317$ cr EBITDA $\rightarrow \pm ₹5.2$ EPS $\rightarrow \pm ₹109$ /share at 21x
Target P/E ± 1 x	$\pm ₹99$ /share on FY28E EPS of ₹98.7
INR/USD $\pm ₹1$	$\pm ₹115$ cr revenue on the \$1.15bn US guidance midpoint; FY26 also booked a ₹656cr forex gain inside EBITDA
WACC ± 100 bp (DCF)	–₹202 / +₹277 per share
US tariffs (Section 232)	Generics and biosimilars exempt from the 100% tariff on patented drugs; exemption to be reviewed within a year. Not modelled.
India price control (NLEM/DPCO)	About 384 drugs covered; additions to the list would hit the 30% of sales from India. Not modelled.
Interest rates	Low direct exposure: net cash and interest cover of 20.3x. The effect is through the discount rate, not the P&L.



Financial summary — selected disclosed metrics (₹ crore, consolidated)

	FY23	FY24	FY25	FY26	Q1 FY27
Revenue from operations	16,642	20,011	22,708	27,958	8,277
EBITDA (ex-forex, ex-other income)	1,721	3,800	5,278	8,160*	2,450
EBITDA margin	10.3%	19.0%	23.2%	29.2%	29.6%
Net profit (PAT)	448	1,936	3,306	5,355	1,417
EPS (₹)	9.45	42.01	71.88	116.65	30.95
Cash from operations	1,897	3,648	3,000	7,334	—
Free cash flow	436	2,732	1,347	5,527	—
Borrowings	4,542	2,922	5,448	6,616	—
US sales (US\$ m)	—	—	944	1,318	366

*FY26 EBITDA depends on the definition used. The company reports ₹9,240cr (33.6% of sales), including a ₹656cr forex gain and ₹424cr of other income. Axis Direct uses ₹8,816cr (31.5%). ICRA reports an OPM of 30.8% on operating income of ₹28,614.5cr. Screener.in, used here, gives ₹8,160cr (29.2%). Reported FY26 PAT of ₹5,355cr is after ₹558cr of exceptional charges, mainly the US antitrust provision. Axis's adjusted PAT is ₹5,913cr.

Sources: Lupin press releases (FY26 results, 7 May 2026; Q1 FY27, 6 August 2026); Q1 FY27 earnings-call coverage (alphaspread.com, multibagg.ai); screener.in (prices and peer data, 9 October 2026 close); ICRA rationale, 8 July 2026; Axis Direct result update, 10 August 2026; PL Capital Q4 FY26 update; Business Standard (16 February 2026); Motilal Oswal news (Citi downgrade, 27 August 2026); lupin.com (apixaban tentative approval, 28 September 2026); India Briefing and Crowell & Moring (Section 232). All accessed 11 October 2026.

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