



Invest Smart

Long-term Fundamental Pick

MOREPEN LABORATORIES LTD



Company Name: Morepen Laboratories Ltd

BSE CODE: 500288

NSE CODE: MOREPENLAB

Sector: Pharma

Industry: Pharma

CMP (Rs): 59.3 | Buy Range: 57-59 | Target Price: 75 | Potential Upside: 25%
Duration of Recommendation: 9-12 Months
BUY

Company Data	
Market Cap (Rs. Cr)	3271
Enterprise value (Rs. Cr)	3248
52-week high / Low	63/31.3
EPS (TTM) (Rs)	2.30
P/E (x)	34.9
Industry P/E (x) TTM	34.6
EV/EBITDA (x) TTM	16.3
P/BV (x) TTM	3.5

Shareholding %	Mar 2024	June 2024	Aug 2024
Promoters	38.22	38.22	35.66
FII's	2.11	1.67%	7.72
DII's	2.21	2.14	2.84
Public	57.76	57.96	53.77
Govt	0.01	0.01	0.01
Other	0	0	0.07

Financial Performance (Consolidated)				
INR(Cr)	FY23	FY24	FY25E	FY26E
Revenue	1417.5	1690.4	1978	2324
Growth%	-8.4%	19.3%	17%	17.5%
EBITDA	79.5	158.6	187.9	220.8
Growth	-41.8%	99.5%	18.5%	17.5%
Margin	5.6%	9.4%	9.5%	9.5%
Net Profit	38.7	96.6	109	128
Growth	-62.0%	149.6%	12.6%	17.5%
Margin	2.7%	5.7%	5.5%	5.5%
EPS	0.8	1.9	2.1	2.5
BVPS	14.7	16.6	19	21.9
P/E (x)	32.3	23.9	28.1	23.9
P/BV (x)	1.8	2.7	3.2	2.7
EV/EBITDA	16.1	13.4	17.4	14.8
ROE	5.1%	11.4%	11.4	11.8
ROCE	6.6%	14.3%	15.1%	15.7%

1-YEAR PRICE PERFORMANCE



Our Recommendation: Our view on Morepen Laboratories is positive given its strong growth trajectory in API segment, robust global presence, and strategic investments in capacity expansion and R&D. These positions company well for sustained profitability. Stock is currently trading at 23.9x its FY26E earnings. We value the stock at 30x its FY26e earnings. **We recommend BUY in price range of 57-59 with target price of 75 (valuing stock at 30x its FY26e EPS) with potential upside 25%.**

About Company: Morepen Laboratories is a diversified healthcare company involved in manufacturing APIs, branded and generic formulations, & medical devices - glucometers & BP monitors. Company is a market leader in key APIs such as Loratadine and Montelukast. It also offers a range of OTC products under the "Dr. Morepen" brand, including Burnol. Morepen is expanding into new therapeutic areas like anti-arthritis and anti-cancer drugs in domestic & international markets.

INVESTMENT RATIONALE

Market Leadership in API Segments: Morepen Lab is a market leader in several API segments, including Loratadine, Montelukast, Atorvastatin, and Rosuvastatin. The company holds a significant market share in these areas with Loratidine, Desloratadine, Montelukast & Fexofenadine holding #1 position globally and Atorvastatin & Rosuvastatin holding #3 market position.

Expansion of Manufacturing Capacities in API & medical devices segments: The company has been expanding its manufacturing capacities, particularly in APIs and medical devices, which will support future growth. The recent QIP fundraise, which was oversubscribed by 1.68 times, will be utilized for capacity expansion and working capital.

Increasing Demand for Medical Devices: The demand for Morepen's medical devices, such as blood glucometers and BP monitors, is on the rise. The company has seen a 21% increase in sales revenue in its medical devices segment, with a significant increase in the number of glucometers installed and strips sold.

Strong Distribution network and touchpoints: Morepen Laboratories boasts a strong distribution network with over 5,100 distributors and 3.28 lakh retail touchpoints across India. Supported by a dedicated sales force of 580 members and five company-owned service centers, the company effectively covers 28 states and 1 Union Territory, ensuring broad market reach and customer support.

Innovation and R&D Focus: Morepen is heavily investing in research and development, with a focus on backward integration to reduce costs and enhance margins. The company is also exploring new therapeutic segments, including anti-arthritis and anti-cancer drugs.

Healthy Performance in Q1FY24: Consolidated Revenue/EBITDA/PAT increased by 13.5%/97.8%/147% YoY to Rs. 455 cr/Rs. 52 cr/Rs. 36 cr YoY respectively. EBITDA margins improved by 483 bps to 11.3% from 6.5% last year. On QoQ basis, Revenue/EBITDA/PAT are up by +7.6%/+6.7%/+26% respectively.

Key Risks: Regulatory challenges in global markets, potential price pressures in the API segment

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