Lincoln Pharmaceuticals Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline **One-line:** Consistent execution of a steady-growth, high-margin model with a realistic □750 Cr FY26 revenue target, supported by upcoming regulated market (EU/Australia) Cephalosporin exports.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	FY26 target of □750 Cr is consistent with historical CAGR.	□
Earnings Quality	High (Core driven)	5-year PAT CAGR (13.9%) tracks Revenue CAGR (10.6%) closely.	□
Guidance Confidence	Strong	Required revenue CAGR to hit FY26 target is ~10.4% vs 10.6% historical.	□
Management Credibility	Strong	Consistently delivered double-digit growth while becoming Net Debt Free.	□
Business Quality Signal	Improving	Strategic shift toward regulated markets (EU/ Australia) and Cephalosporin.	□
Key Q&A Exchange	N/A — no concall	Not applicable	□
The Street's Primary Anxiety	Regulated market entry timelines	Mgmt highlights EU/Australia exports to commence in "near future."	□
Capital Cycle Stage	Harvesting / Investment	Currently harvesting OSD portfolio; investing in Cephalosporin.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins expanded from 19.9% (FY23) to 20.4% (FY24).	□
Pricing Power	Stable	Mix of innovative NDDS (vagina spray, etc.) supports margins.	□
FCF Conversion & Quality	Strong	Business is Net Debt Free with a cash surplus of □4.7 Cr.	□
Competitive Moat Signals	Stable	Presence in 60+ countries and first-to-market NDDS products.	□
Balance Sheet Strength	Strong	Net Debt Free; Book Value per share growing steadily.	□
Working Capital Efficiency	Stable	Maintained healthy ratios during growth phase.	□
Mgmt Guidance Track Record	Reliable	5-year CAGR metrics show disciplined execution.	□
Key Vulnerability / Red Flag	Regulated Market Concentration	Higher compliance risks as the company enters EU/ Australia markets.	□
Management Tone	Confident (based on PPT)	Focus on "solidifying market presence" and "delivering value."	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Lincoln Pharma is demonstrating a disciplined growth trajectory with a 13.9% PAT CAGR over 5 years. The company is net debt-free (₹4.7 Cr surplus) and generates 65% of its power from green energy, showcasing operational efficiency and ESG commitment. The upcoming commercialization of the Cephalosporin plant and exports to the EU/Australia represent a material catalyst for value re-rating from semi-regulated to regulated market status. * **Negatives:** The domestic-export mix remains skewed toward exports (62.4%), making the company sensitive to global supply chain disruptions and currency volatility. While NDDS innovations are positive, R&D spend as a % of sales has declined from 3.2% in FY18 to 1.9% in FY24, suggesting a potential shift toward commercialization over new discovery. * **Watchpoint:** The exact timing of the EU/Australia export commencement is the primary driver for the FY26 revenue target of ₹750 Cr.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q2FY25)*	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (FY24)	₹614.97 Cr	+15.4%	N/A	↑	Growth driven by both domestic and export expansions.
India Revenue	₹231.22 Cr (37.6%)	Not in doc	N/A	→	Domestic share grew from 25.5% (FY13) to 37.6% (FY24).
Export Revenue	₹383.74 Cr (62.4%)	Not in doc	N/A	↓	Strategic shift toward higher-value regulated markets.
Gross Margin (%)	Not in document	Not in doc	N/A	→	Focus on innovative NDDS to sustain margins.
EBITDA (FY24)	₹134.33 Cr	+20.2%	N/A	↑	EBITDA margin at 21.8% for FY24.
EBITDA Margin %	21.8%	+140 bps	N/A	↑	Improving vs FY23 (20.4%).
PAT (FY24)	₹93.37 Cr	+28.1%	N/A	↑	Significant jump in bottom line.
ROCE (%)	20.4%	+50 bps	N/A	↑	Improving from 19.9% in FY23.
Cash Flow (CFO)	Not in document	Not in doc	N/A	→	Company remains Net Debt Free.
Net Debt / (Cash)	(₹4.7 Cr)	-₹1.6 Cr	N/A	↑	Cash surplus increased from ₹3.1 Cr in FY23.
Working Capital	Not in document	Not in doc	N/A	→	Efficient management to maintain debt-free status.

**Note: Standing presentation provides full FY24 financials and Q2 FY25 strategic updates. Specific Q2 standalone P&L numbers were not explicitly tabulated in the provided text snippets.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY24 □Cr)	YoY Growth	Margin (FY24)	Trend	vs Company Avg	Key Development
Export	□383.74 Cr	Not in doc	Not in doc	↑	Above Avg	EU & Australia exports to commence in near future.
Domestic	□231.22 Cr	Not in doc	Not in doc	↑	Below Avg	Presence in 26 states; focused on NDDS launches.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery (Did they do what they promised last Q?)	Risk Flag
Guidance	Revenue	□750 Cr by FY26	Needs □135 Cr addl. rev over 2 years (~10.4% CAGR).	First entry — historical 5-yr CAGR is 10.6% (Feasible).	Low
Guidance	Margins	Maintain or improve	Consistent with 21.8% EBITDA margin trend.	First entry — FY24 margins improved YoY.	Low
Guidance	Volume / Capacity	Cephalosporin Plant Ops	Commencement in "near future" for EU/Australia.	Pending — crucial for FY26 target.	Medium
Guidance	Capex Plan	Strategic expansions	Self-funded via internal accruals (Net Debt Free).	Delivered — Mehsana Unit 3 and Khatraj upgrades complete.	Low
Strategy	Competitive Positioning	Regulated Market Entry	Requires stringent EU-GMP compliance.	Ongoing — EU-GMP/TGA certifications in place.	Medium
Macro	Industry Headwinds	Geographic Diversification	60+ countries mitigate single-country risk.	Delivered — expanded across Africa, Asia, and Americas.	Low
Balance	Debt / Leverage Target	Maintain Net Debt Free	Requires CFO to cover all capex/dividends.	Delivered — consistently debt-free since FY20.	Low

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
N/A	N/A	N/A	N/A

STOP HERE.