

## Overweight on Lupin, target ₹1,084

### Barclays

WE reiterate our 'overweight' rating on Lupin and target price of ₹1,084 a share, given a stable performance, with consistently improving cash generation, robust pipeline for the US, vertical integration of the Japanese business and higher utilisation in Indore to drive margins.

Lupin announced its entry into the Mexican market through its acquisition of Laboratorios Grin, a specialty ophthalmic firm. In our view, the acquisition is in line with the management's focus on geographical spread and acquiring brand presence in emerging markets.

More significantly, this strengthens Lupin's capabilities in ophthalmologic therapy, towards which it has begun filing in the US recently.

The Grin acquisition follows Lupin's acquisition of Nanomi BV (complex injectables) and underlines its strengthening focus on specialty segments, which is a key growth/margin driver.

Although the financials are not known yet, we believe that with Grin's revenue of \$28 million in CY13, the total consideration amount could have been in the range of \$40-60 million (at a price/sales multiple of 1.5-2x).

Three focus areas are—geographical spread (Latin America, Turkey, China); tech platforms like Nanomi BV (patents in Europe, US); and acquiring brand presence through advanced products / facilities in EMs. The deal facilitates Lupin's entry in a high growth geography (market size of \$13.5 billion; 9-10% growth and expected to cross \$18 billion, per IMS).

*Company*