



Index

- ♦ [Stock Update >> Lupin](#)
- ♦ [Viewpoint >> Great Offshore](#)

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Aban Offshore	03-Mar-05	330	1,215	1,760
♦ Aditya Birla Nuvo	06-Dec-05	714	1,153	1,280
♦ Ceat	28-Nov-06	122	119	190
♦ Lupin	06-Jan-06	403	582	670
♦ Thermax	14-Jun-05	124	370	425

Lupin

Apple Green

Stock Update

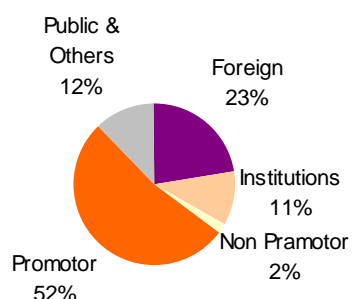
USFDA nod for Trandolapril

Buy; CMP: Rs582

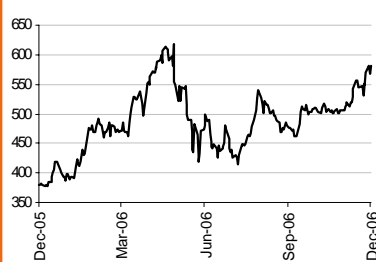
Company details

Price target:	Rs670
Market cap:	Rs4,677 cr
52 week high/low:	Rs637/365
NSE volume: (No of shares)	57,220
BSE code:	500257
NSE code:	LUPIN
Sharekhan code:	LUPLTD
Free float: (No of shares)	3.8 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	15.3	21.6	21.4	53.1
Relative to Sensex	16.0	10.4	-10.6	7.3

Key points

- Lupin has obtained a tentative approval from the US Food and Drug Authority (USFDA) for its abbreviated new drug application for Trandolapril tablets of strengths 1mg, 2mg and 4mg. Trandolapril is prescribed for the treatment of hypertension.
- Abbot Laboratories Plc, USA is the innovator of Trandolapril, which is sold under the brand name *Mavik*®. The annual sales of the product in the USA stood at approximately \$53 million for the twelve months ended July 2006, based on IMS data. The product patent expires in June 2007.
- Lupin would launch the generic equivalent of the *Mavik*® tablets in US markets on receiving the final approval from the USFDA. The final permission is expected upon the expiry of the patent protection for the branded product in June 2007.
- Anticipating a 25% market share for Lupin at a 30% price erosion, we expect the product to generate revenues worth Rs27.8 crore (for the eight months after the expiry of the patent in June 2007) in FY2008.
- At the current market price of Rs582, Lupin is quoting at 14.9x its FY2008E earnings estimate, on a fully diluted basis. Keeping in mind the strong business fundamentals and growth potential of the company, we maintain our Buy recommendation on the stock with a price target of Rs670.

Event

Lupin has obtained a tentative approval from the USFDA for its abbreviated new drug application (ANDA) for Trandolapril tablets of strengths 1mg, 2mg and 4mg.

Product details

Trandolapril is prescribed for the treatment of hypertension. Abbot Laboratories Plc, USA is the innovator of Trandolapril, which is sold under the brand name *Mavik*®.

Valuation table

	Rs (cr)				
Particulars	FY2004	FY2005	FY2006	FY2007E	FY2008E
Net sales	1119.3	1161.1	1606.1	1934.1	2539.0
PAT	149.6	84.4	182.7	238.4	344.8
Shares in issue (cr)	8.8	8.8	8.8	8.8	8.8
EPS (Rs)	17.0	9.6	20.7	27.0	39.1
PER (x)	34.3	60.9	28.1	21.5	14.9
cash EPS (Rs)	20.3	13.3	25.3	32.5	45.2
cash PER (x)	28.7	43.7	23.0	17.9	12.9
EV	5496.2	5557.0	5591.0	5104.3	5080.8
EV/Ebidta (x)	23.3	43.7	24.5	16.8	12.4
Book value (Rs/share)	50.8	56.7	73.0	142.7	174.4
P/BV (x)	11.5	10.3	8.0	4.1	3.3
Mcap/sales	4.6	4.4	3.2	2.7	2.0

The annual sales of the product in the USA stood at \$53 million for the twelve months ended July 2006, based on IMS data. The product patent expires in June 2007.

What the product approval means for Lupin

Lupin has received the tentative approval from USFDA for its ANDA on Trandolapril, as the drug is currently under patent protection. Hence, Lupin can launch the generic equivalent of Abbott's *Mavik*® tablets in US market on final approval, which is expected upon expiry of patent protection for the brand product in June 2007.

Currently, Teva and the innovator are marketing the product. The important thing is that so far just two players including Lupin have got the tentative approval for this product. This indicates that Lupin can have the early-mover advantage in grabbing a larger pie of the generic market for Trandolapril.

Anticipating a 25% market share for Lupin at a 30% price erosion, we expect the product to add revenues worth Rs27.8 crore (for eight months after the expiry of the patent in June 2007) in FY2008.

View and valuation

Lupin's domestic formulation business has been growing by over 20% in the last few quarters, way above the industry growth rate of roughly 15%. With a strong thrust on the chronic therapy segments, a doubling of its field force and aggressive new product launches, we estimate Lupin's domestic business would grow at a compounded annual growth rate of 22.5% over FY2006-08. The growth would

come on the back of 15-20 new launches per year and an increase in the productivity of the field force.

We believe the US generic business will be the major growth driver for Lupin. Sizeable new product opportunities coupled with a sustained growth in the existing products provide a strong visibility to Lupin's earnings from the US generic market. We have estimated revenues of \$70 million in FY2007 and of \$130 million in FY2008 from the US generic business. Further, any Para IV wins will provide an upside to our estimates.

Lupin has recently started exporting formulations to the European countries. Having already made 11 dossier filings in FY2006, the company plans to file 10-12 dossiers every year. We estimate Europe to add \$3 million and \$10 million in FY2007 and FY2008 respectively to Lupin's top line.

Lupin has a robust pipeline of four new chemical entity (NCE) molecules. One of these is entering Phase III trials, two are in Phase II clinical trials and another one is in Phase I trials. Lupin's lead NCE, an anti-migraine molecule, has received the approval from the Drug Controller General of India for Phase III trials in India. This is most likely to trigger an out-licencing deal for the molecule leading to milestone receipt and additional value for the stock.

At the current market price of Rs582, Lupin is quoting at 14.9x its FY2008 earnings estimate, on a fully diluted basis. Keeping in mind the strong business fundamentals and growth potential of the company, we maintain our Buy recommendation on Lupin with a price target of Rs670.

The author doesn't hold any investment in any of the companies mentioned in the article.

Great Offshore

Viewpoint

Follow the leader

Great Offshore Ltd (GOL), the de-merged offshore business of the Great Eastern Shipping Company, is likely to get listed tomorrow. The de-merger has been a step towards unlocking the value of the offshore business that commands much higher multiples as compared with the shipping business. More so in the current scenario where the heightened exploration activity globally is resulting in firming up of the charter rates for offshore drilling and offshore support vessels, and the other allied services.

Moreover, GOL, under the leadership of Vijay Sheth, would be able to focus on aggressively growing the asset base in the offshore business and to further consolidate its dominant position in India. With a fleet size of 38 vessels (including support vessels, construction barges, drilling rigs and ships), the company is the largest domestic player in the segment. It has already ordered four more vessels, including one jack-up offshore rig. The company is expected to leverage its balance sheet and raise resources to fund its huge capital expenditure plans of over \$200 million in the coming couple of years.

Acquisition of fleet

Particulars	Nos	
Acquisitions between April-Nov 2006		
PSV	2	
AHTS	2	
MSV	1	
Vessels on order		Expected Delivery
AHTS	1	Dec-06
AHTS	1	Feb-07
AHTS	1	Sep-08
Jack Up Rig	1	Nov/Dec-08

Source: Company, Annual report

Fair value

The listed comparable companies like Garware Offshore and South East Asia Marine are trading at an average of 19.6x CY2006 earnings. Given the fact that GOL is a much larger player, it should at least command 20x FY2007 estimated earnings (rough estimates) of around Rs33-34 per share (after accounting for the muted performance in the second half due to the dry-docking of its jack-up rig). That works out to Rs660-680 per share.

Peer valuations

	EPS (CY06)	PER
Garware Offshore	9.2	28.8
SEAMEC	15.3	10.5
Average		19.6

The author doesn't hold any investment in any of the companies mentioned in the article.

Evergreen

HDFC Bank
 Infosys Technologies
 Reliance Industries
 Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
 ACC
 Apollo Tyres
 Bajaj Auto
 Balrampur Chini Mills
 Bank of Baroda
 Bank of India
 Bharat Bijlee
 Bharat Electronics
 Bharat Heavy Electricals
 Canara Bank
 Corporation Bank
 Crompton Greaves
 Elder Pharmaceuticals
 Grasim Industries
 Hindustan Lever
 Hyderabad Industries
 ICICI Bank
 Indian Hotels Company
 ITC
 Mahindra & Mahindra
 Marico
 Maruti Udyog
 Lupin
 Nicholas Piramal India
 Omax Autos
 Ranbaxy Laboratories
 Satyam Computer Services
 SKF India
 State Bank of India
 Sundaram Clayton
 Tata Motors
 Tata Tea
 Unichem Laboratories
 Wipro

Cannonball

Allahabad Bank
 Andhra Bank
 Cipla
 Gateway Distriparks
 International Combustion (India)
 JK Cement
 Madras Cement
 Shree Cement
 Transport Corporation of India

Emerging Star

3i Infotech
 Aban Offshore
 Alphageo India
 Cadila Healthcare
 KSB Pumps
 Marksans Pharma
 Navneet Publications (India)
 New Delhi Television
 Nucleus Software Exports
 Orchid Chemicals & Pharmaceuticals
 ORG Informatics
 Soletron Centum Electronics
 Tata Elxsi
 Television Eighteen India
 Thermax
 TVS Motor Company
 UTI Bank

Ugly Duckling

Ahmednagar Forgings
 Ashok Leyland
 BASF India
 Ceat
 Deepak Fertilisers & Petrochemicals Corporation
 Fem Care Pharma
 Genus Overseas Electronics
 HCL Technologies
 ICI India
 India Cements
 Indo Tech Transformers
 Jaiprakash Associates
 JM Financial
 KEI Industries
 NIIT Technologies
 Punjab National Bank
 Ratnamani Metals and Tubes
 Sanghvi Movers
 Saregama India
 Selan Exploration Technology
 South East Asia Marine Engineering & Construction
 Subros
 Sun Pharmaceutical Industries
 Surya Pharmaceuticals
 UltraTech Cement
 Union Bank of India
 Universal Cables
 Wockhardt

Vulture's Pick

Esab India
 Orient Paper and Industries
 WS Industries India

[Home](#)

Disclaimer

"This document has been prepared by Sharekhan Ltd.(SHAREKHAN) This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited. Kindly note that this document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

SHAREKHAN & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of SHAREKHAN."