

LUPIN LTD

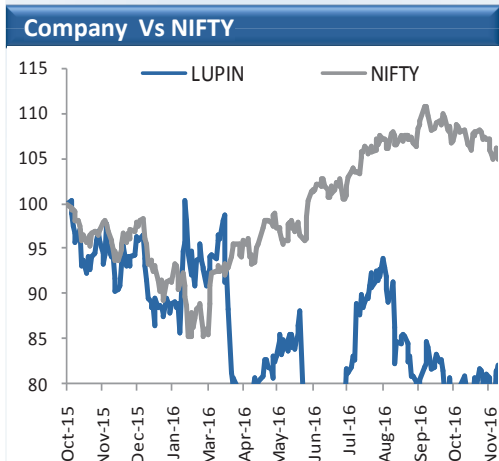
Hold
11th November 2016

Company Update	
CMP	1496
Target Price	1690
Previous Target Price	1800
Upside	13%
Change from Previous	-6%

Market Data	
BSE Code	500257
NSE Symbol	LUPIN
52wk Range H/L	1911/1280
Mkt Capital (Rs Cr)	67380
Av. Volume(,000)	136
Nifty	8525

Stock Performance			
	1M	3M	12M
Absolute	3.3	-17.8	-14.2
Rel.to Nifty	4.9	-22.6	-31.2

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoters	46.74	46.76	46.76
Public	53.26	53.24	53.24
Others			
Total	100	100.0	100.0



Lupin Ltd. has reported Revenue of Rs. 4291 Cr (up by 28% YoY basis) led by the growth in the North America. The Company has launched 2 new products in the US market during 2QFY17. The Company now has 124 products in the US generics market. Recently company has received EIR(Establishment Inspection Report) from USFDA for Goa plant. This facility supplies over 100 products to various regulated markets including US and EU. The company has filed 6 ANDA's in 2QFY17 and is on the track of filing 20-25 ANDA's in FY17. On other hand, ongoing pricing pressure may hamper the growth of the company. Considering long term opportunities we recommend "HOLD" rating in this stock

Result Highlights

- EBITDA has improved by 55% in 2QFY17 to Rs. 1028 Cr as compared to the Rs. 663 Cr in the corresponding quarter of the FY16
- PAT has increased by 58% in 2QFY17 to Rs. 662 Cr as compared to the Rs. 420 Cr in the corresponding quarter of the FY16
- Research & Development expenses for 2QFY17 is Rs. 571 Cr
- US formulation sales increased by 69.8% to ~Rs. 1956 Cr. in 2QFY2017, as compared to 2QFY2016
- Japan sales increased by 35.2% to Rs. 4,36.8 Cr in 2QFY2017, as compared to 2QFY2016
- Personnel cost increased by 0.2% to 16.9% of sales, at Rs. 7,12.Cr , as compared to Rs. 5,32 Cr. in Q2 FY2016
- Manufacturing and other expenses decreased by 0.6% to 31.0% of sales at Rs. 13,07 Cr , as compared to Rs. 10,09 Cr. in Q2 FY2016
- Capex for the 2QFY17 is Rs. 305 Cr
- Company has launched 2 products in the US market during the 2QFY17.Total number of products is 124 in the US market
- Lupin's Germany sales grew by 31.3% to ~Rs. 46 Cr. during 2QFY2017 as compared to ~ Rs. 35 Cr. during 2QFY2016 and increased by 0.7% sequentially
- Company filed 1 MAA with the European authority during the quarter.

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	7097	9669	11403	13010	14396
EBITDA	1445	2270	3003	3620	3753
Net Profit	888	1340	1870	2444	2271
EPS	19	29	41	53	51
P/E	27.3	21.4	22.8	37.6	39.8

(Source: Company/Eastwind)

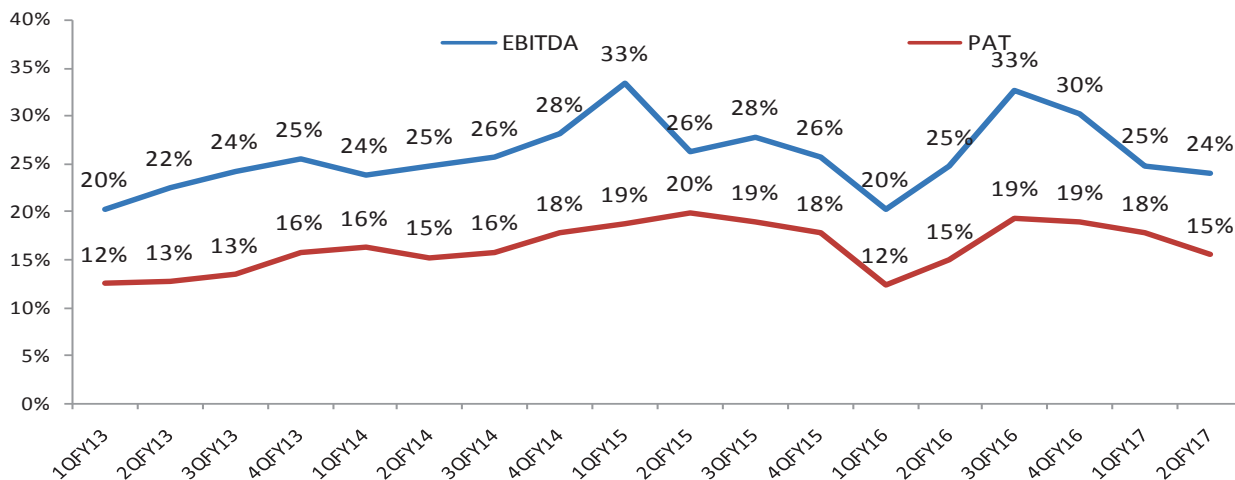
Company Revenue driver

	1QFY16	2QFY16	4QFY16	1QFY17	2QFY17	QoQ Growth	YoY Growth
Formulations							
North America	1,200	1,154	2,191	2,189	1,998	-9%	73%
India	885	888	756	931	996	7%	12%
APAC	408	446	453	542	552	2%	24%
EMEA	182	222	245	219	236	7%	6%
LATAM	62	108	92	109	99	-9%	-9%
ROW	17	41	61	37	40	7%	-4%
API	328	333	284	287	292	2%	-12%
Net Sales	3,081	3,193	4,082	4,314	4,211	-2%	32%

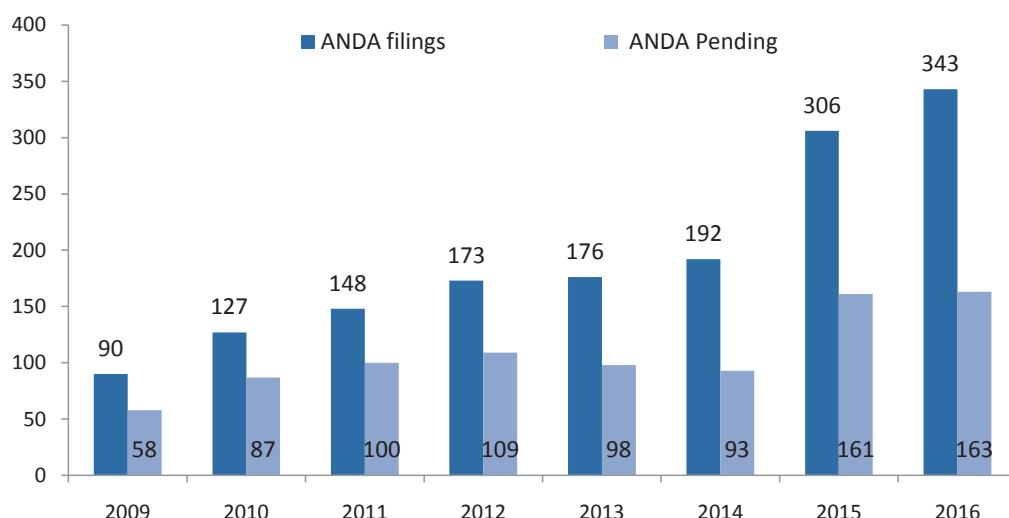
Recent Management Speak

- Company has filed 1 Marketing authorization application with the European authority during the 2QFY17. Total filings with the European Authorities is 64
- Growing competition and the pricing pressure in the US may hamper the Company's performance in the near term
- Company has launched 2 new products in 2QFY17 and Management has guided for 9 products to be launched in the US market in H2 of FY17
- EBITDA guidance for FY17 is 16-18%
- Company is on the track to file 20-25 ANDA's in FY17
- 6 ANDA's were filed in 2QFY17
- Tax guidance for FY17 is 19-20%

Quarterly Performance



Going Further



Lupin has 343 including 163 pending approvals. The company has 45 FTF products, which includes 17 exclusive opportunities. In FY16, it filed 42 ANDAs and received 39 approvals from the USFDA..

Recent News and Events

- Lupin receives EIR report from USFDA for Goa plant. The company's Goa facility supplies over 100 products to various regulated markets including the US and EU. The plant has filed more than 115 abbreviated new drug applications (ANDAs) in the US market
- Lupin, MonoSol Rx sign pact for multiple pediatric products. Lupin Pharmaceutical Inc, the company's US subsidiary, and MonoSol Rx have entered into a licensing agreement wherein Lupin would develop multiple pediatric products utilising MonoSol Rx's PharmFilm drug delivery technology

Key Risks

- Regulatory delays affecting key US launches.
- Ongoing pricing pressure in the US market

About the Company

Lupin over the last decade has established itself as a leading generic player from India. US and India are its largest markets and contribute almost 60% of its revenues and boasts of significant presence in Japan (unlike most other generic players). Lupin is bearing the fruits of geographical diversification for broad based growth. It has established a significant presence in the US by 1) focusing on limited competition/FTF opportunities 2) concentration on niche therapies such as oral contraceptives dermatology, ophthalmology, respiratory, etc, and 3) acquiring small but profitable brands at the right price. In domestic formulations, it is improving its presence in lucrative chronic therapies. It is slowly but surely establishing itself in other geographies such as Japan and Australia. Higher growth on a fairly consistent basis, a strong balance sheet with debt-free status and high return ratios are some of the differentiators for Lupin.

Specialty and Complex Generics Areas - Timelines

Key Complex focus areas	Indicative Timeline			Desired Portfolio FY20
	FY16	FY17	FY18	
NDDDs	Continue development			Partner 4 molecules
Biosimilars	2 India launches	Etanercept Ph III	Etanercept filing and launch	6-7 ptds in India; at least 1 in Japan
Respiratory	Spray filings	MDI & DPI development	1 st MDI filing	2-3 sprays, at least 1 MDI & 1 DPI in market
Injectables	Start filings	Commercialization		15-20 products in US; 1 st Nanomi launch
Dermatology	Filings continue	Commercialization		10-15 ptds in US; 1 NDA
Ophthalmology	Continue launches and filings			7-8 products in US
Controlled Subst.	Filings started	Commercialization		~11 products in US
OC's	Continue filings and launches			30 product portfolio