

Lupin

21 November 2012

Reuters: LUPN.BO; Bloomberg: LPC IN

Launches Tricor Generic in US; Retain Hold

Lupin has launched generic fenofibrate 48mg/145mg tablets (cholesterol lowering drug of Abbott having brand name Tricor with a market size of US\$1.3bn) in the US. The launch of the generic drug by Lupin is on expected lines and therefore does not entail any change in our earnings estimates. We had factored in the launch of the drug in December 2012, expecting it to contribute US\$16mn in FY13E (assuming six approved players) and US\$25mn in FY14E (assuming limited competition). We have retained our Hold rating on Lupin with a target price of Rs605.

Drug launch economics: The launch of the generic drug by Lupin is on expected lines and does not entail any change in our earnings estimates. Currently, four other players (Teva/Impax/Mylan/Ranbaxy) have approvals for the drug in other strengths, while Biovail has approval for 48mg/145mg. Assuming a six-player market, we expect the product to contribute US\$16mn (75% price erosion, 15% market share) to revenue in FY13E and US\$25mn in FY14E (85% price erosion, 13% market share). As the product is difficult to manufacture, we expect the competition to be limited.

Antara sales may dip further, but better dissolution profile to cushion the fall:

With genericisation of Tricor, we believe Antara (Lupin's branded version of fenofibrate) sales may decline further once the existing contracts expire, but we expect them to stabilise at around US\$40mn-US\$42mn run-rate, given the better dissolution profile (four-six hours versus six-eight hours for Tricor) and aggressive sales push by Lupin. Notably, Lupin was able to arrest the decline in Antara sales through aggressive sales push despite the fenofibrate market being down by ~15% in 1HFY13.

Retain Hold rating: Lupin has underperformed over the past six months (5% versus 14% rise in Nifty) owing to delay in product approvals. With the launch of Tricor generic, one of the key near-term triggers has played out and we look forward to approvals for other important products like Yasmin and Seasonique (both oral contraceptives) soon, which we believe are vital to revive confidence in the company's execution capabilities. We have retained our Hold rating on Lupin, valuing the stock at 20x FY14E EPS of Rs30 and added Rs5 for its Para IV pipeline to arrive at a target price of Rs605.

HOLD

Sector: Pharmaceuticals

CMP: Rs567

Target Price: Rs605

Upside: 7%

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Key Data

Current Shares O/S (mn)	447.4
Mkt Cap (Rsbn/US\$bn)	254.2/4.6
52 Wk H / L (Rs)	632/408
Daily Vol. (3M NSE Avg.)	1,063,551

Price Performance (%)

	1 M	6 M	1 Yr
Lupin	(0.9)	4.5	28.4
Nifty Index	(2.0)	13.9	13.6

Source: Bloomberg

Y/E March (Rsmn)	FY10	FY11	FY12	FY13E	FY14E
Revenue	48,499	58,190	70,829	89,122	101,853
YoY (%)	25.7	20.0	21.7	25.8	14.3
EBITDA	9,630	11,779	14,447	18,878	22,077
EBITDA (%)	19.9	20.2	20.4	21.2	21.7
Adjusted PAT	6,816	8,626	8,677	11,401	13,387
YoY (%)	35.9	26.5	0.6	31.4	17.4
Fully DEPS	15.3	19.3	19.4	25.5	30.0
RoE (%)	34.1	29.5	23.8	25.5	24.5
RoCE (%)	25.2	23.7	23.2	25.8	26.5
P/E (x)	37.0	29.3	29.2	22.2	18.9
EV/EBITDA (x)	25.6	22.2	18.0	14.1	11.9

Source: Company, Nirmal Bang Institutional Equities Research

Rating history

Date	Rating	Market price (Rs)	Target price (Rs)
4 May 2012	Buy	539	633
11 May 2012	Buy	522	633
16 May 2012	Buy	537	633
3 July 2012	Buy	537	633
4 October 2012	Hold	598	605
25 October 2012	Hold	562	605

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD 0-15%

SELL < 0%

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