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Lupin Ltd.

BSE Code: 500257 NSE Code: LUPIN Reuters Code: LUPN.NS Bloomberg Code: LPC:IN

Lupin Ltd (LUPIN) is an innovation led transnational pharmaceutical company producing and developing a wide range of branded and generic formulations and APIs. The Company is a significant player in the Cardiovascular, Diabetology, Asthma, Pediatric, CNS, GI, Anti-Infective and NSAID space and holds global leadership positions in the Anti-TB and Cephalosporin segment. Lupin is the 5th largest and fastest growing generics player in the US (5.3% market share by prescriptions, IMS Health) and the 3rd largest Indian pharmaceutical company by sales. The Company is also the fastest growing top 10 generic pharmaceutical players in Japan and South Africa (IMS).

Investor's Rationale

Robust growth from international and domestic markets boosted the topline by 17% YoY – Lupin posted a robust growth of ~18% in its topline during Q2FY'14 at ₹26,315 mn driven by healthy growth from International markets (17%) coupled with continued outperformance in domestic market (12%). The revenues from domestic formulation contributed 25% of overall sales grew by 9% YoY to ₹6,635 mn in Q2FY'14. The Sales from US and Europe formulation (including IP) contributing 42% to overall Company sales grew by 31% to ₹11,089 mn in Q2FY'14. US brands business contributed 10% of total US sales, whereas the generics business contributed 90% in Q2FY'14.

Strong growth in bottom-line on sharp jump in other income – Lupin's bottomline reported healthy growth of 40% YoY at ₹4,062 mn mainly assisted by sharp jump in other income to ₹814 mn vis-à-vis ₹43 mn a year ago period. However, the sharp rise in tax expenses by 79.5% YoY to ₹2,582 mn restricted the growth in the bottomline.

EBITDA margin expanded massively assisted by robust sales growth – EBITDA margin expanded massively by 230bps YoY to 24.7% on the back of sharp fall in consumption cost (down by 520 bps YoY). However, other expenses and personnel costs increased by 4% YoY and 0.5% YoY to 30.4% of net sales and 14% of net sales.

Focused to maintain healthy growth and product innovation - The company recorded another outstanding performance during Q2FY'14 in terms of both top-line and bottom-line. We expect the company to maintain the growth trend in future on the back of expected pickup in sales in India and growing demand for its branded drugs in US. Further a rich cumulative ANDA filings with the US FDA that stood at 188 with the company having received 92 approvals to date would also supported its growth momentum. In addition to this, 5 new product launches will also assist in uplifting the revenue going forward.

Market Data

Rating	BUY
CMP (₹)	884
Target Price	1,050
Stop Loss	800
Duration	Short-term
52-week High-Low (₹)	945.6/557.10
Rise from 52WL (%)	58.7
Correction from 52WH (%)	6.9
Beta	0.39
1 year Average Volume (mn)	1.2
	3M- 10.0
Stock Return (%)	6M- 20.7
	1Y- 52.7
Market Cap (₹bn)	396.1
Book Value (₹)	108.1

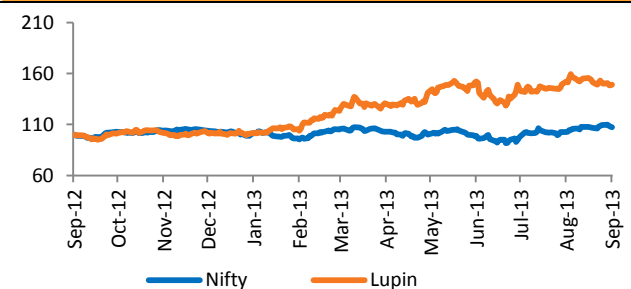
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	46.78	46.81	(0.03)
FII (%)	31.45	30.67	0.78
DII (%)	12.07	12.4	(0.33)
Public & Others (%)	9.7	10.12	(0.42)

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	26,315	22,393	24,207	17.5	8.7
Op. exp	20,083	17,848	18,867	12.5	6.4
EBITDA	6,596	5,159	5,895	27.8	11.9
OPM (%)	24.7	22.4	23.8	230bps	92bps
Net profit	4,062	2,905	4,011	39.8	1.3
NPM (%)	14.8	12.6	15.6	217bps	(79bps)
EPS (₹)	9.0	8.9	6.5	1.2	39.6

One Year Price Chart





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