

Rating
HoldAsia
IndiaHealth Care
Pharmaceuticals /
BiotechnologyCompany
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9 February 2017**Results**

Price at 8 Feb 2017 (INR)	1,486.75
Price target - 12mth (INR)	1,513.00
52-week range (INR)	1,905.65 - 1,398.25
Bombay Stock Exchange (BSE 30)	28,290

Kartik Mehta

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Sales (FYE)	159,190 to 171,481	↑	7.7%
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Source: Deutsche Bank

Stock data

Market cap (INRm)	671,172
Market cap (USDm)	9,969
Shares outstanding (m)	451.7
Major shareholders	Gupta family (46.9%)
Free float (%)	0
Avg daily value traded (USDm)	18.9

Source: Deutsche Bank

Key data

FYE 3/31	2016A	2017E	2018E
Sales (INRm)	136,816	171,481	183,554
Net Profit (INRm)	22,706.1	27,117.3	32,551.5
DB EPS (INR)	51.02	60.03	72.06
PER (x)	35.4	24.8	20.6
Yield (net) (%)	0.4	0.6	0.7

Source: Deutsche Bank

Earnings growth hinges on US outlook**Strong quarter; sales beat offset by higher tax led to inline PAT**

Lupin's Q3 sales came ahead of expectations, however higher tax rate (39%) led to in line PAT. EBITDA margins at 25.8% (+ 647bps YoY, + 330bps QoQ) came in line. We believe increasing competition in its key products (two additional players in next twelve months for gGlumetza), market share loss in gFortamet, pricing pressure in base business (single digit) will offset gains from new launches. Maintain Hold. TP of INR 1,513.

3Q Snapshot

Revenues came at INR 44.1bn (+32% YoY, +5% QoQ) led by strong growth across markets. Gross margin remained at 70.5% (flat QoQ). EBITDA margin came at 25.8% , aided by lower other cost (down 230bps, forex led) and R&D (down 70bps). Tax rate came higher at 39% (c27.5% in 9MFY17).

Robust growth across regions

US sales (USD 316mn, + 24mn QoQ) were driven by gGlumetza, new launches, ramp up in Methergine brand. India grew 12% YoY despite demonetisation (impacted 2-3% of growth). APAC (+24% YoY, Japan grew by 20% YoY), RoW (+24% YoY) and LatAm (+33% YoY) led by Brazil (+23%), Mexico (+31%) reported strong growth.

Key call takeaways

a) Expects to maintain EBITDA margin the range of 26-28%; b) Pending ANDAs: 128, FTF: 44 FTF, Q3 Filing: 6; c) Price erosion: single digit; d) US launches: gRenvela, gRenagel, gWelchol – ongoing FDA queries, expect in FY18 end/ early FY19, Minastrin (FTF) in Mar '17 end, gVigamox in July '17; e) Capex – INR 19bn in FY17, INR 13-14bn for FY18; f) Albuterol MDI (gProAir) ANDA filed in US, gAdvair: plans to file in FY18.

Figure 1: Strong topline, lower expenses offset by higher tax led to inline PAT

(Rs. mn)	Dec-16	Dec-15	% Chg	Sep-16	% Chg
Net Sales	44,049	33,503	31.5	42,112	4.6
EBITDA	11,379	6,488	75.4	9,488	19.9
Other income	1,815	2,637	(31.2)	1,064	70.5
PBIDT	13,194	9,125	44.6	10,552	25.0
Depreciation	2,309	1,216	89.9	2,112	9.3
Interest	459	99	364.4	263	74.6
PBT	10,426	7,810	33.5	8,177	27.5
Tax	4,095	2,557	60.1	1,589	157.6
Minority	-0	8	(102.5)	-34	(99.4)
Adjusted PAT	6,331	5,245	20.7	6,622	(4.4)
EBITDA margins (%)	25.8	19.4	647bps	22.5	330bps

Source: Deutsche Bank, company data

Deutsche Bank AG/Hong Kong

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