

Lupin Ltd

Relative to sector: **Outperformer**Analyst: **Rohita Sharma**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 82mn
Market cap	: Rs 59.4bn
52 week high/low	: Rs.779/ Rs.430
Avg. daily vol. (6mth)	: 243,900 shares
Bloomberg code	: LPC IB
Reuters code	: LUPN.BO

Shareholding (%) Jun-08 QoQ chg

Promoters	: 51.1	0.0
FII's	: 12.4	4.2
MFs / UTI	: 12.0	2.0
Banks / FIs	: 8.4	8.3
Others	: 16.1	(14.4)

Financial summary

Y/E Mar	Sales [#] (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs.)
2007	20,137	2,343	-	26.6	35	-	19.6	20.1	-	4.6
2008	27,064	3,293	-	37.4	41	19.3	21.6	22.0	15.7	9.4
2009E	32,850	4,093	48.2	46.5	24	15.5	21.6	21.5	12.6	8.5
2010E	36,906	4,801	57.3	54.6	17	13.2	21.2	22.2	10.8	8.0

Source: *Consensus broker estimates, Company, ENAM estimates, [#] does not include PD financials

LUPIN EXPANDS TO AFRICA

Lupin has acquired a majority stake in Pharma Dynamics (PD), a South Africa-based generic company. This is Lupin's third acquisition in the current fiscal after Hormosan in Germany and Generic Health in Australia. As highlighted in our earlier note, "Good times to continue", Lupin is expanding into new geographies by augmenting its product basket and acquiring front ends across key markets. We expect these efforts to result in improved earnings quality and return ratios for the company. We expect Lupin to record 17% and 21% CAGR in sales and net profit from FY08-FY10 and retain sector **Outperformer** with a target of Rs 873.

Key highlights

- PD had sales of Rand 118mn (USD 15mn) for yr ended Feb'08 (likely to be ~USD 20mn by Feb'09) and is among the fastest growing companies in Africa with leadership in CVS. It is ranked 6th amongst generic companies, growing at 34% annually (IMS).
- Lupin has not indicated the amount paid for this acquisition. It has however, shared that PD enjoys EBITDA margin of ~20% and that this deal would be EPS accretive for it in FY09 itself.
- PD's sales have been growing at a CAGR of 30-35%, and it is expected to do better going forward supplemented by Lupin's portfolio and its targeted launch of at least 12 products this year.
- PD outsources its manufacturing and does not have immediate plans of shifting manufacturing to India.

Win – win for Lupin and Pharma Dynamics

- Lupin would have a direct access to Africa, which is a lucrative market, expected to grow to USD 4bn in 2012 from USD 2.5bn in 2007. It would have access to PD's front end and its relationships with distributors in Africa.
- Lupin would strengthen PD's product portfolio in Africa through its own brands and look at cross selling opportunities through some of its latest acquisitions in other markets.

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