

Morepen Laboratories Ltd:

Investment Summary

Morepen ranks #1 in six high-volume APIs and boasts an installed base of ~14 million glucometer/BP monitors, locking in repeat consumables demand. Management targets a prudent **10–15 % annual top line rise through FY26-27**, underscoring confidence in its post-COVID runway. API earnings should rebound as reactor capacity expands to **600KL** just as Chinese rivals lift prices after a 24 % slump. Branded formulations revenue is up **21 % in two years to ₹344 crore**, with ~70 % gross margins versus 30–40 % for APIs, enriching the mix. A fully backward-integrated devices arm grew **12 % in FY25**, and the 21 % jump in installed meters adds an asset-light, high-margin consumer engine to profits.

Company Overview

Morepen Laboratories Limited is an Indian pharmaceutical company operating in two main segments: **Pharma Business (73%)** and **Medical Devices (27%)**. In its Pharma Business, Morepen is a **market leader in six Active Pharmaceutical Ingredients (APIs)**, including Loratadine, Desloratadine, and Montelukast, holding over 60% market share in some categories. A significant 72% of **API revenue comes from exports to over 80 countries**, showing a 26% increase in the last three years. The company is strategically increasing its focus on **higher-margin finished dosages** (Rx and OTC), planning to double its medical representative strength from 200 to 400 within FY26 and further to 1,200 in three years. Notably, Morepen has got **CDSCO approval** to conduct studies for Resmetirom, a first-in-class drug for non-alcoholic fatty liver, made in-house.

The Medical Devices segment sees Morepen as the **market leader in glucometers and BP monitors**, accounting for 90% of this business. The company boasts **14 million glucometer installations**, with customers consistently purchasing test strips, and is the only company in India with **fully integrated manufacturing** for medical devices. Morepen is also expanding its medical device presence internationally, including a planned launch on Amazon.com (U.S. website) in the next quarter.

Financially, Morepen reported a **7.4% increase in annual revenue to INR 1,812 crores** in FY25. The company anticipates an overall **company-level growth of 10% to 15%** for FY26 and FY27, expecting an improvement in EBITDA due to a shift towards more profitable product mixes. Morepen's facilities hold various global regulatory approvals.

Valuation Outlook

At the **CMP of ₹63.5**, Morepen trades at just under 20× our FY28E P/E, with strong API scale and fast-growing, high-margin formulations and devices businesses. Assigning a fair 25× multiple to our FY28E EPS of ₹3.3 yields a **target price of ₹82.5**, implying roughly **30% upside**. This multiple strikes a balance between Morepen's leadership in key APIs, the impending pricing recovery from expanded reactor capacity, and its strategic pivot into branded Rx/OTC and medical-device franchises.

Stock Data	
CMP	₹ 63.50
52 Week	
High/Low	101/41.7
Rating	BUY
	₹ 82.50
Target Price	(+29.92%)
Face Value	₹ 2.00
Market Cap	
(INR Cr)	₹ 3,467.00
NSE	MOREPENLAB
BSE	500288
Sector	Pharmaceuticals

Shareholding Pattern (in %)	
	Mar 2025
Promoters	35.66
FII	1.96
DII	1.67
Public	60.72

Price Performance (in %)			
(%)	1M	1W	YTD
Nifty 50	1.05	-0.23	6.84
Morepen Lab	-2.61	-2.34	-20.34

Investment Rationale

1. Entrenched leadership across APIs & devices

Morepen sits at the crossroads of bulk-drug manufacturing and home-diagnostics, two markets in which it already leads. In APIs it controls the volume charts for high-traffic molecules such as loratadine, atorvastatin and rosuvastatin, each of which has logged robust multi-year growth. On the consumer side the firm is India's **undisputed #1** in glucometers and BP monitors, backed by an **installed base of ~14 million meters** and a lifetime-warranty programme. Such dominance delivers repeat business, strong brand recall and a sticky consumables stream. Repeat orders from **500-plus global customers** further stabilize cash flow. Collectively, these moats safeguard earnings from price-cutting rivals and underpin a durable valuation floor.

2. Capacity build-out meets an API pricing up-cycle

The API division has endured a 24 % drop in the last 2 years, but Chinese suppliers have begun hiking quotes, signaling that the trough is behind us. Morepen is poised to capture the rebound: reactor capacity is rising from 314 KL in FY23 to 600 KL by FY26, with 514 KL already commissioned. This expansion, funded largely out of earlier QIP proceeds, brings scale without balance-sheet strain. Meanwhile, tonnage has already **surged 57 % in two years**, highlighting latent operating leverage. As realizations normalize, the mix of higher volumes and better pricing should translate into a sharp EBITDA lift over the next 12-24 months.

3. Deliberate pivot to higher-margin B2C businesses

Management is shifting the revenue mix from B2B APIs toward prescription, OTC and device franchises, where direct consumer pricing power resides. Formulation sales grew 21 % over two years to ₹344 crore and accelerated 29 % YoY in Q4 FY25. Finished dosages capture 60-70 % value addition versus 30-40 % in APIs, promising a structural uplift to gross margins. A phased hiring plan will expand the medical-rep force from **200 to 1,200 by FY28**; applying the industry rule that one rep can drive upto roughly **₹1 crore in revenue**. Thirty new Rx launches and evergreen brands such as Burnol anchor the roll-out. The result should be **raising blended EBITDA margins** and returns on capital as the consumer engine scales.

4. Deep innovation pipeline & flawless compliance

A **55-scientist R&D** team has filed **168 patents** and **325 DMFs worldwide**, underscoring formidable chemistry depth and regulatory reach. The group has already commercialized **48 new API molecules** and more than **30 finished-dose** products, aligning launches with global patent cliffs. Flagship candidate Resmetirom, a first-in-India therapy for non-alcoholic fatty-liver disease, has secured **CDSCO approval** to begin bio-equivalence trials and is attracting partnership interest. Crucially, the last three US-FDA inspections ended with zero Form-483 observations, highlighting best-in-class quality systems. This blend of IP, pipeline breadth and compliance credibility positions Morepen to capture premium pricing and licensing income. Successful commercialization could unlock multi-year, high-margin revenue streams and warrant innovation-driven valuation multiples.

5. Diversified geography and consumer-health hedge

Exports now comprise **72 % of revenue**, spread **across 80 countries**, while the U.S. accounts for only 6-7 % of consolidated sales, materially lowering geopolitical risk. The medical-devices arm offers an additional secular growth vector, buoyed by rising lifestyle diseases and greater health awareness. FY25 saw **device revenue grow 12 %**, glucometer installations jump 21 % to 14.2 million and BP-monitor sales rise 14 %. Capacity is being lifted to 3.6 million glucometers and 1.8 million BP monitors annually, with Amazon USA and new Middle-East partners **expanding distribution**. A 1.31-lakh-download Sync app deepens engagement by giving user's digital health records and family monitoring features. This balanced, consumer-adjacent profit pool cushions macro shocks and supports a steadier, rerating-worthy earnings profile.

Financial Statements

Income Statement

Particulars (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,690	1,812	1,993	2,212	2,477
Operating Expenses	1,532	1,638	1,759	1,947	2,179
EBIDTA	159	174	234	265	298
EBITDA margin %	9.40%	9.60%	11.70%	11.98%	12.03%
Other Income	14	18	23	25	28
Depreciation	33	29	41	49	55
Interest	4	8	19	25	30
Profit Before Tax	136	155	197	216	241
Tax rate (%)	29%	24%	25%	25%	25%
Provision for tax	39	37	49	54	60
Profit After Tax	97	118	148	162	181
Adjusted EPS (In Rs)	1.88	2.15	2.7	2.96	3.3

Balance Sheet

Particulars (Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Block	307	489	557	626	702
CWIP	24	28	32	36	41
Investments	1	85	97	111	121
Sundry Debtors	325	325	342	357	369
Inventories	249	300	319	337	350
Cash & cash equivalents	52	49	56	65	72
Loans and Advances	226	8	10	12	13
Other current assets	109	494	582	712	871
Total assets	1,293	1,778	1,995	2,256	2,539
Equity share capital	102	110	110	110	110
Reserves	745	1047	1195	1357	1538
Shareholder's Funds	847	1,157	1,305	1,467	1,648
Borrowings	29	105	117	136	151
Trade Payables	295	363	389	410	432
Other Liability items	122	153	184	243	308
Total liabilities	1,293	1,778	1,995	2,256	2,539

**Cash Flow Statement**

Particulars(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Profit before Tax (PBT)	136	155	197	216	241
Adjustment for Non-Operating items	37	37	60	74	85
Operating Profit before Working Capital Changes	173	192	257	290	326
Less: Changes in Working Capital	61	123	157	170	187
Less: Direct Taxes paid	39	37	49	54	60
Net Cash from Operating Activities	73	32	51	66	79
Cash Flow from Investing Activities	-83	-322	-219	-158	-121
Cash Flow from Financing Activities	5	300	-59	-68	-81
Net Increase/(Decrease) in Cash and Cash equivalent	-5	10	-227	-160	123

Disclaimer

This information/document has been prepared by Mangal Keshav Financial Services LLP (MANGAL KESHAV) and is intended for use only by the person or entity to which it is addressed. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. MANGAL KESHAV will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and MANGAL KESHAV has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, MANGAL KESHAV, its subsidiaries, and associated companies, their directors and employees ("MANGAL KESHAV and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent MANGAL KESHAV and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information.

Clients should read the Risk Disclosure Document issued by SEBI and relevant exchanges, and the Terms & Conditions on the Mangal Keshav website.

Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900