



Between the Lines

Daily Corporate News Analysis

December 24th 2007

Lupin Laboratories

Result Update

Key Data

CMP	Rs 629
Date	December 24 th 2007
Sector	Pharmaceutical
Face Value	Rs.10
BSE Code	500257
52 Week H/L	Rs 755/520
Market Cap	Rs 5162 Cr

Investment Rationale

Lupin is one of the world's largest manufacturers of drugs that combat tuberculosis, bacterial infections and cardiovascular diseases. Lupin came into existence due to amalgamation of Lupin laboratories with Lupin Chemicals. Lupin was one of the largest producers of ethambutol, an anti-TB drug. It was the first Indian company to undertake commercial manufacture of Vitamin B6.

The company also expects strong gains from its entry into the US cefotaxime market, where it holds a near-exclusive position. Lupin has 10 API/intermediates and finished products facilities across 5 different bases in India, nine of which are approved by the USFDA; two by the UKMCA. The integrated manufacturing gives the company larger economies of scale which result in cost leadership with assured quality.

Lupin works closely with an extensive network of global laboratories, companies and academic institutions on various research projects. Lupin markets active pharmaceutical ingredients and finished products to nearly 50 countries. Among these are the advanced markets of the US and Europe.

Lupin is a leading global player in Anti-TB, Cephalosporin (anti-infectives) and cardiovascular drugs (Prils and Statins) and has a notable presence in the areas of Diabetology, NSAIDS and Asthma.

Key Developments

Lupin to buy specialty pharma company in US

Indian drug maker Lupin plans to acquire a speciality pharmaceutical company in the United States to expand its portfolio of brands in the Paediatrics segment. The company has already identified a few potential targets and expects to complete the transaction within the next three months.



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Lupin to acquire leading Japanese generic company

Lupin Ltd has acquired a significant majority stake in Kyowa pharmaceuticals, a leading Japanese generics company, ranked amongst the top 10 Generic companies. Kyowa with sales of Yen7.4 bn for the year ended 2007, develops manufactures and markets a range of generics in Japan.

Lupin wins Ramipril product patent challenge at Federal court

Lupin Ltd. (Lupin), won the district court decision on Ramipril, with court finding the Aventis patent on Ramipril invalid. Aventis owns the '722 patent in question and King Pharmaceuticals markets Altace. Ramipril is one of the ACE inhibitors, which are useful for treating high blood pressure and Altace revenues were over USD 900 million in the US (IMS MAT Jun 2007).

Lupin to acquire the pharma business of Rubamin

Lupin Ltd. (Lupin) in order to strengthen its CRAMS business has acquired Rubamin Laboratories Ltd. (RLL), a part of the Rubamin group. The pharmaceutical business of Rubamin group was operated through its subsidiary RLL, largely engaged in the manufacture of advanced intermediates for APIs under Contract Research And Manufacturing (CRAMS) model.

Financial Performance

Lupin labs have posted an excellent Q2 FY08 result. The sales and net profit has shown a growth of 36percent and 47 percent YoY to Rs675 crores and Rs75.6 Crores respectively. Revenues from API Segment increased by 20 percent whereas Domestic finished dosage revenues were up by 22percent. EBITDA (Excl OI) was up by 57 percent to Rs112.5 Crore. This was led by a strong traction in dosages and API sales in developing markets. The growth in profits came about despite lower other income and higher tax rate.

Valuations

At current market price of Rs 629 the stock is quoting at a PER 17.09 x. On EV/Sales and EV/EBITDA it is available at 2.44x and 13.85x of TTM September 07 earning respectively.



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