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# Lupin riding on key mkts' growth

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**A**fter hitting an all-time high of ₹1,003 on March 3, Lupin has corrected marginally. However, investors should view any correction as a buying opportunity. The company's stock has been an outperformer for quite a while due to an increasing niche products pipeline in the US. And, given the company's growth prospects are improving, primarily led by a strong US pipeline and improving growth in India and Japan, there is potential for further gains.

## Strong US pipeline

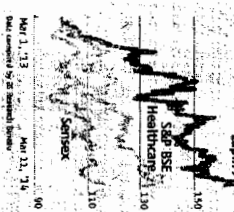
Lupin, the third-largest Indian pharmaceuticals company by value, is further strengthening its position in the US market through aggressive first-to-file launches. In recent months, the company has launched about half a dozen generics, with 180-day exclusivity. An exclusivity period is one during which a company is allowed to launch its generics (identical version of a drug going off patent. Usually, this period sees limited competition, with better profit margins for the generics producer.

The latest launch by Lupin is ciprofloxacin oral suspension, the generic equivalent of Bayer's Cipro Oral Suspension (for the treatment of infections), with annual US sales of \$9 million. The other generics launch is of

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In 7 core	FTSE	FTSE	FTSE
Revenues	11,441	13,539	15,814
% change y-o-y	18.7	18.3	16.8
Ebitda	2,674	3,231	3,797
% change y-o-y	17.8	20.8	17.5
Ebitda (%)	23.4	23.9	24.0
Adjusted net profit	1,659	2,068	2,456
% change y-o-y	26.3	25.8	17.6
EPS (₹)	37.0	46.6	54.8
PE (x)	26.0	20.7	17.6

## TEMPORARY BLIP

(Base=100)



Among the interesting generics launches awaited in the near-term are those of Niaspan (cholesterol-lowering), which will strengthen Lupin's lipid-control drug portfolio. In October 2013, even after the 180-day exclusivity period for the Zymarid and Triplix generics ends, these are likely to see limited competition. Zymarid has already seen its market share rise 30 basis points to 11.5 per cent, according to recent IMS data.

ogy) might be launched by 2016-17, strengthening its niche dermatology and respiratory range. Last year, Lupin had 31 approvals in the US, the most by an Indian pharmaceuticals company. It expects to launch 25-30 products a year, with a focus on obtaining marketing exclusivity in the US by being the first to file for regulatory approvals.

## Japan, India recovering

Domestic growth, which was affected by the National List of Essential Medicines, is now improving and is likely to recover fully by the June 2014 quarter. Similarly, the Japanese business (which accounts for 13 per cent of revenue), currently under pressure, is likely to perform well in time, as \$12.15 billion of generics may go off-patent in Japan through the next three years.

As a result, most analysts remain upbeat on the stock. Arvind Bodhira at Reliance Capital Markets says Lupin remains his top pick, owing to high growth visibility (23 per cent compounded annual growth rate during FY13-16). He had already raised his December 2015 target price to ₹1,160 (against ₹1,150 earlier). Ravi Kapadia at Centrum broking has a higher target price of ₹1,230, while analysts at Nomura retain a 'buy' rating, with a target price of ₹1,053. The consensus target price (according to a Bloomberg poll after the December quarter results) stands at ₹1,055, 10.2 per cent higher than the current ₹957.

Company