

**ANALYST
CORNER**

Retain 'buy' on Lupin, target ₹1,053

Nomura

WE retain 'buy' on Lupin and assign our target price of ₹1,053 based on 20 times one-year forward (blended FY15-16f) earnings of ₹52.7 per share. On our EPS estimates, the stock currently trades at 20.5x FY15E and 18.1x FY16.

Limited competition and supply constraints make Monodox an interesting opportunity for Lupin. Monodox approval is a surprise and is not explicitly modelled in our estimates. Monodox has annual sales of \$180 million in the US with limited competition. Monodox is available in three strengths: 50 mg, 75 mg and 100 mg. The brand has more than 70% market share, given generic supply constraints. The 75-mg strength is the most interesting opportunity, in our view.

The strength accounts for \$90 million in sales with only Ranbaxy and the innovator Aqua Pharm. In terms of sales, Aqua Pharm has a 73% market share. In 50 mg and 100 mg, the competition is relatively high with generics approvals for Ranbaxy, Par and Actavis. Both strengths combined represent \$90 million in sales.

However, there are supply constraints with the generics and most of the market share is currently with the innovator. Aqua Pharm has ~78% market share in sales term, as per IMS. Given the limited competition, Lupin could record ~\$20 million in revenues from the product in FY15. Cipro OS has annual sales of \$8.6 million. The opportunity size is much smaller. Lupin is the first filer and is likely to remain the only player for a considerable period.

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