

## Analyst Corner

# Buy Lupin on US generic pipeline performance

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Maintain 'buy' on Lupin with target price of ₹1,660 per share. We value the stock at 22x FY17e EPS, at par with large cap peers (one-year forward P/E), which is justified noting superior earnings growth of 25% over FY15-17 (versus 20% for peers), high return ratios, strong balance sheet.

Continued traction in US generic pipeline, strong domestic business and scale-up in Japan/RoW business would drive earnings momentum for Lupin, in our view. We believe that it is likely to remain at the higher end of its P/E band as we remain convinced on its execution ability, driving further earnings upgrades.

Following the settlement with innovator Pfizer in Oct 2014, LPC has launched generic Celebrex (celecoxib, NSAID) as an authorized generic player. With three players launching alongside in the first wave of generic competition, Lupin stands to gain fair market share (15-20%). We expect staggered entry of new players in this product (8-10 ANDA filers), thus making it a lucrative revenue opportunity for LPC (estimate revenue of \$75 million in the first year).

We expect Lupin to generate net profit of \$20-25 million from this product over the next four to six quarters, implying an EPS contribution of 2% for FY16e. Hence, we raise the US sales assumptions, leading to an EPS upgrade of 2-3% for FY16e-17e.

*Company*