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## COMPANY ALERT

### Lupin

**Better than expected 3Q, upgrade estimates & TP, Buy**

## Results

### Buy

Reuters:LUPN.BO Exchange:BSE Ticker:LUPN

Price (INR)	1,420.45
Price target (INR)	1,585.00
52-week range (INR)	1,523.95 - 565.15
Market cap (USDm)	2,546
Shares outstanding (m)	88.3
Net debt/equity (%)	55.0
Book value/share (INR)	224.03
Price/book (x)	6.3

FYE 3/31	2009A	2010E	2011E
Sales (INRm)	37,759	47,907	58,026
Net Profit (INRm)	5,350.6	7,289.7	9,709.2
DB EPS (INR)	60.61	82.58	109.99
PER (x)	10.6	17.2	12.9
Yield (net) (%)	1.9	1.2	1.4

#### Lupin: Revised estimates (INR bn)

Y/E Mar	FY10e	FY11e	FY12e
Sales	47.9	58.0	66.4
EBITDA	9.5	12.9	14.3
PAT	7.3	9.7	10.5
Change in estimates			
Sales	4.9%	7.3%	9.4%
EBITDA	3.1%	6.8%	9.4%
PAT	3.9%	7.8%	8.8%

Source: Deutsche Bank

**Much better than expected interims:** (a) Revenues grew 25% yoy driven by (i) ~33% growth in US (contributing 34% of total 3Q revenues) (ii) ~23% growth in India formulations (27%) and (iii) 28% growth in API (15%). Excluding the acquired Antara brand in US, total revenues and US revenues increased ~18% and ~11% respectively (b) Robust revenue growth, better product-mix in US and high gross margins of Antara (~75%), which was acquired in Sept'09 without any overhead costs, helped drive EBITDA by 27% (c) Higher effective tax-rate due to higher profits in US constrained PAT excluding forex gain/ loss to ~5% (d) Despite the robust revenue growth, working capital increased by only 3% (e) This coupled with the conversion of USD 32m of FCCB (USD 71m ytd) helped lower net gearing to 39% as of 31 Dec'09 as against 57% as of 31 Mar'09.

**Outlook continues to be robust:** (a) Focus on India (a high-margin, low-risk market) to continue its growth momentum for future (b) It is ramping up marketing personnel in US from 90 to 160 to drive growth in Antara and Allernaze (c) Post the re-approval of its Mandideep plant as also of its Indore and Aurangabad plants in the 3Q and with 70 ANDAs pending approvals, we expect a significant ramp-up in new product launches in US. A couple of these US launches will be driving profits due to limited competition. It is confident of having a basket of ~20 approved oral contraceptives (niche branded market) in US by Mar'12 (d) We expect robust growth in other high-potential markets (Japan, Australia, Germany, etc) on its low base.

**Upgrade financial estimates & TP, Buy:** On revised financial estimates, we raise TP (based on our PE based valuation methodology) by ~9% to INR 1,585. Retain Buy rating.

#### Lupin: Trend in interims

Y/E Mar (INR m)	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	% yoy	% qoq	3QDBe
Net Sales	8,624	9,084	10,018	10,615	11,016	11,147	12,554	25%	13%	12,207
EBITDA	1,567	1,826	1,940	2,095	2,102	1,640	2,464	27%	50%	1,982
EBITDA Margins	18.2%	20.1%	19.4%	19.7%	19.1%	14.7%	19.6%			16.2%
PAT	1,160	1,459	1,578	1,824	1,611	1,646	1,648	4%	0%	1,562

Source: Company, Deutsche Bank

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