

| | |
|-----------------------|--------------------|
| BSE SENSEX | S&P CNX |
| 27,253 | 8,432 |
| Bloomberg | LPC IN |
| Equity Shares (m) | 447.5 |
| M.Cap.(INRb)/(USDb) | 684.3 / 10.2 |
| 52-Week Range (INR) | 1912 / 1294 |
| 1, 6, 12 Rel. Per (%) | 5/-11/-22 |
| 12M Avg Val (INR M) | 2300 |
| Free float (%) | 53.3 |

Financials & Valuations (INR b)

| Y/E Mar | 2016 | 2017E | 2018E |
|----------------|-------|-------|-------|
| Sales | 142.1 | 174.6 | 205.6 |
| EBITDA | 37.5 | 45.2 | 55.1 |
| Adj. PAT | 22.7 | 27.7 | 34.7 |
| Adj. EPS (INR) | 50.4 | 61.6 | 77.0 |
| EPS Gr. (%) | -5.7 | 22.2 | 25.1 |
| BV/Sh. (INR) | 243.8 | 295.6 | 362.1 |
| RoE (%) | 22.9 | 22.8 | 23.4 |
| RoCE (%) | 16.8 | 15.3 | 16.4 |
| P/E (x) | 30.3 | 24.8 | 19.9 |
| P/BV (x) | 6.3 | 5.2 | 4.2 |

Estimate change

TP change

Rating change

CMP: INR1,529 TP: INR1,825(+19%)
Buy
Mixed quarter; margin improvement is key

- Lupin's (LPC) 2QFY17 revenue grew 34% YoY to INR42.9b (in-line).** Gross margin remained stable QoQ at 71.0% (est. of 69%). EBITDA improved 55% YoY to INR10.3b (~10% below estimate), with margin of 24% coming in below our estimate of 26.5%. Despite better gross margin, EBITDA margin was lower, primarily due to higher R&D as % of sales at 13.6% (+ ~200bp YoY and QoQ) and forex loss of INR450 above EBITDA. PAT of INR 6.6b was ~4% below our estimate due to lower EBITDA, partially offset by a lower tax rate of 19% (v/s normalized rate of ~25-28%).
- New product approvals key for growth:** Despite flat sequential sales for gGlumetza, US sales stood at USD292m (v/s USD322m in 1Q). This was because of increased competition in gFortamet (lost 6% market share), high-single-digit price decline in base business, and no growth in Gavis portfolio. New competition in gGlumetza and gFortamet will put pressure in 3QFY17. Having said that, 10 expected launches scheduled in 2H (including gMinastrin 24FE FTE, gWellbutrin XL, Potassium Chloride and 2 controlled substance products) and ramp-up of Methergine will help drive growth.
- Recovery in India post muted 1Q:** India business grew ~12% YoY post muted 1Q (+ ~5% YoY). LPC expects to deliver double-digit growth for rest of FY17.
- Key earnings call takeaways:** 1) ~10 and 30 ANDA launches expected in 2HFY17 and FY18E, respectively. 2) Albuterol inhaler filing expected in 3Q. 3) Tax rate guidance of 25%. 4) 23% of products in domestic market under NLEM. 5) Guidance for Gavis sales brought down to ~USD250m for FY18 (v/s USD300m earlier) due to slow ramp-up. 6) EBITDA margin guidance of 26-28% for next few quarters. 7) Shionogi acquisition will be completed in 3QFY17. 8) Constant currency growth in Japan will be ~10-15% in the medium term.
- Valuation view:** Although competition in key products can put pressure on margins in near term, launch of key products from 2HFY17 will help offset this impact. Maintain **Buy** with TP of INR1,825 @ 22x 1HFY19E PER (v/s INR1,850 @ 23x FY18E PER). We cut target multiple and FY17E/FY18E EPS by ~5-6%, mainly on slower Gavis ramp-up, higher R&D and competition in key products.

Quarterly Performance (Consolidated)
(INR Million)

| Y/E March | FY16 | | | | FY17 | | | | FY16 | FY17E | 2QFY17 | % Var |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 31,561 | 33,297 | 35,558 | 41,707 | 44,677 | 42,905 | 42,453 | 44,538 | 142,085 | 174,574 | 43,301 | -0.9 |
| YoY Change (%) | -5.5 | 4.9 | 11.9 | 35.5 | 41.6 | 28.9 | 19.4 | 6.8 | 11.3 | 22.9 | 30.4 | |
| EBITDA | 8,248 | 6,626 | 8,772 | 13,050 | 13,080 | 10,281 | 10,499 | 11,354 | 37,534 | 45,215 | 11,487 | -10.5 |
| Margins (%) | 26.1 | 19.9 | 24.7 | 31.3 | 29.3 | 24.0 | 24.7 | 25.5 | 26.4 | 25.9 | 26.5 | |
| Depreciation | 1,014 | 1,155 | 1,114 | 1,487 | 2,027 | 2,112 | 2,110 | 2,073 | 4,635 | 8,322 | 2,050 | |
| Interest | 70 | 241 | 92 | 213 | 320 | 263 | 350 | 277 | 446 | 1,210 | 350 | |
| Other Income | 757 | 578 | 653 | 349 | 826 | 271 | 600 | 603 | 1,877 | 2,300 | 600 | |
| PBT | 7,921 | 5,809 | 8,219 | 11,699 | 11,560 | 8,177 | 8,639 | 9,606 | 34,330 | 37,982 | 9,687 | -15.6 |
| Tax | 2,258 | 1,591 | 2,909 | 4,188 | 2,734 | 1,589 | 2,300 | 2,672 | 11,536 | 9,496 | 2,700 | |
| Rate (%) | 28.5 | 27.4 | 35.4 | 35.8 | 23.7 | 19.4 | 26.6 | 27.8 | 33.6 | 25.0 | 27.9 | |
| Minority Interest | -3 | 27 | 13 | 51 | 6 | 8 | 98 | 263 | 88 | 375 | 85 | |
| Recurring PAT | 5,686 | 4,198 | 5,298 | 7,479 | 8,820 | 6,622 | 6,241 | 6,671 | 22,707 | 28,112 | 6,902 | -4.1 |
| YoY Change (%) | -9.0 | -33.4 | -11.9 | 36.7 | 55.1 | 58.0 | 17.8 | -10.8 | -5.5 | 23.8 | 68.8 | |
| Margins (%) | 18.0 | 12.6 | 14.9 | 17.9 | 19.7 | 15.4 | 14.7 | 15.0 | 16.0 | 16.1 | 15.9 | |

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

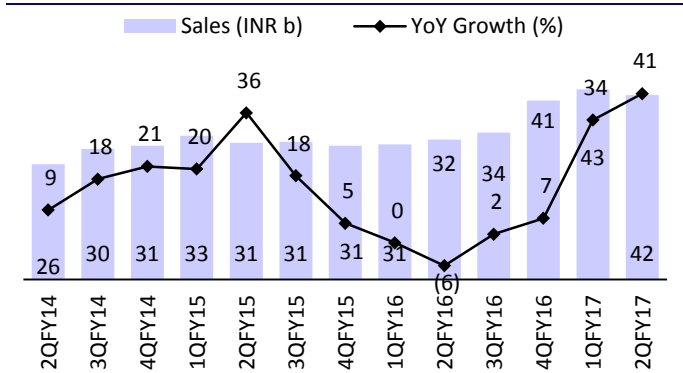
Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Higher R&D, other expenses led to margin miss

Lupin's 2QFY17 net revenues grew 24% YoY to INR42.9b (in line with estimate). Limited competition gGlumetza, gFortamet coupled with consolidation of Gavis continued to support US revenues (up 73% YoY). India business grew 12%YoY to INR9.9b, largely in line with estimates. Japan business recorded 35%YoY growth during this quarter, supported by currency tailwinds. Japan constant currency growth remained modest at 10%YoY. ROW business (EMEA, APAC ex-Japan, LATAM) exhibited weak performance, with revenues declining 6% YoY in 2QFY17.

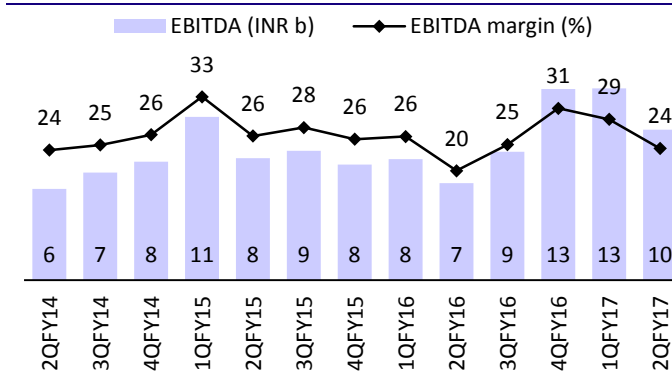
EBITDA increased 55%YoY to INR10.3b (v/s estimate of INR 11.4b, 10% miss). EBITDA margin miss of 250bp (24.0% vs 26.5% est) was primarily attributable to higher than expected R&D expenses and other expenses (which includes INR450m forex loss). R&D expenses were up 170bpYoY to 13.3% of sales (+47%YoY growth in absolute terms).

Exhibit 1: gGlumetza continued to support 2QFY17 revenues



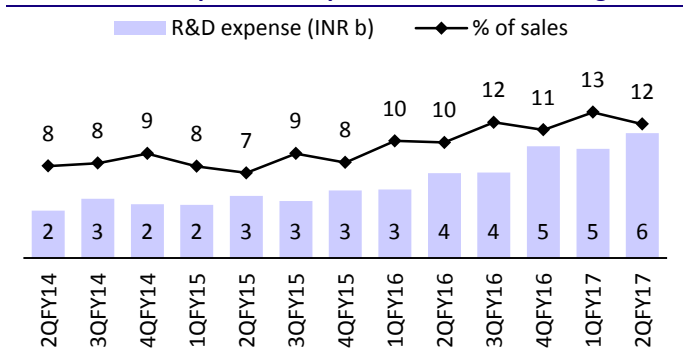
Source: Company, MOSL

Exhibit 2: Higher R&D expenditure impaired Ebitda margins



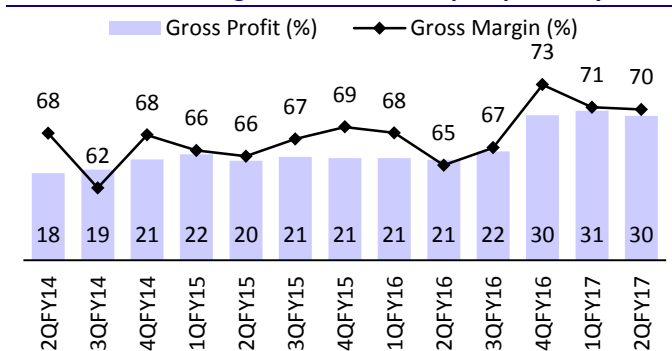
Source: Company, MOSL

Exhibit 3: Scale up in R&D expense to continue through FY17



Source: Company, MOSL

Exhibit 4: Gross margins contracted 50bp sequentially



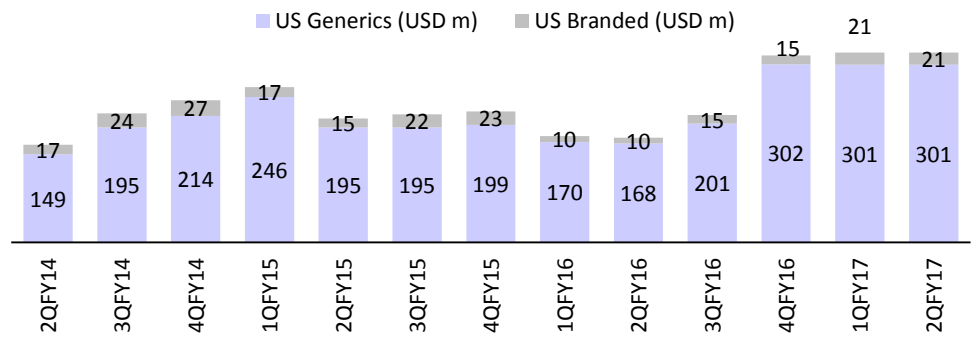
Source: Company, MOSL

US Generic business - (47% of sales)

- US business grew 73%YoY to INR19.9b (USD292m), led by sales of limited completion products namely gGlumetza and gFortamet coupled with consolidation of Gavis financials (~USD25m).
- The Company launched 2 products in the US in 2QFY17. Cumulatively LPC is marketing 124 products in US market, as of end 2QFY17. LPC is the market leader in 42 products and amongst top 3 in 79 of its marketed products. The company currently has 142 ANDA's pending approval in the US which includes 45 FTF opportunities (25 exclusive opportunities). Going forward, LPC expects to

launch 25-30 generic products in FY18E, which will support 29% growth momentum over FY16-19E, along with Gavis' portfolio.

Exhibit 5: US revenues: Generic business continues to drive growth



Source: Company, MOSL

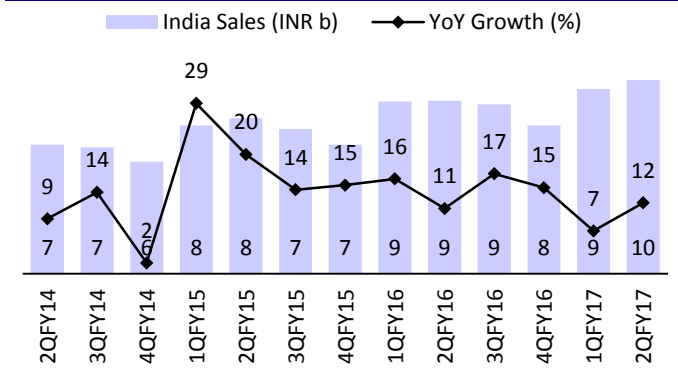
India business – (~24% of sales)

- In 2Q, domestic business exhibited a robust performance and grew 12%YoY to INR9.9b. Lupin launched 8-9 products (in-licensed +FTF) in the domestic market in 1HFY17. Currently 23% of the company’s domestic portfolio is under price control
- Management commentary indicated domestic business growth to rebound to 15%-20%YoY in the near term. We build in 14% CAGR over FY16-19E.

Japan (~10% of sales)

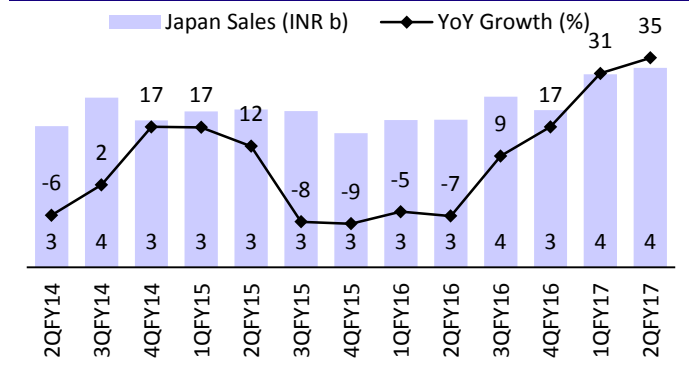
- Japanese business increased 35%YoY to INR4.4b, buoyed by steep rupee depreciation YoY. In constant currency, business grew 10% YoY to JPY6.7b.
- The management is confident of growing Japan business at 10-15%YOY over next few years, supported by new launches and increased generic penetration (80% generic penetration over the next 3 years, from 56% currently).
- The company is currently building one oral solid dosage facility and one injectable facility to specifically cater to demand from the Japanese market.
- Shionogi acquisition will be completed in 3Q FY17. The acquisition will make Lupin the 7th largest generic company in Japan (10th largest generic currently)

Exhibit 6: Domestic growth rebounded in 2QFY17



Source: Company, MOSL

Exhibit 7: Translational currency tailwinds buoyed growth



Source: Company, MOSL

Highlights from Earnings call

- US branded business witnessed sales of USD20m (down 10%QoQ) primarily attributable to lower Suprax sales (seasonality factor). Gavis business was marginally up sequentially, driven by ramp up in Methergine. Gavis' generic business was fairly stable QoQ
- FY17 US sales should be driven by continued sales momentum of gFortamet, gGlumetza where competition is expected to remain limited. Management does not expect additional generic competition in the near term for gGlumetza (currently a 2 player market, 2 additional generic companies have received approval but not launched). With respect to gFortamet management indicated 1 additional competitor could enter the market in the near term (currently a 3 player market).
- LPC expects 10 new launches in 2HFY17 and 30 new launches in the US in FY18E. The key material launches in end FY17-FY18 are gMinastrin 24 Fe (FTF, Expected Mar 2017), gTamiflu (FY18), gFosrenol (FY18), gPrevacid Solutab (FY18) and gWellbutrin XL, gPaxil. Additionally dermatology and controlled substances product launches over FY17-18 to also contribute towards overall US sales growth.
- Additionally management has guided for niche ANDA approvals of gWelchol, gRenvela and gRenagel beginning 2HFY18. The company has received CRL's outstanding from the USFDA for these products, and intends to respond to the queries raised in 2HFY17
- Guidance for R&D as % of sales maintained at 12-15% in FY17 (~INR25b). LPC reported a 47% Y-o-Y jump in R&D expenses in 2QFY17 to INR5.7b (13.3% of net sales) compared to 11.6% of net sales in the 2QFY16 as specialty therapy focus continues for its pipeline.
- Lupin intends to file 30 ANDA's in FY17 (6 ANDA's filed in 1HFY17). The company intends to file for Albuterol Sulfate (gProair HFA) inhaler in 3QFY17 (USD2b market). Perrigo has already filed its ANDA.
- Capital expenditure outlay of USD250-300m in FY17.
- Lower FY17 tax rate guidance of 25%, owing to Ind-As accounting benefits

Valuation and view

Lupin has consistently re-rated over the last five years following consistent earnings performance, improvement in Balance Sheet health and return ratios.

Long term outlook remains firm

We believe long term growth outlook for Lupin remains firm and we expect the company to sustain premium multiples (vs peers). Strong execution track record, and high capital efficiency justify premium multiple.

We value Lupin at 22x 1HFY19E EPS, at par with large cap peers (1 year forward P/E) which is justified noting:

- Robust earnings growth despite sizeable base
- High return ratios (FY16: RoE of 23%)

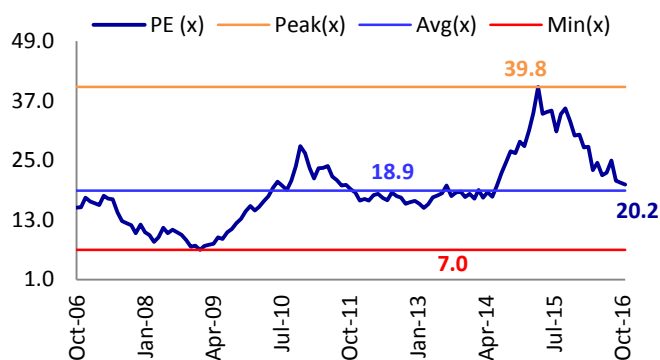
Key catalysts to drive stock performance over medium term are:

- Potential M&A to expand reach in RoW markets (Eastern Europe, Latam).
- Rebuilding of US branded business, with scale-up of new brands (Methergine) and potential new acquisitions.
- Niche US generic launches like gFosrenol, gWelchol, gMinastrin 24FE etc.

We believe that the following factors pose risks to our thesis:

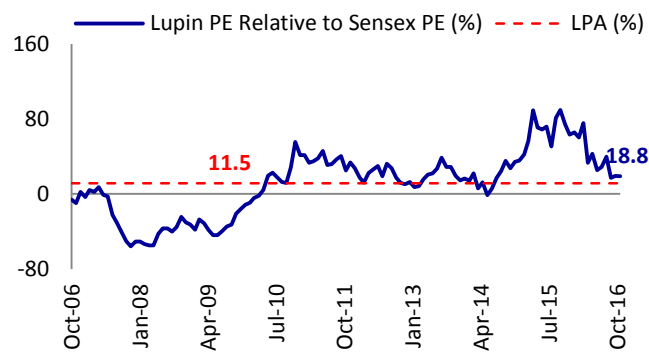
- Regulatory delays affecting key US launches.
- Slower than expected ramp up of Gavis portfolio
- Slower than expected turnaround of Japan business (I'rom acquisition), delaying margin improvement.

Exhibit 8: P/E valuation band (10 years)



Source: Company, MOSL

Exhibit 9: Higher premium relative to Sensex



Source: Company, MOSL

Operating metrics

Exhibit 10: Key operating metrics

| | 1QFY15 | 2QFY15 | 3QFY15 | 4QFY15 | 1QFY16 | 2QFY16 | 3QFY16 | 4QFY16 | 1QFY17 | 2QFY17 |
|---------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Revenue Mix (%) | | | | | | | | | | |
| US | 48.9 | 40.8 | 44.7 | 45.1 | 38.7 | 36.1 | 41.8 | 53.5 | 50.4 | 47.4 |
| India | 23.2 | 25.6 | 23.7 | 21.7 | 28.8 | 27.8 | 25.9 | 18.6 | 21.9 | 23.6 |
| Japan | 10.4 | 11.1 | 10.9 | 9.6 | 10.5 | 10.1 | 11.1 | 8.4 | 9.7 | 10.4 |
| Europe | 2.1 | 2.8 | 2.6 | 2.9 | 2.8 | 3.8 | 3.0 | 3.1 | 2.9 | 2.6 |
| ROW | 6.5 | 9.4 | 9.5 | 10.5 | 8.6 | 11.7 | 9.8 | 9.5 | 8.2 | 9.0 |
| APIs | 8.9 | 10.2 | 8.8 | 10.1 | 10.6 | 10.4 | 8.2 | 6.9 | 6.8 | 6.9 |
| Revenue Growth (%) | 35.7 | 18.4 | 5.4 | 0.1 | (6.4) | 2.4 | 6.8 | 34.0 | 41.2 | 31.9 |
| US | 60.3 | 22.9 | 3.5 | (6.3) | (25.8) | (9.3) | 0.0 | 58.7 | 83.8 | 73.1 |
| India | 29.2 | 20.4 | 14.4 | 15.2 | 16.2 | 11.2 | 17.1 | 14.7 | 7.3 | 12.1 |
| Japan | 16.8 | 11.8 | (8.0) | (8.5) | (5.4) | (6.5) | 9.3 | 17.0 | 31.0 | 35.1 |
| Europe | (29.3) | 18.2 | 21.8 | 12.1 | 24.1 | 39.3 | 25.5 | 40.7 | 49.5 | (8.6) |
| ROW | 8.8 | 11.7 | 24.0 | 2.8 | 23.5 | 26.4 | 10.9 | 21.1 | 34.6 | 1.4 |
| APIs | 20.4 | 11.2 | (7.2) | 5.5 | 11.4 | 4.6 | 0.1 | (7.7) | (8.9) | (12.3) |
| As % of sales | 67.8 | 75.1 | 73.0 | 74.9 | 75.7 | 83.5 | 79.8 | 70.2 | 72.8 | 77.5 |
| Raw material | 33.7 | 34.3 | 32.5 | 31.3 | 31.9 | 35.2 | 33.4 | 27.0 | 29.3 | 29.5 |
| Staff cost | 12.5 | 14.1 | 13.2 | 15.8 | 16.1 | 16.7 | 15.7 | 14.2 | 16.3 | 16.9 |
| R&D cost | 7.4 | 9.1 | 8.3 | 10.1 | 10.2 | 12.1 | 11.7 | 12.5 | 11.5 | 13.6 |
| Other expenses | 14.1 | 17.6 | 18.9 | 17.7 | 17.4 | 19.5 | 18.9 | 16.5 | 15.7 | 17.5 |
| Tax Rate | 39.0 | 23.1 | 28.0 | 19.5 | 28.5 | 27.4 | 35.4 | 35.8 | 23.7 | 19.4 |
| Margins (%) | | | | | | | | | | |
| Gross Margins | 66.3 | 65.7 | 67.5 | 68.7 | 68.1 | 64.8 | 66.6 | 73.0 | 70.7 | 70.5 |
| EBITDA Margins | 33.4 | 26.2 | 27.8 | 25.6 | 26.1 | 19.9 | 24.7 | 31.3 | 29.3 | 24.0 |
| EBIT Margins | 31.5 | 24.0 | 27.2 | 22.9 | 25.9 | 18.9 | 24.8 | 29.2 | 27.4 | 20.0 |
| PAT margins | 19.0 | 20.2 | 19.1 | 17.9 | 18.5 | 13.1 | 15.8 | 18.3 | 20.3 | 15.7 |

Source: Company; MOSL

Story in charts

Exhibit 11: Revenue mix in FY16

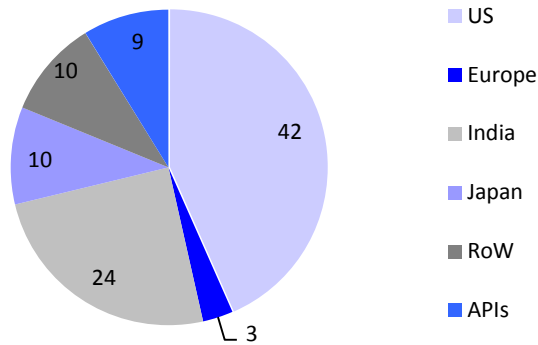


Exhibit 12: Healthy revenue growth on expanded base

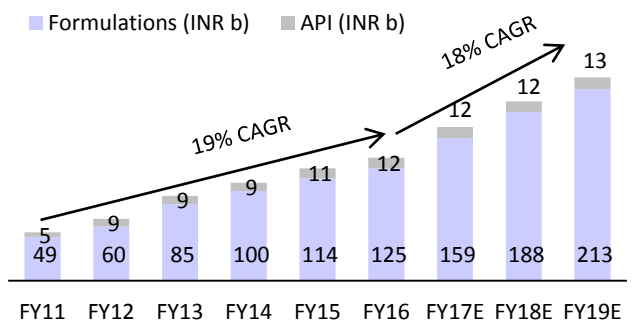


Exhibit 13: US business to be driven by strong ANDA pipeline + Gavis acquisition

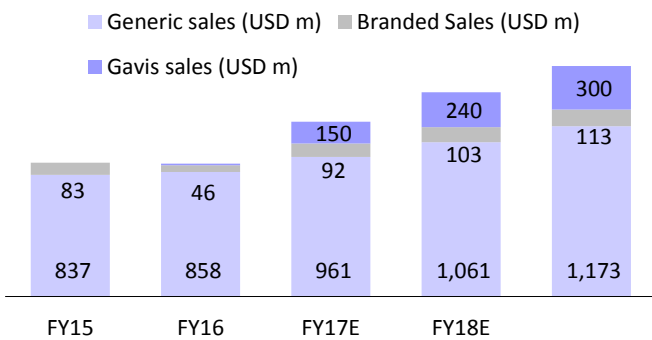


Exhibit 14: Forecast sustained improvement in margins

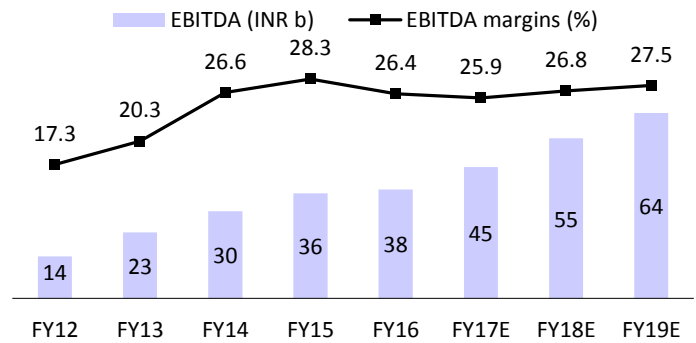


Exhibit 15: Expect strong EPS CAGR of 21% over FY16-19E

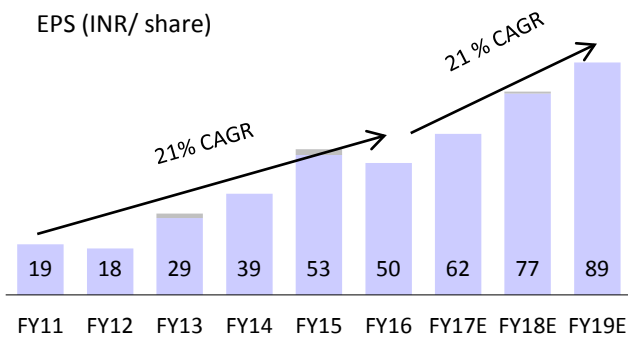


Exhibit 16: Lower tax outflow to support PAT margins

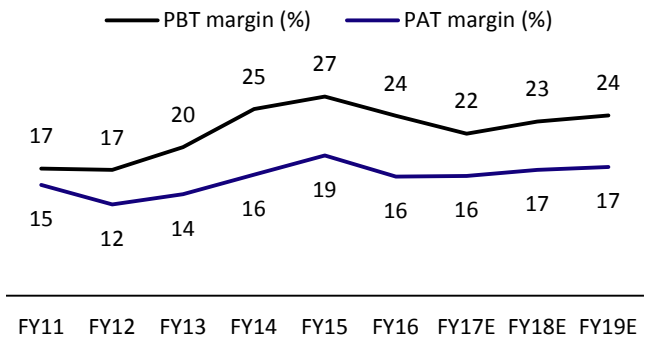


Exhibit 17: Industry leading return ratios

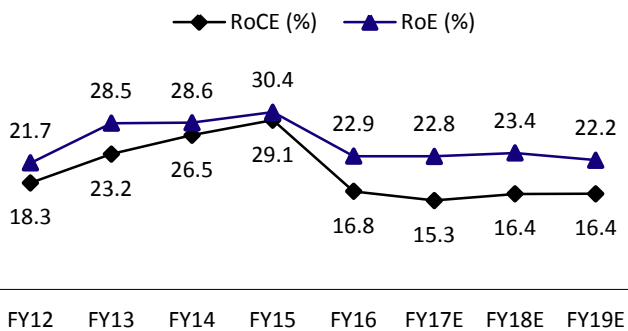
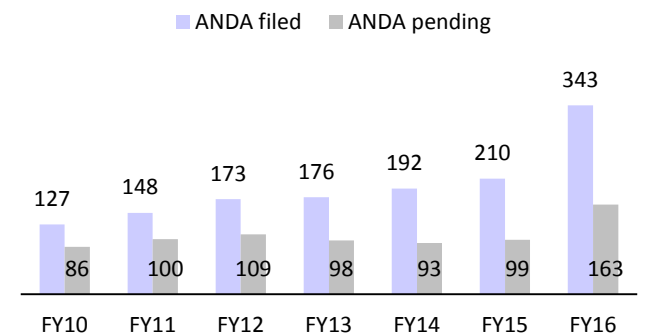


Exhibit 18: Rich ANDA pipeline



Source: Company, MOSL

Source: Company, MOSL

Financials and Valuations

| Income Statement | | | | | | (INR Million) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
| Net Sales | 112,866 | 127,700 | 142,085 | 174,574 | 205,627 | 232,148 |
| Change (%) | 17.1 | 13.1 | 11.3 | 22.9 | 17.8 | 12.9 |
| EBITDA | 30,028 | 36,196 | 37,534 | 45,215 | 55,108 | 63,841 |
| Margin (%) | 26.6 | 28.3 | 26.4 | 25.9 | 26.8 | 27.5 |
| Depreciation | 2,610 | 4,347 | 4,635 | 8,322 | 8,268 | 8,948 |
| EBIT | 27,418 | 31,849 | 32,899 | 36,893 | 46,839 | 54,893 |
| Int. and Finance Charges | 267 | 98 | 446 | 1,210 | 1,182 | 1,182 |
| Other Income - Rec. | 165 | 2,398 | 1,877 | 2,300 | 2,400 | 2,500 |
| PBT before EO item | 27,317 | 34,148 | 34,330 | 37,982 | 48,058 | 56,211 |
| EO Expense/(Income) | -1,000 | 0 | 0 | 0 | 0 | 0 |
| PBT after EO item | 28,317 | 34,148 | 34,330 | 37,982 | 48,058 | 56,211 |
| Tax | 9,622 | 9,704 | 11,536 | 9,496 | 12,976 | 15,739 |
| Tax Rate (%) | 34.0 | 28.4 | 33.6 | 25.0 | 27.0 | 28.0 |
| Less: Minority Interest | 331 | 412 | 88 | 375 | 375 | 375 |
| PAT Adj for EO items | 17,364 | 24,032 | 22,707 | 27,746 | 34,707 | 40,097 |
| Change (%) | 32.1 | 38.4 | -5.5 | 22.2 | 25.1 | 15.5 |
| Margin (%) | 15.4 | 18.8 | 16.0 | 15.9 | 16.9 | 17.3 |

| Consolidated Balance Sheet | | | | | | (INR Million) |
|------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Y/E March | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
| Equity Share Capital | 897 | 899 | 901 | 901 | 901 | 901 |
| Total Reserves | 68,419 | 87,842 | 108,943 | 132,310 | 162,272 | 197,625 |
| Net Worth | 69,316 | 88,741 | 109,844 | 133,211 | 163,173 | 198,526 |
| Minority Interest | 669 | 241 | 321 | 696 | 1,071 | 1,446 |
| Deferred liabilities | 1,779 | 1,182 | 1,239 | 1,239 | 1,239 | 1,239 |
| Secured Loan | 1,968 | 1,018 | 53,739 | 53,739 | 53,739 | 53,739 |
| Unsecured Loan | 4,024 | 3,692 | 17,454 | 17,454 | 17,454 | 17,454 |
| Total Loans | 5,992 | 4,710 | 71,193 | 71,193 | 71,193 | 71,193 |
| Capital Employed | 77,756 | 94,874 | 182,596 | 206,338 | 236,676 | 272,403 |
| Gross Block | 45,638 | 45,445 | 55,887 | 99,945 | 111,968 | 122,827 |
| Less: Accum. Deprn. | 19,283 | 19,174 | 23,262 | 33,535 | 40,150 | 47,308 |
| Net Fixed Assets | 26,355 | 26,271 | 32,625 | 66,409 | 71,817 | 75,518 |
| Capital WIP | 3,041 | 5,760 | 9,812 | 5,156 | 2,828 | 1,664 |
| Investments | 1,785 | 16,584 | 75 | 2,055 | 2,055 | 2,055 |
| Goodwill & Intangibles | 7,202 | 17,411 | 73,586 | 46,832 | 46,832 | 46,832 |
| Curr. Assets | 62,970 | 64,510 | 107,473 | 123,938 | 156,343 | 193,827 |
| Inventory | 21,295 | 25,036 | 31,787 | 30,331 | 35,486 | 39,791 |
| Account Receivables | 24,641 | 26,566 | 45,498 | 45,696 | 53,825 | 60,767 |
| Cash and Bank Balance | 7,975 | 4,814 | 8,379 | 34,650 | 52,962 | 78,306 |
| Others | 9,060 | 8,095 | 21,808 | 13,259 | 14,070 | 14,962 |
| Curr. Liability & Prov. | 23,597 | 35,662 | 40,975 | 38,052 | 43,200 | 47,493 |
| Account Payables | 18,818 | 28,299 | 32,318 | 28,517 | 33,363 | 37,411 |
| Provisions | 4,779 | 7,363 | 8,658 | 9,535 | 9,837 | 10,082 |
| Net Current Assets | 39,374 | 28,848 | 66,498 | 85,886 | 113,143 | 146,334 |
| Appl. of Funds | 77,756 | 94,874 | 182,596 | 206,338 | 236,675 | 272,403 |

E: MOSL Estimates

Financials and Valuations

Ratios

| Y/E March | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EPS (Fully Diluted) | 38.7 | 53.5 | 50.4 | 61.6 | 77.0 | 89.0 |
| Cash EPS (Fully Diluted) | 44.5 | 63.1 | 60.7 | 80.0 | 95.4 | 108.8 |
| BV/Share | 154.6 | 197.4 | 243.8 | 295.6 | 362.1 | 440.6 |
| DPS | 6.0 | 7.5 | 7.5 | 9.0 | 9.0 | 9.0 |
| Payout (%) | 16.0 | 16.9 | 17.9 | 16.9 | 13.7 | 11.8 |
| Valuation (x) | | | | | | |
| P/E (Fully Diluted) | 39.5 | 28.6 | 30.3 | 24.8 | 19.9 | 17.2 |
| Cash P/E (Fully Diluted) | 34.3 | 24.2 | 25.2 | 19.1 | 16.0 | 14.0 |
| P/BV | 9.9 | 7.7 | 6.3 | 5.2 | 4.2 | 3.5 |
| EV/Sales | 6.0 | 5.4 | 5.3 | 4.1 | 3.4 | 2.9 |
| EV/EBITDA | 22.7 | 18.9 | 19.9 | 15.9 | 12.7 | 10.6 |
| Return Ratios (%) | | | | | | |
| RoE | 28.6 | 30.4 | 22.9 | 22.8 | 23.4 | 22.2 |
| RoCE | 26.5 | 29.1 | 16.8 | 15.3 | 16.4 | 16.4 |
| RoIC | 29.7 | 34.4 | 18.8 | 16.8 | 19.9 | 21.4 |
| Leverage Ratio | | | | | | |
| Current Ratio | 2.7 | 1.8 | 2.6 | 3.3 | 3.6 | 4.1 |
| Interest Cover Ratio | 102.9 | 324.7 | 73.7 | 30.5 | 39.6 | 46.4 |
| Debt/Equity (x) | 0.1 | 0.1 | 0.7 | 0.5 | 0.4 | 0.4 |

Cash Flow Statement

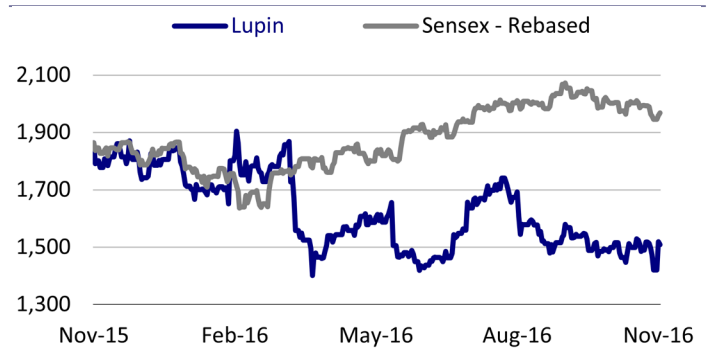
| Y/E March | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
|---------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Oper. Profit before Tax | 30,028 | 36,196 | 37,534 | 45,215 | 55,108 | 63,841 |
| Interest/Dividends Recd. | 165 | 2,398 | 1,877 | 2,300 | 2,400 | 2,500 |
| Direct Taxes Paid | -9,475 | -10,300 | -11,479 | -9,496 | -12,976 | -15,739 |
| (Inc)/Dec in WC | -4,368 | 7,364 | -34,084 | 6,883 | -8,945 | -7,847 |
| CF from Op. incl EO Exp. | 17,349 | 35,657 | -6,152 | 44,902 | 35,587 | 42,754 |
| (inc)/dec in FA | -6,098 | -17,191 | -71,217 | -10,696 | -11,349 | -11,485 |
| Free Cash Flow | 10,251 | 18,466 | -77,369 | 34,206 | 24,238 | 31,270 |
| (Pur)/Sale of Investments | -1,764 | -14,799 | 16,509 | -1,980 | 0 | 0 |
| CF from Investments | -7,862 | -31,991 | -54,708 | -12,676 | -11,349 | -11,485 |
| Change in Net Worth | 1,593 | -1,389 | 2,459 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -4,248 | -1,282 | 66,483 | 0 | 0 | 0 |
| Interest Paid | -267 | -98 | -446 | -1,210 | -1,182 | -1,182 |
| Dividend Paid | -2,939 | -4,058 | -4,071 | -4,745 | -4,745 | -4,745 |
| CF from Fin. Activity | -5,861 | -6,828 | 64,425 | -5,955 | -5,926 | -5,926 |
| Inc/Dec of Cash | 3,626 | -3,161 | 3,565 | 26,272 | 18,312 | 25,343 |
| Add: Beginning Balance | 4,349 | 7,975 | 4,814 | 8,379 | 34,650 | 52,962 |
| Closing Balance | 7,975 | 4,814 | 8,379 | 34,651 | 52,962 | 78,305 |

Corporate profile

Company description

Lupin is amongst the larger pharma companies that is actively targeting the regulated generics markets. Historically very strong in the anti-TB segment, it has over the years built up expertise in fermentation-based products and segments like cephalosporins, prils and statins. Lupin is now a fully integrated company, with manufacturing capabilities in APIs and formulations and a direct marketing presence in the target markets.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

| | Sep-16 | Jun-16 | Sep-15 |
|----------|--------|--------|--------|
| Promoter | 46.7 | 46.8 | 46.6 |
| DII | 7.2 | 7.5 | 6.6 |
| FII | 34.7 | 34.9 | 36.9 |
| Others | 11.4 | 10.8 | 10.0 |

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

| Holder Name | % Holding |
|--------------------------------|-----------|
| National Westminster Bank PLC | 2.4 |
| New Perspective Fund | 1.8 |
| Rakesh Jhunjhunwala | 1.7 |
| Government of Singapore | 1.7 |
| Abu Dhabi Investment Authority | 1.3 |

Source: Capitaline

Exhibit 4: Top management

| Name | Designation |
|-------------------|-------------------------|
| Desh Bandhu Gupta | Chairman |
| Kamal K Sharma | Vice Chairman |
| Nilesh Gupta | Managing Director |
| Vinita Gupta | Chief Executive Officer |
| M D Gupta | Executive Director |
| R V Satam | Company Secretary |

Source: Capitaline

Exhibit 5: Directors

| Name | Name |
|--------------------|--------------------|
| Dileep C Choksi | K U Mada |
| R A Shah | Ramesh Swaminathan |
| Richard Zahn | Vijay Kelkar |
| Jean-Luc Belingard | |
| | |
| | |
| | |
| | |
| | |

*Independent

Exhibit 6: Auditors

| Name | Type |
|------------------------------|--------------|
| Deloitte Haskins & Sells LLP | Statutory |
| Ernst & Young LLP | Internal |
| S D Shenoy | Cost Auditor |
| | |
| | |

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

| EPS (INR) | MOSL forecast | Consensus forecast | Variation (%) |
|-----------|---------------|--------------------|---------------|
| FY17 | 61.6 | 65.7 | -6.3 |
| FY18 | 77.0 | 77.1 | -0.2 |

Source: Bloomberg

NOTES

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