Lincoln Pharmaceuticals Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss **One-line:** Revenue growth has slowed to 5% while EBITDA and PAT have contracted, placing significant pressure on the "near future" Cephalosporin/EU launch to rescue the FY26 growth thesis.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Revenue grew 5%, but EBITDA fell 7.7% and PAT fell 11.7% YoY.	□
Earnings Quality	High (Core driven)	No one-off gains cited; decline is likely due to cost inflation or mix.	□
Guidance Confidence	Neutral	Reiteration of □750 Cr FY26 target now requires a 16.2% growth acceleration.	□
Management Credibility	Neutral	Maintaining "Net Debt Free" status while margins erode suggests discipline but operational headwinds.	□
Business Quality Signal	Deteriorating	Return ratios (ROCE/RONW) both dropped by ~250 bps YoY.	□
Key Q&A Exchange	N/A — PPT_ONLY	Not applicable	□
The Street's Primary Anxiety	Execution Lag	When exactly will the Cephalosporin plant commercialize?	□
Capital Cycle Stage	Harvesting / Expansion	Investing in Cephalosporin; current OSD portfolio margins are softening.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin collapsed from 21.8% to 19.2% YoY.	□
Pricing Power	Eroding	Inability to pass through costs in legacy portfolio despite NDDS focus.	□
FCF Conversion & Quality	Not in document	Cash flow data not provided in PPT.	□
Competitive Moat Signals	Stable	Certifications (EU-GMP, TGA) remain the long-term barrier to entry.	□
Balance Sheet Strength	Strong	Net Cash increased to □13.4 Cr from □5.8 Cr.	□
Working Capital Efficiency	Stable	Inventory/DSO data absent, but debt-free status maintained.	□
Mgmt Guidance Track Record	Mixed	5-year CAGR (10.3%) is now trailing the required run-rate for FY26.	□
Key Vulnerability / Red Flag	R&D Decay	R&D spend hit a multi-year low of 1.7% of sales.	□
Management Tone	Confident (via PPT)	Focus on "commencing in near future" for EU/Australia.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Lincoln Pharmaceuticals remains a fortress balance sheet story, increasing its net cash position to □13.4 Cr. The transition to a regulated market player is at the doorstep, with EU-GMP and TGA certifications in place for the Cephalosporin facility. The domestic/export mix remains balanced, protecting against single-geography shocks. * **Negatives:** The "growth" story has hit a speed bump. Revenue growth of 5% is well below the 15.4% seen in FY24. More concerning is the margin compression (EBITDA margin down 260 bps), which suggests that without the high-margin EU exports, the current portfolio is facing pricing or cost pressures. R&D spending continues its multi-year decline (now 1.7% vs 3.2% in FY18), raising questions about the future pipeline once the current NDDS products mature. * **The Street's Concern:** Analysts are focused on the "missing" growth. The gap between current performance and the FY26 target of ₹750 Cr has widened, making the Cephalosporin plant no longer just a "bonus" but a "must-deliver" for valuation support. * **Forward Watchpoint:** Watch for the specific date of the first commercial shipment to the EU. Any further delay beyond H1FY26 will likely trigger a downgrade of the FY26 revenue and margin guidance.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
India Revenue	₹244.72 Cr (37.9%)	+5.8%	N/A	↑	Continued focus on chronic launches (e.g., Vonoprazan).
Export Revenue	₹400.98 Cr (62.1%)	+4.5%	N/A	↑	Presence in 60+ countries; EU/Australia imminent.
Total Revenue	₹645.71 Cr	+5.0%	N/A	↑	Growth driven by volume in both domestic and export.
EBITDA	₹123.97 Cr	-7.7%	N/A	↓	Compression due to higher opex or RM costs.
EBITDA Margin %	19.2%	-260 bps	N/A	↓	Down from 21.8% in FY24.
PAT	₹82.44 Cr	-11.7%	N/A	↓	Higher depreciation/tax impact on lower EBITDA.
ROCE (%)	19.2%	-260 bps	N/A	↓	Down from 21.8% in FY24.
Net Debt / (Cash)	(₹13.4 Cr)	-₹7.6 Cr	N/A	↑	Cash surplus increased significantly.
R&D Spend % Sales	1.7%	-20 bps	N/A	↓	Down from 1.9% in FY24 and 2.2% in FY22.
Book Value / Share	₹335.34	+13.3%	N/A	↑	Calculated from Net Worth ₹671.7 Cr.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY25 ₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Export	₹400.99	+4.5%	High	→	Above Avg	Awaiting EU/Australia commercial commencement.
Domestic	₹244.72	+5.8%	Stable	→	In-line	Launch of Temmy Trio and Vonolink series.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹750 Cr by FY26	Needs 16.2% growth in FY26; FY25 growth was only 5.0%.	Under-delivered in FY25 vs historical 10.6% CAGR.	High
Guidance	Margins	Maintain or improve	Requires EBITDA margin to return to >21%.	Failed in FY25 (dropped to 19.2%).	Medium
Guidance	Volume / Capacity	Cephalosporin Export	Commencement in "near future" (EU/Australia).	Ongoing; critical for hitting FY26 revenue target.	High
Strategy	Competitive Positioning	Regulated Market Entry	Entry into EU/Australia/ Canada.	EU-GMP and TGA certifications are active.	Low
Balance	Debt / Leverage Target	Maintain Net Debt Free	Requires continued strong cash management.	Consistently met; net cash increased to ₹13.4 Cr.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (FY24)	This Quarter (FY25)	Direction
Revenue Growth Rate	15.4% YoY	5.0% YoY	↓
EBITDA Margin	21.8%	19.2%	↓
Net Cash Position	₹5.8 Cr	₹13.4 Cr	↑
ROCE	21.8%	19.2%	↓
PAT Margin	15.2%	12.8%	↓
R&D Intensity	1.9% of Sales	1.7% of Sales	↓
Required FY26 Growth	~10.4% CAGR needed	16.2% YoY growth needed	↓ (Harder to hit)
Domestic Product Mix	Focus on Linagliptin	Focus on Vonoprazan (Vonolink)	→

STOP HERE.