

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). US and India are key markets for the company as it contributes ~60% to the total revenues.

## Key Developments

### Weak US performance drags revenue

Lupin reported 13.4% decline in consolidated net sales in Q1FY18 on account of weak US business which was impacted by lower Glumetza sales. US sales (42% of total revenue) declined the most by 26.8% YoY led by higher than anticipated price erosion in select products like Glumetza and Fortamet due to high competition.

### Other markets reported mix set of numbers

India formulation business (24% of total revenue) fell 2% YoY in Q1FY18 due to destocking ahead of GST implementation. While EMEA markets (6% of revenue) reported muted performance (up 3% YoY), Asia Pacific business (16% of revenues) and LATAM (3% of revenue) witnessed growth of 11% and 17% YoY, respectively. Japan reported growth of 25% YoY in constant currency driven by integration benefits of the Shinogi brands acquired in Q3FY17. However, the company expects challenges in Japanese market going ahead due to the pricing environment and regulatory headwinds. Further, API business (7% of revenues) declined 6% YoY.

### EBITDA margin plunged to 19.9%

EBITDA margin declined ~940bps to 19.9% in Q1FY18 primarily impacted by pricing pressure in the US market along with higher research and development expenditure. Notably, the company has lowered EBITDA margin guidance from 26-28% earlier to 21-23% for FY18 due to a) price erosion in the US b) rupee appreciation and c) high competition in the Metformin portfolio. Adj. PAT plunged 59.1% YoY due to fall in other income (down 61.3% YoY) and rise in depreciation (up 28.5%) and interest charges (up 37.3%). However, lower tax charges (down 50% YoY) restricted the decline in the bottomline.

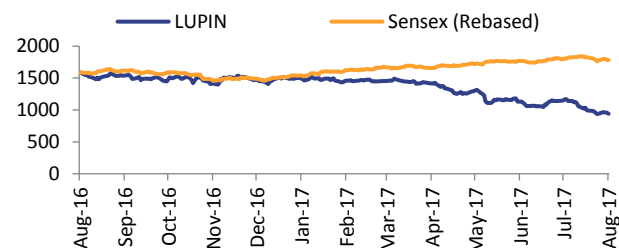
## Market Data

<b>CMP (Rs.)</b>	<b>1,005</b>
Face Value	2.0
52 week H/L (Rs.)	1,572/920
Adj. all time High (Rs.)	2,104
Decline from 52WH (%)	36.1
Rise from 52WL (%)	9.2
Beta	0.9
Mkt. Cap (Rs.Cr)	47,651
Enterprise Value(Rs. Cr)	53,178

## Fiscal Year Ended

	FY15	FY16	FY17
<b>Revenue (Rs.cr)</b>	12,772	14,256	17,494
<b>Net Profit (Rs.cr)</b>	2,403	2,261	2,557
<b>Share Capital (Rs.Cr)</b>	90	90	90
<b>EPS (Rs.)</b>	50.3	50.2	56.6
<b>P/E (x)</b>	21.0	21.0	18.6
<b>P/BV (x)</b>	5.3	4.2	3.5
<b>ROE (%)</b>	28.4	22.5	20.7

## One year Price Chart



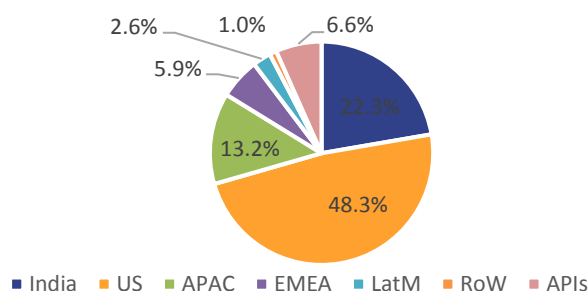
Shareholding	Jun'17	Mar'17	Diff.
<b>Promoters (%)</b>	46.7	46.7	-
<b>Public (%)</b>	53.3	53.3	-
<b>Others (%)</b>	-	-	-

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

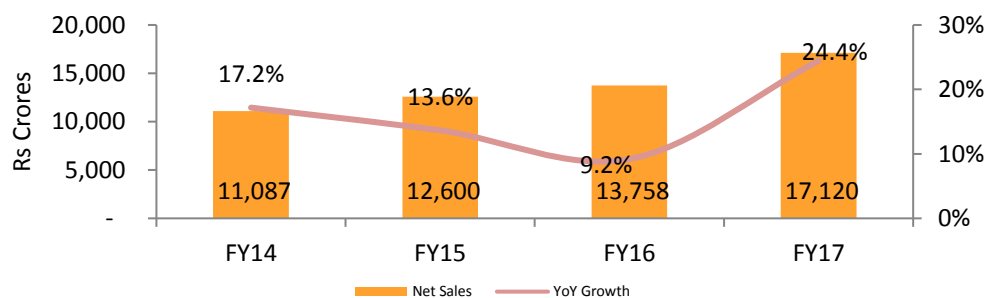
## Lupin Limited – Company Overview

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.

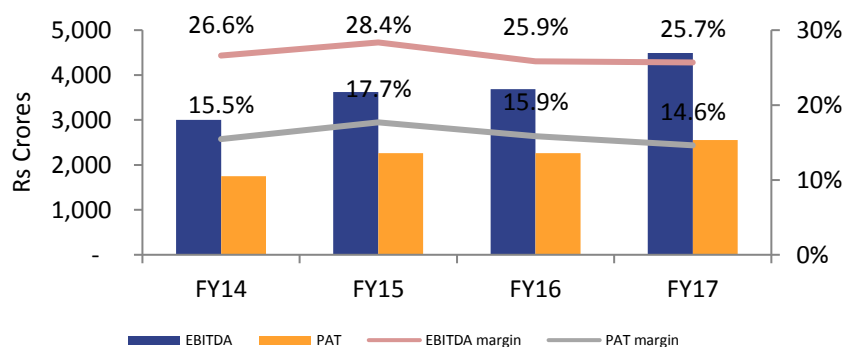
### Geography wise revenue breakup (FY17)



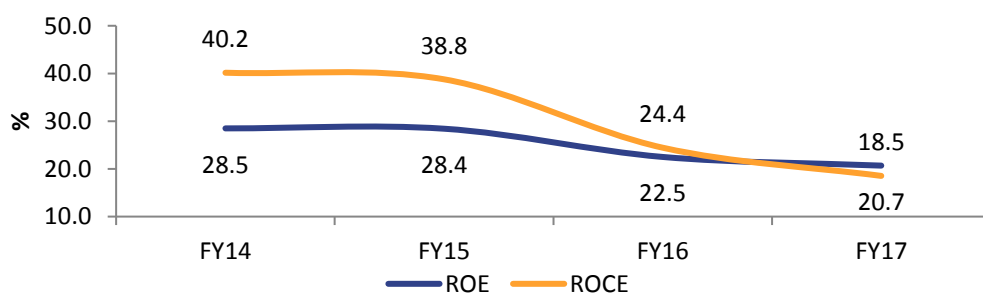
### Revenue trend



### Financial snapshot of Lupin



### Return Ratios Trend

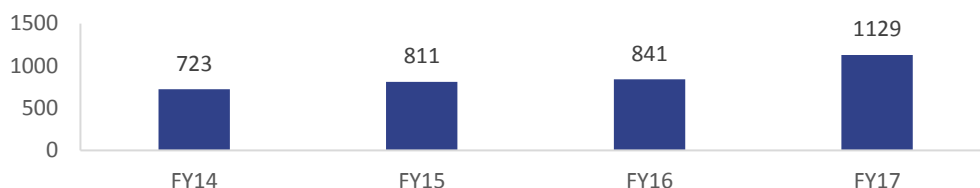


Lupin derives majority of its revenues from the US markets.

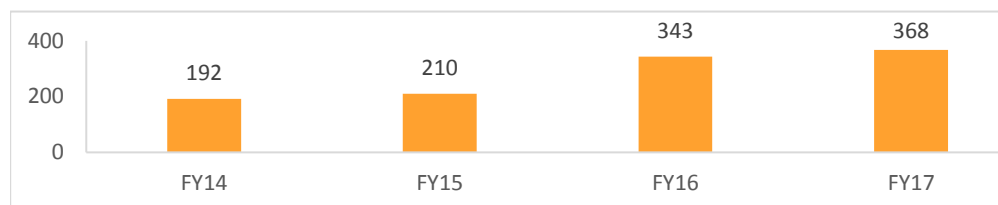
### US: Key market for Lupin

The United States is Lupin's largest and most important market with 48% share of total revenues. The company achieved a new mile stone in FY17 as its US revenues surpassed the USD 1 billion mark.

Lupin's US revenue trend (USD mn)



### Cumulative ANDA pipeline



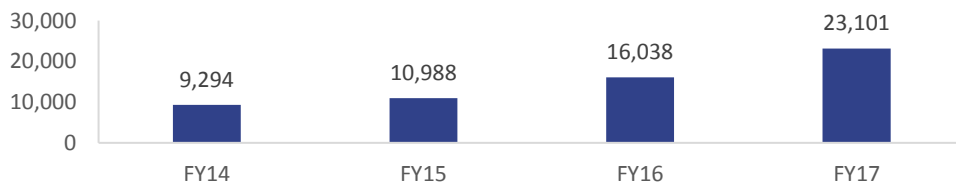
### Lupin's Japan Market

Japan is Lupin's 3rd largest market and contributed 10% to our global revenues during FY 2017. It is also the largest market within the APAC region, representing 79% of the region's total revenues. Lupin operates through two of its subsidiaries in Japan namely Kyowa Pharmaceutical and Kyowa CritiCare. Lupin acquired 21 branded products from Japan's Shionogi for USD150mn with sales of USD90mn in 2016. This further strengthen the company's Central Nervous System (CNS), Oncology, Cardiovascular and Anti-infective portfolios.

### Lupin's other markets

Lupin's APAC region revenues grew by 28% during FY 2017. Further, Lupin EMEA registered revenues of Rs 10,115 million in FY 2017, accounting for 6% of the Company's global revenues. Lupin's Europe revenues grew 11%, registering sales of Rs 4,507 million.

R&D spend on the rise (Rs. mn)



### Financial performance snapshot

Lupin reported 13.4% decline in consolidated net sales in Q1FY18 on account of weak US business which was impacted by lower Glumetza sales. US sales (42% of total revenue) declined the most by 26.8% YoY led by higher than anticipated price erosion in select products like Glumetza and Fortamet due to high competition. EBITDA margin declined ~940bps to 19.9% in Q1FY18 primarily impacted by pricing pressure in the US market along with higher research and development expenditure. Adj. PAT plunged 59.1% YoY due to fall in other income (down 61.3% YoY) and rise in depreciation (up 28.5%) and interest charges (up 37.3%). However, lower tax charges (down 50% YoY) restricted the decline in the bottomline.

### Balance Sheet (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Share Capital	90	90	90
Reserve and surplus	8,784	11,073	13,407
<b>Net Worth</b>	<b>8,874</b>	<b>11,163</b>	<b>13,498</b>
Minority Interest	24	32	35
Total Debt	471	7,119	7,952
Other non-current liabilities	408	994	1,307
<b>Total Equity &amp; Liabilities</b>	<b>9,777</b>	<b>19,309</b>	<b>22,791</b>
Fixed Assets	4,944	11,419	13,166
Investments	1,658	16	2,136
Net current assets	2,816	6,570	6,024
Other non-current assets	358	1,304	1,465
<b>Total Assets</b>	<b>9,777</b>	<b>19,309</b>	<b>22,791</b>

### Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY15	FY16	FY17
<b>Net profit/loss before tax &amp; extraordinary items</b>	3,415	3,329	3,535
Net cashflow from operating activities	2,733	(382)	3,980
Net cash used in investing activities	(1,055)	(6,962)	(4,583)
Net cash used from financing activities	(198)	5,828	481
<b>Net inc/dec in cash and cash equivalents</b>	1,481	(1,516)	(122)

### Profit & Loss Account (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
<b>Net Sales</b>	<b>12,600</b>	<b>13,758</b>	<b>17,120</b>
Other operating income	173	498	375
<b>Total Operating income</b>	<b>12,772</b>	<b>14,256</b>	<b>17,494</b>
Expenses	9,150	10,570	13,001
<b>EBITDA</b>	<b>3,622</b>	<b>3,685</b>	<b>4,493</b>
Depreciation	435	487	912
Other Income	93	185	107
<b>EBIT</b>	<b>3,280</b>	<b>3,383</b>	<b>3,687</b>
Interest cost	10	59	153
<b>Profit Before Tax</b>	<b>3,271</b>	<b>3,324</b>	<b>3,535</b>
Tax	970	1,059	979
<b>Profit After Tax</b>	<b>2,300</b>	<b>2,265</b>	<b>2,556</b>
Minority Interest	41	9	7
P/L from Associates	-	5	8
<b>Adjusted PAT</b>	<b>2,259</b>	<b>2,261</b>	<b>2,557</b>
E/o income / (Expense)	144	-	-
<b>Net Profit</b>	<b>2,403</b>	<b>2,261</b>	<b>2,557</b>

### Key Ratios (Consolidated)

	FY15	FY16	FY17
EBITDA Margin (%)	28.4	25.9	25.7
EBIT Margin (%)	25.7	23.7	21.1
NPM (%)	17.7	15.9	14.6
ROE (%)	28.4	22.5	20.7
ROCE (%)	38.8	24.4	18.5
EPS (Rs.)	50.3	50.2	56.6
P/E (x)	21.0	21.0	18.6
BVPS (Rs.)	198.0	248.5	299.6
P/BVPS (x)	5.3	4.2	3.5
EV/EBITDA (x)	12.6	14.6	11.8



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