

MINT, Delhi
Tuesday 4th February 2014, Page: 14
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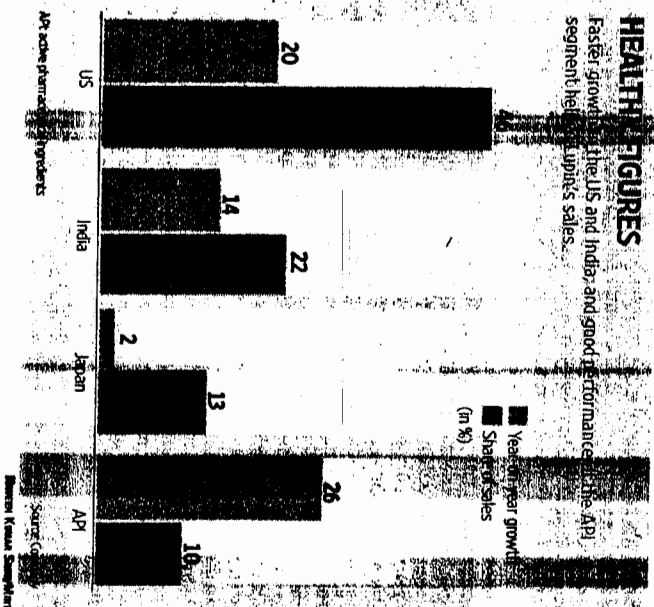
Lupin: vitals in good shape

It may have been a bad day for the broad market, but **Lupin Ltd's** shares rose by 4.52% after its results were announced. The company's consolidated sales rose by 21% and operating profit rose by 27.8%, catching the market off guard as the Street had pegged sales growth at 10-18% and operating profit at 13-21% (based on 10 analysts' estimates).

The company's India business was expected to underperform due to the issues surrounding the new drug pricing policy, leading to a stand-off between the industry and trade channels over lowering of commissions. That has affected sales during

HEALTH FIGURES

Faster growth in the US and India, and good performance in the API segment helped Lupin's sales.



MARK TO MARKET

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previous quarters.

But Lupin's domestic sales rose by 14% during the quarter, better than the 9% gain seen in the September quarter. And the company said supplies have resumed although the trade's demands have not been met. If this situation continues, Lupin's domestic sales growth could return to normal levels without an impact on margins.

The company's US business, too, did well, with sales growth of 30.6% over the year-ago quarter and 31.1% sequentially. The generics side of this business—contributing 89% of sales—benefited from new launches, some of which enjoyed limited competition. In Japan, its third biggest market, sales growth was relatively dull at 1.7%, but in constant currency terms, sales growth was not only higher at 10%, but also better than the 3% growth seen in the preceding quarter.

If there was one quibble about its performance, Lupin's gross margin (sales less cost of goods sold divided by sales, in %) declined sequentially. The company attributed this decline to a forex translation effect partly and to the product mix during the quarter. If gross margin picks up in the next quarter, this concern can be set aside. Operating profit margin improved on a sequential basis due to lower growth in employee costs and a decline in other expenses.

Lupin's net profit (after minority interests) rose by 42% over the year-ago period, but this was due to a lower tax incidence. Profit before tax growth number of 33% is a better indicator. For now, investor attention will remain on the company's sales growth in key markets, especially in the US, and whether it can continue to beat expectations. Investors will also watch for acquisitions—one was announced on Monday—as Lupin intends to put its rising surpluses to better use.

Caranbani