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COMPANY ALERT

Lupin

In-line 4Q interims

Results

Hold

Reuters:LUPN.BO Exchange:BSE Ticker:LUPN

Price (INR)	423.60
Price target (INR)	430.00
52-week range (INR)	510.80 - 353.83
Market cap (USDm)	4,216
Shares outstanding (m)	444.7
Net debt/equity (%)	17.5
Book value/share (INR)	91.53
Price/book (x)	4.6

FYE 3/31	2011A	2012E	2013E
Sales (INRm)	57,069	65,083	73,334
Net Profit (INRm)	8,624.9	9,646.1	10,570.5
DB EPS (INR)	19.39	21.69	23.77
PER (x)	20.7	19.5	17.8
Yield (net) (%)	0.7	0.9	1.2

While robust growth in formulations drive 4Q revenues...: Revenues at INR 15.1bn (+18%yoy, +3%qoq, DBe INR 14.5bn) were driven by (1) robust growth in US generics to INR 3.8bn (+9.7%, +6.2%, INR 3.7bn), despite the high base with launch of generic Lotrel in last 4Q (2) lackluster growth in India formulations (weakest growth in last 12 quarters) at INR 3.1bn (+7.9%, -23.3%, INR 3.5bn) (3) stable US branded formulations at INR 2bn (flat, +40%, INR 1.7bn) with robust qoq growth post the change in accounting policy for rebates from SG&A to netting of sales (4) robust growth in Japan to INR 1.6bn (+28.4%, -6.3%, INR 1.6bn) despite ~15% price cuts in Apr'10, (5) stable European revenues at INR 0.4bn (+3.6%, -33.8%, INR 0.6bn), and (6) fall in API revenues to INR 2.5bn (-12.5%, +9.5%, INR 2.4bn).

...higher costs lead to in-line PAT: EBITDA margins declined to 17.8% (-160bps yoy, DBe 18%) driven by (1) Spike in RM costs at INR 6.2bn (+26% yoy) with RM/ Revenues at 40.7% being the highest in last 5 quarters. We believe that this was driven by high cost inflation and lower proportion of revenues from high-margin formulations in India and branded US (2) Higher R&D costs at INR 1.5bn (+30%yoy) resulting in R&D/ Revenues at 9.7% being the highest in last 9 years, and (3) Recent commissioning of Indore SEZ driving staff costs by 23%. Hence, despite higher revenues, EBITDA at INR 2.7bn (+8%yoy, +6%qoq) and PAT at INR 2.3bn (+3%, +1%) were in-line with DBe at INR 2.6bn and 2.2bn respectively.

Marginal revision in estimates, maintain TP of INR 430 and Hold rating. Await more details at the analyst meet today.

Lupin: Revised estimates (INR m)

YE Mar	FY11e	FY12e	FY13e
Revenue	57,069	65,083	73,334
EBITDA	10,658	12,085	13,663
PAT	8,625	9,646	10,571
% change			
Sales	-0.3%	-0.8%	-1.0%
EBITDA	-3.7%	-2.2%	-3.1%
PAT	-2.7%	-1.3%	-2.3%

Source: Deutsche Bank

Lupin: Trend in interims

Y/E Mar	4Q10	1Q11	2Q11	3Q11	4Q11	% yoy	% qoq	DBe
Revenue	12,848	13,121	14,051	14,672	15,115	18%	3%	14,450
EBITDA	2,490	2,702	2,698	2,542	2,687	8%	6%	2,600
- margin	19.4%	20.6%	19.2%	17.3%	17.8%			18.0%
PBT	2,543	2,450	2,478	2,516	2,600	2%	3%	2,530
-Tax rate	12%	14%	11%	9%	12%			12%
PAT	2,206	1,963	2,150	2,240	2,272	3%	1%	2,166

Source: Company, Deutsche Bank

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