



STOCK REPORT

2020-2021



Laurus Labs

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INTRODUCTION

Company Profile:

Laurus is a leading research-driven pharmaceutical company, working with nine of the world's top 10 generic pharmaceutical companies in the world. Laurus sells APIs in 56 countries. The company's major focus areas include anti-retroviral, Hepatitis C, and Oncology drugs. Oncology is one of its core competencies, where it offers a comprehensive range of APIs in this segment. Laurus is continuously extending its portfolio by focusing on molecules in diabetes, ophthalmology, and cardio-vascular therapy areas. Laurus has four distinct business units, namely: Generics API, Generics FDF, Ingredients, and Synthesis.

Laurus, initially a predominantly API heavy player, entered the formulations business in 2015 to diversify revenue streams and expand margins. Thus, with a sizeable investment of 450 crore, it created a 5 billion units per annum capacity that was commercialized in FY18.

Formulations broadly caters to two segments in 75:25 ratio -

- 1) ARV tender business from low middle income countries (LMIC) through participation in Global fund, PEPFAR and various in-country African tenders and
- 2) generic products and contract manufacturing for developed countries such as US, Canada and Europe.

Portfolio of services provided :

1. Generic API

The business comprises the development, manufacture and sale of APIs and advanced intermediates in the ARV, Hepatitis C, oncology, cardiovascular, anti-diabetic, anti-asthmatic, gastroenterology and ophthalmic therapeutic areas.

2. Generic FDFs

Developing and manufacturing oral solid formulations. Building on API strengths to forward integrate and become a leading FDF player in the global pharmaceutical market.

3. Synthesis

Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products with natural extraction capability

Steroids and hormone manufacturing capability

Contract development and manufacturing services for global pharmaceutical companies and several later stage projects executed

Future Outlook:

2020 was an amazing year for Laurus Labs with a share price **increase** of around **364%** in the period between 1st January, 2020 to 1st January, 2021. The management is not only confident of sustaining the growth but also has plans to increase it, indicating that the **phenomenal growth** is not just an outlier event. The **API sector** in India is **fastly growing** causing India to take a piece of the pie which was earlier devoured exclusively by China. Analysts at **Motilal Oswal** expect API revenues to grow by a **CAGR of 23%** between FY20-23.

In the formulations business, Laurus Labs has demonstrated commendable execution capability in this segment growing **165x from Rs 5 crore to Rs 825 crore** between financial year 2018-2020. In order to supplement future growth, a ~ Rs 500 crore capex plan is already under way to increase current capacity by 1.8x by second half of next fiscal year. Also it's worth noting that the recent PLI scheme in the pharma industry implemented to improve the domestic manufacturing of API and other medical devices would act as a boon for Laurus Labs and help them boost their production capacities.

Major News Updates:

DATE

UPDATES

October 30, 2020

Indian drug maker Laurus Labs with 350% stock gain seeks to boost capacity.

January 29, 2021

We are cautiously investing to increase capacities:
Satyanarayana Chava, Laurus Labs.

February 11, 2021

Laurus Lab buys 10,483 shares from Richore promoters, receives 7,765 warrants; Stock surges 2%.

March 5 , 2021

Laurus Labs shares decline over 4% after promoters offload total 1.3% shareholding.

April 6, 2021

Laurus Labs hits record high; jumps over 12% in six sessions

April 12, 2021

Laurus Labs Q4 PAT seen up
366.3% YoY to Rs. 232.2 cr:
Sharekhan

April 23, 2021

Laurus Labs hits new high in
subdued market, surges 30% in a
month

Financials:

Profit and loss statement

REPORTING PERIOD	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
INCOME					
Sales Turnover	2797.34	2236.15	2039.29	1918.32	1814.24
Excise Duty	0	0	12.45	26.39	33.41
NET SALES	2797.34	2236.15	2026.84	1891.92	1780.84
Other Income	4.868	15.264	28.128	30.459	7.579
TOTAL INCOME	2802.2	2251.41	2054.97	1922.38	1788.41
EXPENDITURE					
Manufacturing Expenses	132.62	105.5	90.54	63.76	151.63
Material Consumed	1433.17	1235.23	1079.92	1010.75	1021.78
Personal Expenses	324	269.72	238.14	195.79	171.22
Selling Expenses	0	0	0	0	4.95
Administrative Expenses	337.31	274.24	209.49	207.8	49.24
Expenses Capitalised	0	0	0	0	0
Provisions Made	0	0	0	0	0
TOTAL EXPENDITURE	2227.1	1884.69	1618.1	1478.1	1398.81
Operating Profit	570.23	351.46	408.75	413.82	382.02

EBITDA	575.1	366.72	436.87	444.28	389.6
Depreciation	183.85	160.53	121.23	103.78	91.57
Other Write-offs	0	0	0	0	0
EBIT	391.25	206.19	315.64	340.51	298.03
Interest	86.77	84.97	74.73	95.49	119.96
EBT	304.48	121.22	240.91	245.02	178.08
Taxes	37.44	26.23	67.77	45.06	34.51
Profit and Loss for the Year	267.05	94.99	173.14	199.96	143.57
Non Recurring Items	0	0	0.02	-0.65	0
Other Non Cash Adjustments	0	0	0	0	0
Other Adjustments	0	0	-0.02	0.65	0
REPORTED PAT	267.05	94.99	173.14	199.96	143.57

Balance Sheet

Particulars	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
LIABILITIES					
Share Capital	106.91	106.44	106.03	105.76	82.38
Reserves & Surplus	1708.89	1484.46	1407.27	1249.82	785.01
Net Worth	1815.8	1590.9	1513.3	1355.58	867.39
Secured Loan	927.45	916.34	867.72	737.45	822.71
Unsecured Loan	0	0	0	0	106.13
TOTAL LIABILITIES	2743.25	2507.24	2381.01	2093.02	1796.24
ASSETS					
Gross Block	2324.63	2053.54	1746.35	1374.75	1347.84
(-) Acc. Depreciation	630.45	454.55	298.66	181.5	269.26
Net Block	1694.18	1598.99	1447.69	1193.26	1078.57
Capital Work in Progress	66.53	107.14	163.18	143.26	69.6
Investments	58.31	58.31	51.74	50.52	26.12
Inventories	893.47	665.91	575.77	501.21	487.09
Sundry Debtors	778.03	686.64	555.13	561.96	443.7
Cash and Bank	0.93	0.57	0.92	2.42	23.88
Loans and Advances	247.9	200.77	213.33	219.93	179.37
Total Current Assets	1920.34	1553.88	1345.16	1285.52	1134.05

Current Liabilities	940.67	775.42	602.2	560.68	485.73
Provisions	55.45	35.67	24.56	18.85	26.37
Total Current Liabilities	996.11	811.09	626.76	579.53	512.11
NET CURRENT ASSETS	924.23	742.79	718.4	705.99	621.95
Misc. Expenses	0	0	0	0	0
TOTAL ASSETS(A+B+C+D+E)	2743.25	2507.24	2381.01	2093.02	1796.24

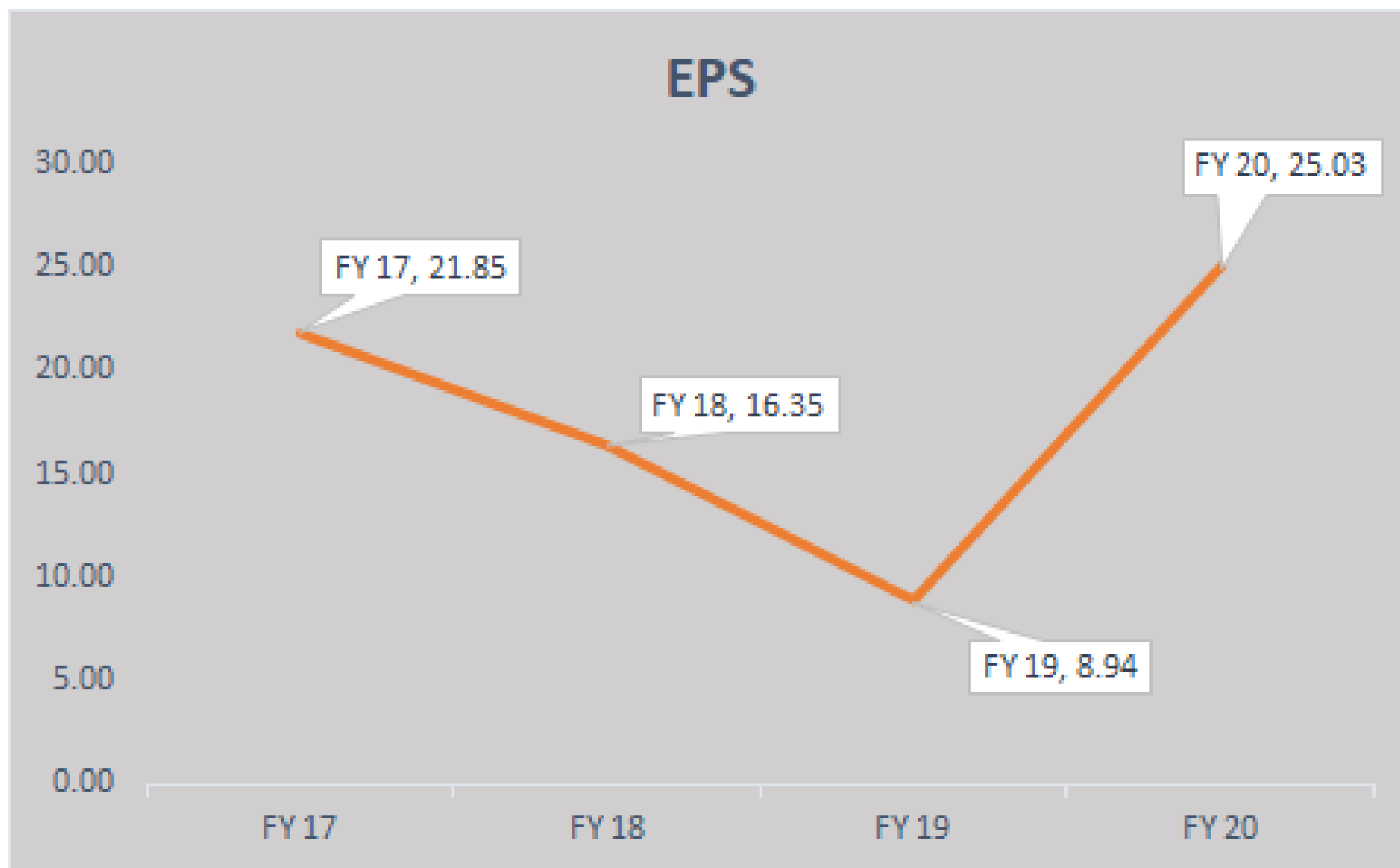
Cash Flow Statement

ANNUAL	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Net Cash flow from Operating Activities	347.41	297.66	342.49	331.99	181.97
Net Cash used in Investing Activities	-221.12	-252.88	-384.15	-288.67	-312.2
Net Cash flow from Financing Activities	-127.66	-44.77	42.24	-53.61	103.32
Net Cash Flow	-1.28	-0.04	0.58	-10.38	-26.72
Closing Cash & Cash Equivalent	1.69	2.97	3	2.42	12.81
Closing Cash & Cash Equivalent Growth (%)	-43.13	-1.2	23.98	-81.08	-67.6

** Comparing the number of year ended 2020 by year ended 2019*

- **Increase** in cash flow from operating activities by 33.51%
- **Decrease** in cash flow using investing activities by 12.55%
- **Increase** in cash flow used in financing activities by 188 %
- **Decrease** in net cash flow by 8235 %

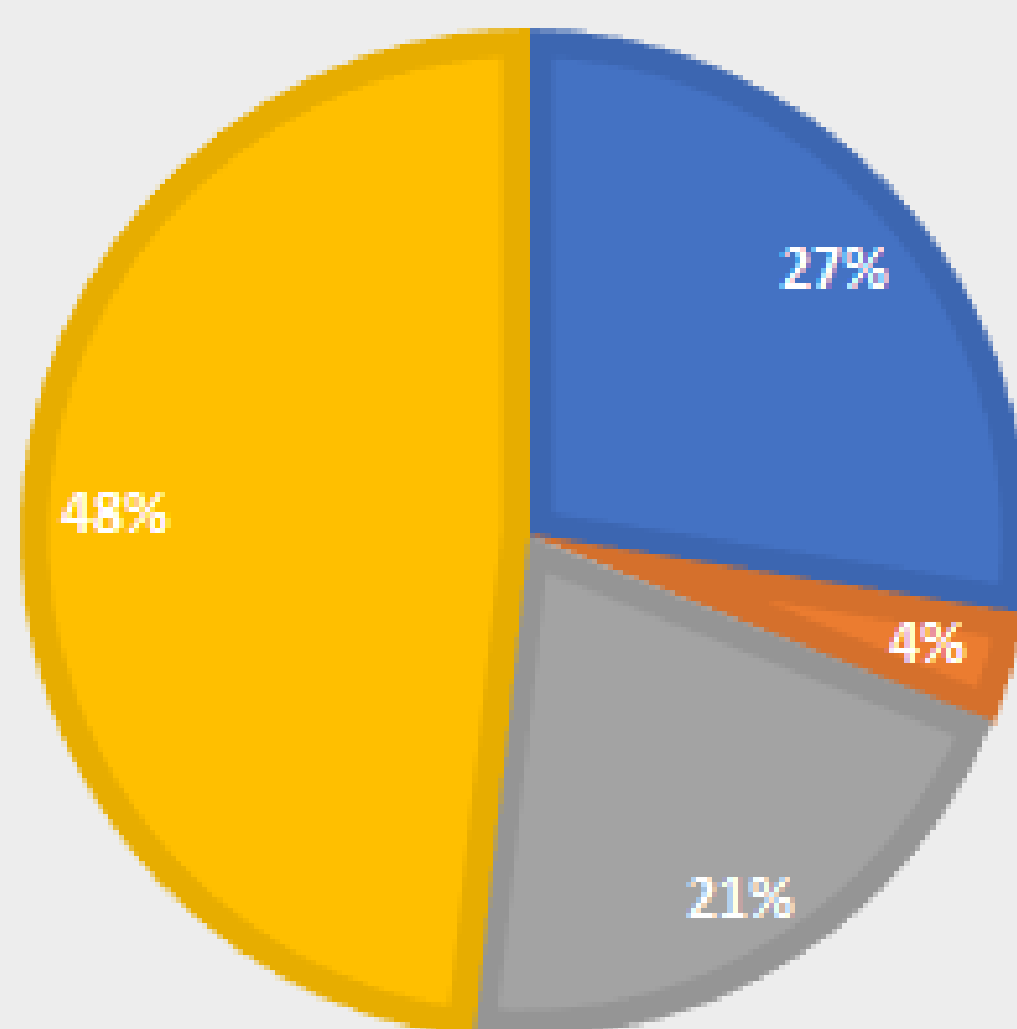
Charts and graphical analysis



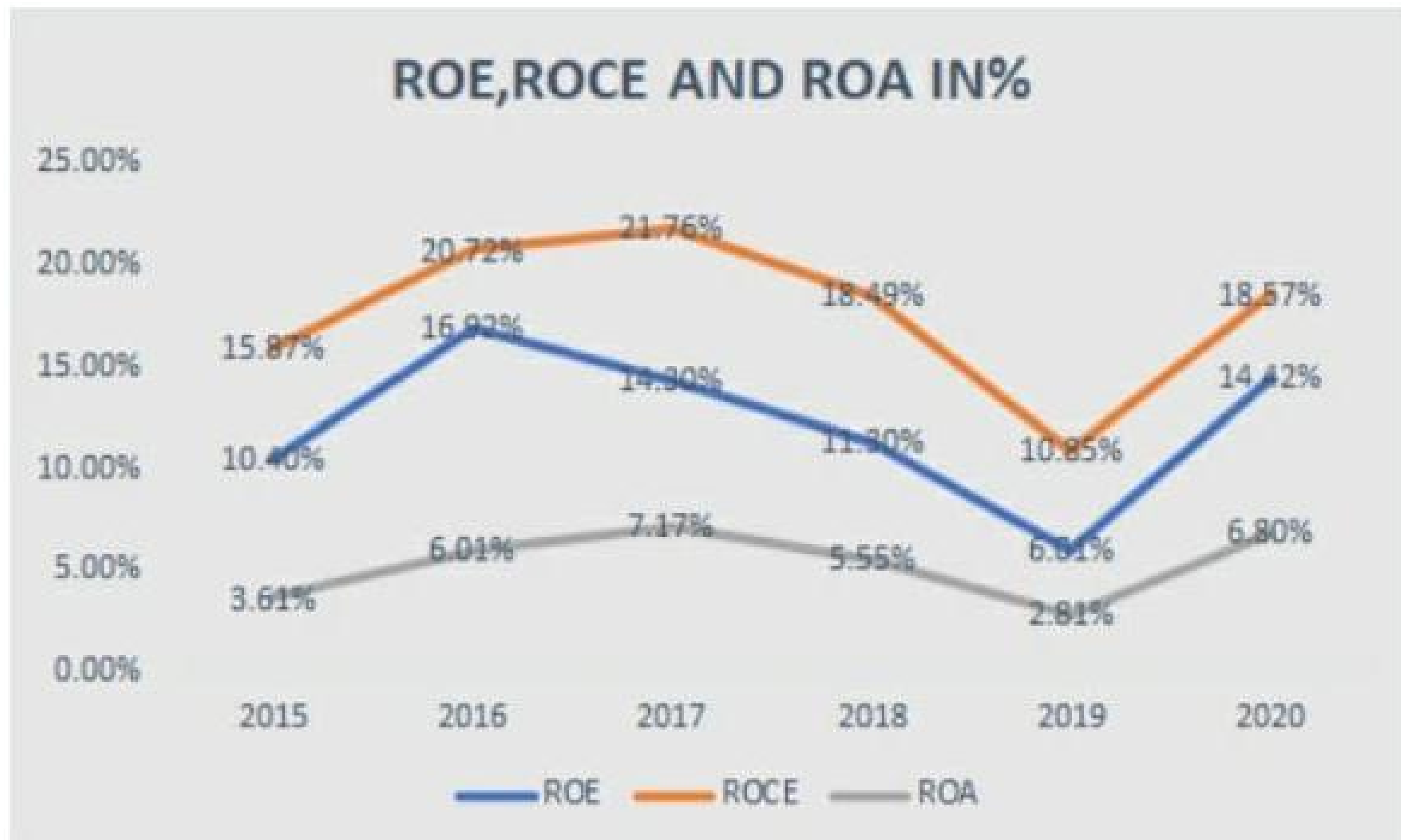
FINANCIAL YEAR	EBIDTA
FY 2017	4418.00
FY 2018	3712
FY 2019	5695

SHAREHOLDING PATTERN

■ PROMOTER ■ DII ■ FII ■ PUBLIC



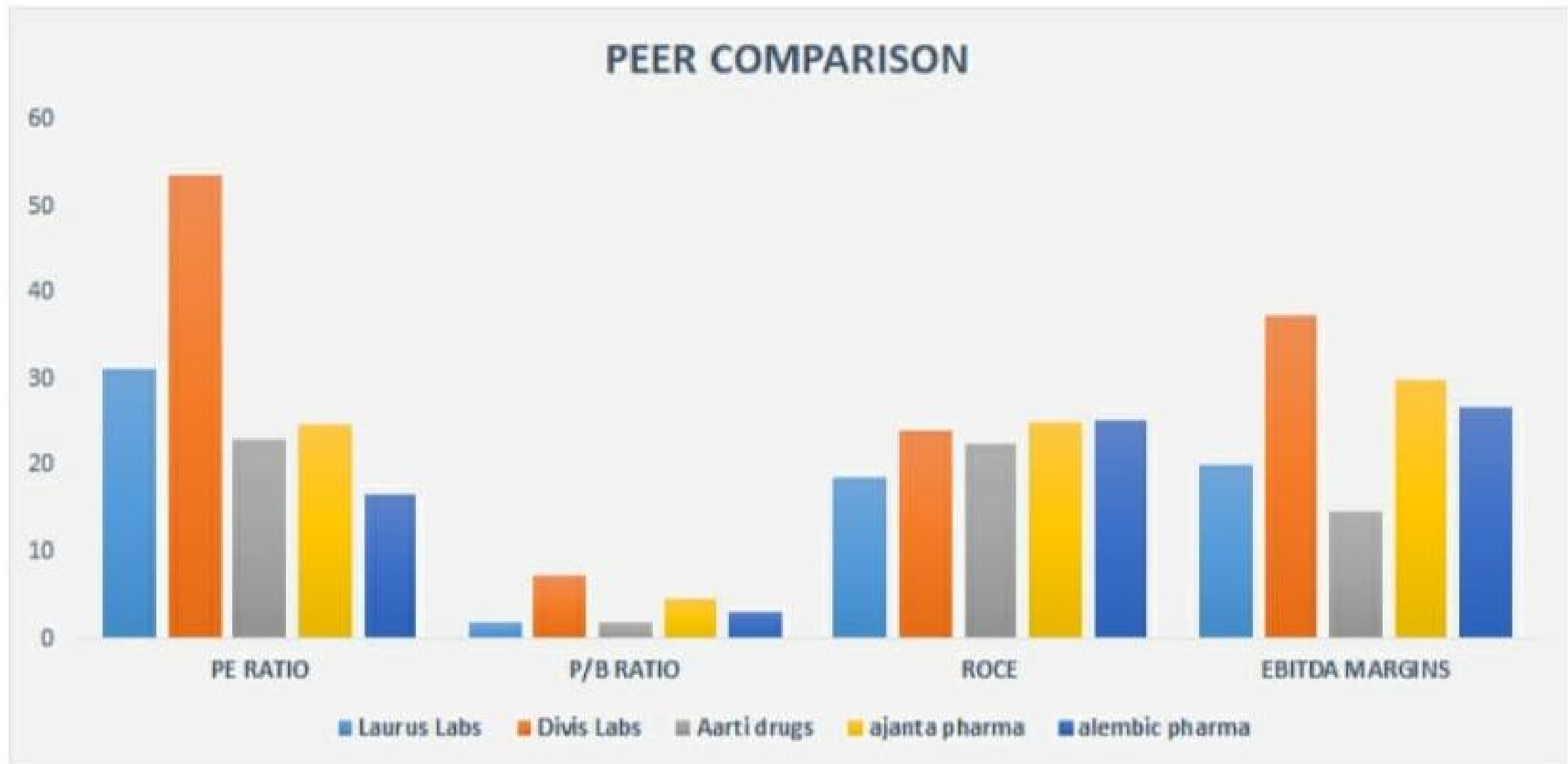
SHAREHOLDING PATTERN	
PROMOTER	27.50%
DII	3.60%
FII	20.70%
PUBLIC	48.30%



METRICS	2015	2016	2017	2018	2019	2020
ROE	10.40%	16.92%	14.30%	11.30%	6.01%	14.42%
ROCE	15.87%	20.72%	21.76%	18.49%	10.85%	18.57%
ROA	3.61%	6.01%	7.17%	5.55%	2.81%	6.80%



METRIC	2015	2016	2017	2018	2019	2020
REVENUE	1,360.70	1779.5	1936.6	2084.6	2307.2	2836.7
NET PROFIT	68.40	133.7	190.3	167.6	93.8	255.3



Companies	PE RATIO	P/B RATIO	ROCE	EBITDA MARGINS
Laurus Labs	31.18	1.95	18.57	20.11
Divis Labs	53.64	7.22	23.99	37.29
Aarti drugs	23.1	1.81	22.54	14.57
ajanta pharma	24.8	4.61	25.06	29.96
alembic pharma	16.6	3.12	25.26	26.66

Conclusion:

Return on Equity has been inconsistent but Laurus Labs seems to be back on track to yield consistent **15 %+** Return on Equity. Back in FY 2018 and 2019 Laurus gave extraordinarily high, with the recent upcycle of the pharma sector and improved API export opportunities Laurus Labs is expected to yield better ROE. Leader in the industry- Divis labs has maintained consistent ROE, while other competitors like **Hikal and Neuland Labs** are still struggling to give a 15% ROE. The ROE of the company for the year ended 2020 was 15.39.

Return on Asset is an important parameter as it measures how **efficiently** a company can manage its assets to produce profits. It helps us to judge and estimate the efficiency of the management. Laurus Labs has maintained consistent ROA, its ROA FY 2020 was **7.34**, Market leaders Divis Labs and Aarti Drugs had an ROA **15.11 and 9.33** respectively. Hikal and Neuland Labs were way behind **Laurus labs** in terms of ROA at **4.62 and 1.67** respectively.

Laurus labs has **not** compromised on **EBITDA Margins**, maintaining a **consistent** EBITDA Margin not falling below 16.24 %. EBITDA Margin FY 2020 was **20.15%**, margins of Divis Labs, Aarti Drugs, Neuland Labs and Hikal stood at 37.31%, 14.78%, 13.87% and 18.37% respectively.

Technical Analysis



Ever since the end of year 2020, Laurus Labs has become a toy of the bulls and has been in an uptrend since. It is Partially due to the company's phenomenal annual results but also due to the general boom in pharma stocks due to the Covid-19 pandemic.

It's **RSI** is at around 80, hinting that the stock might be overbought. If we use exponential moving averages to analyse the stock, the **100 days EMA** is higher than the **200 days EMA** and has been that way since May 2020. Looking at the **MACD**, the stocks MACD line is higher than the signal line. Finally, as on 23rd April 2021, The stock seems to be trading at its resistance level.

These indicators lead us to conclude that as per technical indicators it might not be the best time to buy the stock.

Final Words

Lauras Labs has shown phenomenal growth in the year 2020 and that is something really commendable. But the hard part for the company would be to replicate the growth, that too in an economy not hit by covid-19. Thus, our team believes that fundamentally the best thing to do is wait for sometime and see if the company is able to deliver sustained growth or else the stock price might come tumbling down.