

February 04, 2016
BSE Code: 500257 NSE Code: LUPIN Reuters Code: LUPN.NS Bloomberg Code: LPC:IN

Incorporated in the year 1968, Lupin Ltd. is an Indian based global pharmaceutical company. It is engaged in the business of branded & generic formulations and active pharmaceutical ingredients (APIs). The company's presence spans across 70 countries including advanced markets of USA, Europe, Japan, Australia and emerging markets such as India, Philippines and South Africa.

Key Developments

Key product approvals/launches in the US:

US contributes major chunk (45%) to the total revenues. Lupin is a major generic player in the US with 5% market share in prescription drugs. It is also a prominent player in 33 generic products. Currently, the company's cumulative filings stand at 220, of which 124 have been approved. Out of 220, there are 35 FTFs with 15 exclusives.

Agreement to acquire Gavis:

Lupin has entered into an agreement to acquire US based GAVIS Pharmaceuticals LLC and Novel Laboratories Inc., in a transaction valued at USD 880 mn. Gavis has a product pipeline of 130 Abbreviated New Drug Applications (ANDAs) including 64 ANDA filings pending approval with the US FDA and a pipeline of over 65+ products under development. Till date, GAVIS has filed 25 Para IVs and 8 first to file (FTFs) products. Gavis has posted sales of USD 96 mn in CY14 with EBITDA margins of 36%.

Indian business: the second largest contributor to Lupin's revenue:

India is the next major market for Lupin contributing 24% to the total revenue. Emerging from the shadows of Drug Price Control Order (DPCO) in FY14 domestic formulations business reported revenues of Rs 3,030 Crores in FY15 with a growth of 20.5%. Company is growing steadily in the domestic formulation space, registering a CAGR of 17.5% over FY10-15.

Japan: One of the few Indian companies establishing presence:

Lupin operates through two subsidiaries in Japan viz. - Kyowa Pharmaceutical Industry Co. Ltd. and Kyowa CritiCare Co. Ltd. Japanese businesses reported revenue CAGR of 20% over FY10-15. Lupin remains a major generic pharmaceutical player in the Japanese market with a significant presence in Neurology, Cardiovascular, Gastroenterology and Injectable segments.

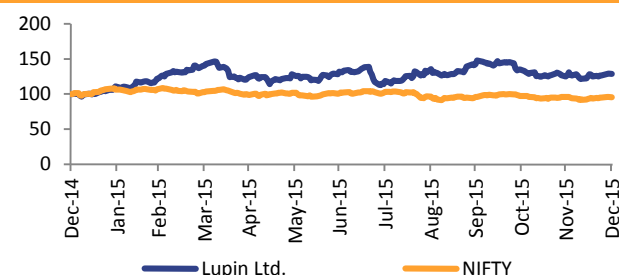
Market Data

CMP (Rs.)	1,653
Face Value	2.0
52 week H/L (Rs.)	2,129/1,523
Adj. all time High (Rs.)	2,129
Decline from 52WH (%)	22.4
Rise from 52WL (%)	8.5
Beta	0.7
Mkt. Cap (Rs.Cr)	74,458
Enterprise Value(Rs. Cr)	78,012

Fiscal Year Ended

	FY13	FY14	FY15
Net Sales (Rs.cr)	9,462	11,087	12,600
Net Profit (Rs.cr)	1,314	1,836	2,403
Share Capital (Rs.Cr)	90	90	90
EPS (Rs.)	29.1	39.0	50.3
P/E (x)	21.6	24.0	40.0
P/BV (x)	5.3	6.0	10.1
ROE (%)	27.9	28.5	28.4

One year Price Chart



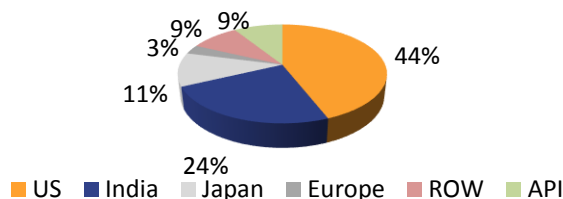
Shareholding	Sep15	Jun15	Diff.
Promoters	46.6	46.6	(0.0)
DII	6.6	6.8	(0.3)
FII	36.9	36.8	0.1
Others	10.0	9.8	0.2

Lupin Ltd. is a major pharmaceutical company based in India.

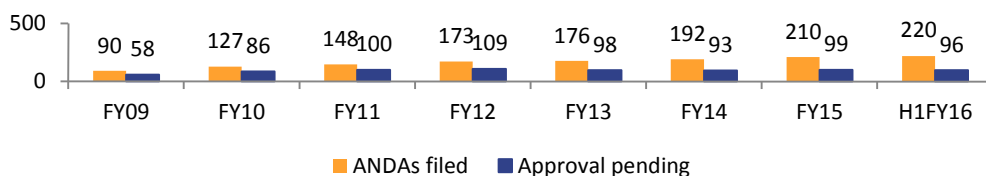
Lupin Limited – Company Overview

Incorporated in 1968, Lupin Ltd. is an India based transnational pharmaceutical company. The company manufactures a wide range of branded & generic formulations and APIs. It has significant market share in key markets in the Cardiovascular (prils and statins), Diabetology, Asthma, Pediatrics, etc. Lupin’s drugs are exported to over 100 countries across the globe.

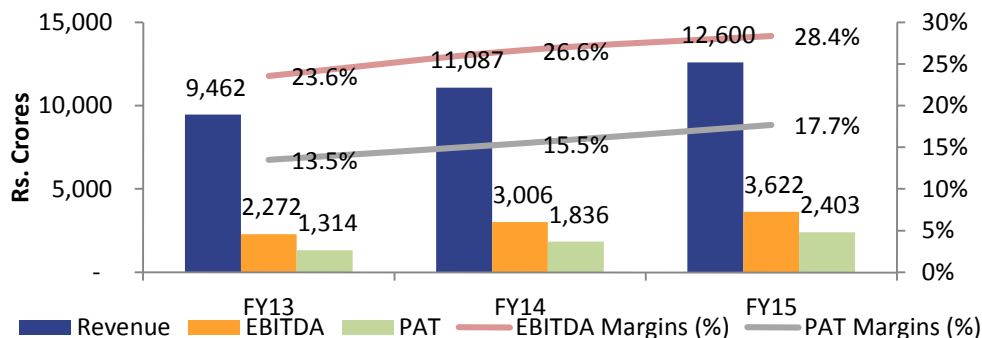
Geography wise revenue breakup (FY15)



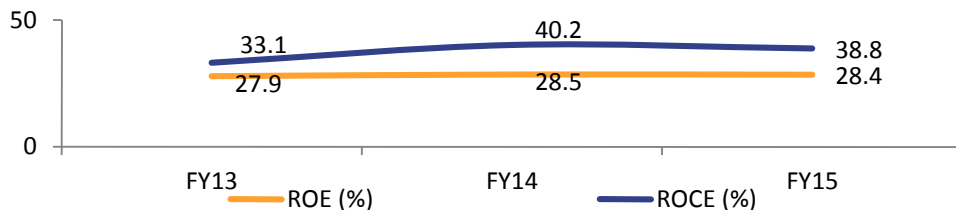
Lupin’s ANDAs pipeline



Financial snapshot of Lupin



Return Ratios Trend



US: Key product approvals/launches

US contributes 45% to the total revenues of the company. Lupin is a major generic player in the US with 5% market share in prescription drugs. Currently, the company’s cumulative filings stand at 220, of which 124 have been approved. Out of 220, there are 35 FTFs with 15 exclusives. Revenues from the US market have grown at a CAGR of 27.9% over FY10-15.

Lupin derives majority of its revenues from the US markets.

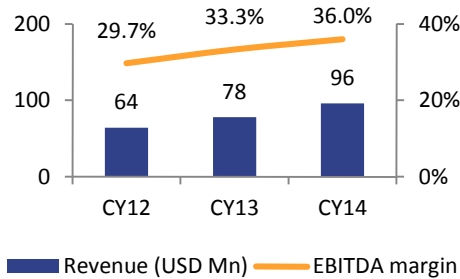
The company has signed an agreement to acquire US based GAVIS Pharmaceuticals LLC and Novel Laboratories Inc., for a consideration of USD 880 mn.

Gavis acquisition agreement of Lupin

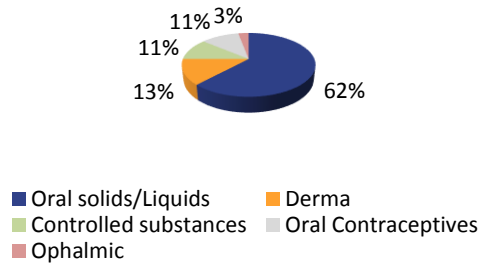
Lupin has entered into an agreement to acquire US based GAVIS Pharmaceuticals LLC and Novel Laboratories Inc., in a transaction valued at USD 880 mn. Gavis has a product pipeline of 130 ANDAs including 64 ANDA filings pending approval with the US FDA and a pipeline of over 65+ products under development. 72% of these filings pending approvals represent niche dosage forms and broadens Lupin's pipeline in dermatology, controlled substance products and other high-value generics. The company has a presence in controlled substances (20 filed), dermatology (>20 filed), gastro-intestinal, nasal sprays, metered-dose-inhaler (MDI) and dry-powder-inhaler (DPI). Till date, GAVIS has filed 25 Para IVs and 8 FTFs products. Gavis has posted sales of USD 96 mn in CY14 with EBITDA margin of 36%.

The combined company has a portfolio of 101 in-market products, 160 cumulative filings pending approval including portfolio of 20+ stable high-margin generic products. Gavis plants in US are food and drug administration (FDA) approved.

Gavis' revenue trend



Therapy wise combined USFDA filings

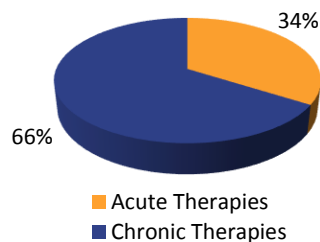


India is the 2nd biggest contributor to Lupin's revenues. Approximately 24% of the company's revenues come from the domestic markets.

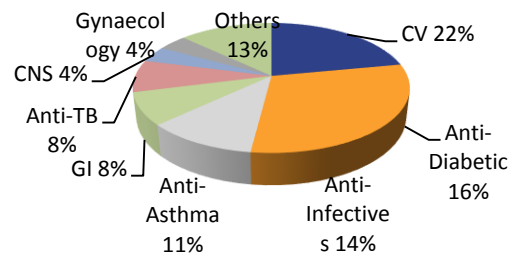
India: Domestic business, the second largest revenue contributor

India is the next major market for Lupin contributing 24% to the total revenue. Emerging from the shadows of Drug Price Control Order (DPCO) in FY14 domestic formulations business reported revenues of Rs 3,030 Crores in FY15 with a growth of 20.5%. Company is growing in the domestic formulation space, registering a CAGR of 17.5% over FY10-15. Lupin is a prominent player in fast growing therapies such as Cardiology, Central Nervous System (CNS), Diabetes, Anti-Asthma, Chronic Obstructive Pulmonary Disease (COPD), Gastro-intestinal (GI) and Gynaecology with sales force of 5,500 MRs. It has 26 brands with sales upwards of Rs 30 Crores. Lupin has in-licensed 27 products over the last 5 years, of which 4 products were introduced for the first time in Indian Pharmaceutical Market (IPM).

Domestic business breakup FY15



Therapeutic contribution



Japanese businesses reported revenue CAGR of 20% over FY10-15.

Lupin's ROW markets contributed 12% to global revenues in FY15 and grew at a CAGR of 23% over FY10-15.

Lupin's top brands in domestic business (FY15)

Brand	Therapy	Brand growth	Market growth
Gluconorm	Anti-Diabetic	27.2%	21.8%
Tonact	Cardiovascular	12.5%	14.5%
Rablet	Gastro-Intestinal	25.0%	15.2%
Budamate	Anti-Asthma	28.5%	15.4%
Telekast	Anti-Asthma	35.5%	17.8%
Rcinex	Anti-TB	17.5%	11.6%
Clopitab	Cardiovascular	14.2%	10.4%
Telista	Cardiovascular	17.1%	15.2%
Ramistar	Cardiovascular	5.8%	4.8%
Akt	Anti-TB	11.3%	3.8%

Lupin's Japan Market

Lupin operates through two subsidiaries in Japan viz. - Kyowa Pharmaceutical Industry Co. Ltd. and Kyowa CritiCare Co. Ltd. Japanese businesses reported revenue CAGR of 20% over FY10-15. Lupin remains a major generic pharmaceutical player in the Japanese market with a strong presence in Neurology, Cardiovascular, Gastroenterology and Injectable segments. Generics accounts for 49% of total pharmaceutical volumes in Japan. Japan is the 3rd largest market for the company globally and contributes 11% to global revenues.

Lupin's other markets

Lupin's ROW business caters to markets in the Middle-East, Philippines, Australia, South Africa, Mexico and Latin America. Lupin's Rest-Of-The-World (ROW) markets including South Africa and Europe contributed 12% to global revenues in FY15 and grew at a CAGR of 23% over FY10-15. Lupin has acquired three companies in H1FY16 that include Medquimica in Brazil, Biocom in Russia and Temmler in Germany. Cumulative filings with European authorities were at 63 including nine pending approvals. South African subsidiary Pharma Dynamics (PD) reported revenue of Rs 422 Crores, growth of 19% in FY15.

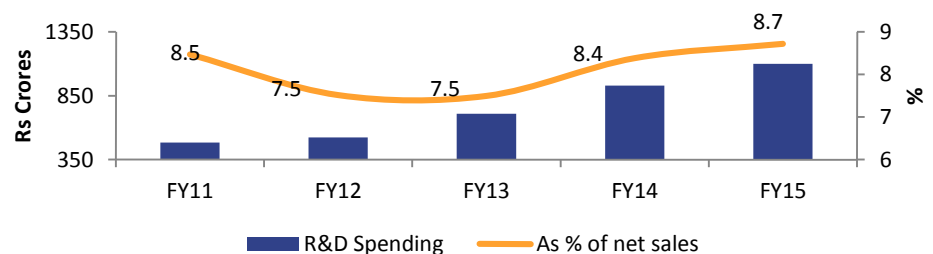
API business of the company

Lupin's global API business contributes 9% to global revenues with Rs 1,194 Crores in sales and grew at CAGR of 9.2% over FY10-15. API exports constitute more than 65% of the total API sales.

R&D Expenses trend

In FY15, R&D expenses of the company constituted ~9% of its net sales.

R&D spend on the rise



Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	90	90	90
Reserve and surplus	5,115	6,842	8,784
Net Worth	5,204	6,932	8,874
Minority Interest	59	67	24
Total Debt	974	553	471
Other non-current liabilities	396	427	408
Total Equity & Liabilities	6,634	7,979	9,777
Fixed Assets	2,804	3,002	3,296
Investments	2	178	1,658
Net current assets	2,863	3,697	2,816
Other non-current assets	965	1,102	2,006
Total Assets	6,634	7,979	9,777

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax & extraordinary items	1,925	2,832	3,415
Net cashflow from operating activities	1,238	1,646	2,539
Net cash used in investing activities	(551)	(528)	(871)
Net cash used from financing activities	(621)	(829)	(186)
Net inc/dec in cash and cash equivalents	66	288	1,482

Financial performance snapshot

Net sales of the company stood at Rs. 12,600 Crores in FY15, a growth of 13.6% as compared to Rs. 11,087 Crores in FY14. The operating expenses of the company increased by 10.5% YoY to Rs. 9,150 Crores from Rs. 8,284 Crores during the year. The company's EBITDA grew by 20.5% YoY to Rs. 3,622 Crores in FY15 from Rs. 3,006 Crores in FY14. EBITDA margin expanded by 174 bps to 28.4% in FY15 from 26.6% in FY14. Net profit increased by 30.9% to Rs. 2,403 Crores in FY15 from Rs. 1,836 Crores in FY14. The net profit margin expanded by 221 bps to 17.7% from 15.5% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net Sales	9,462	11,087	12,600
Other operating income	182	203	173
Total Operating income	9,643	11,289	12,772
Expenses	7,371	8,284	9,150
EBITDA	2,272	3,006	3,622
Depreciation	332	261	435
Other Income	14	24	93
EBIT	1,954	2,769	3,280
Interest cost	41	27	10
Profit Before Tax	1,913	2,742	3,271
Tax	584	962	970
Profit After Tax	1,329	1,780	2,300
Minority Interest	26	33	41
P/L from Associates	-	-	-
Adjusted PAT	1,303	1,747	2,259
E/o income / (Expense)	12	90	144
Net Profit	1,314	1,836	2,403

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	23.6	26.6	28.4
EBIT Margin (%)	20.3	24.5	25.7
NPM (%)	13.5	15.5	17.7
ROCE (%)	33.1	40.2	38.8
ROE (%)	27.9	28.5	28.4
EPS (Rs.)	29.1	39.0	50.3
P/E (x)	21.6	24.0	40.0
BVPS (Rs.)	116.3	154.6	197.4
P/BVPS (x)	5.3	6.0	10.1
EV/EBITDA (x)	12.6	13.8	24.5



Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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