

India

HOLD (no change)

Consensus ratings*: Buy 15 Hold 17 Sell 12

Current price:	Rs737
Target price:	Rs759
Previous target:	Rs759
Up/downside:	3.0%
InCred Research / Consensus:	4.0%

Reuters:	
Bloomberg:	LPC IN
Market cap:	US\$4,618m
	Rs335,312m
Average daily turnover:	US\$12.1m
	Rs881.2m
Current shares o/s:	454.8m
Free float:	5,290.0%

*Source: Bloomberg

Key changes in this note

- Cut FY23F core EPS estimate by 22% and that of FY24F-25F by 14% each.
- Maintain HOLD rating with a target price of Rs759.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.2)	(1.3)	(7.6)
Relative (%)	(2.9)	0.5	(11.5)

Major shareholders	% held
PROMOTER	47.1
LIC	8.2
ICICI Pru MF	5.6

Analyst(s)



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Lupin Ltd

All hopes on gSpiriva launch

- 3QFY23 EBITDA margin fell short of the trajectory required to touch 16-17% in FY24F which, we believe, is priced into the stock.
- gSpiriva launch is most critical for sustainable growth and margin recovery; now expected in Apr-Jul 2023F.
- Share price downside in case of further problems in gSpiriva launch is more than the upside in case of on-time approval. Maintain HOLD rating on Lupin.

3QFY23 performance – improvement is below the asking rate

Lupin's 3QFY23 revenue came in line, but EBITDA missed our estimate by 10%. Higher finance cost and tax rate led PAT to miss our estimate by 45%. EBITDA margin at 11.9% improved by 140bp QoQ and 300bp YoY but still fell short of the trajectory required to touch 16-17% in FY24F which, we believe, is priced into the stock. The margins would have been helped by gSuprep's 180-day marketing exclusivity and a good flu season in the US.

No pick-up in US market barring gSuprep

North America revenue (\$186m) was up by US\$19m QoQ but the jump is not commendable given the additional revenue from the acquisition of Brovana & Xopenex brands, longer period of gSuprep marketing exclusivity during the quarter and the benefit of a strong flu season. We look forward to multiple high-value launches, including gSpiriva, gNascobal, gDiastat, gNeulasta and gPrezista, helping US business growth in FY24F.

Launch of gSpiriva delayed slightly, but it's extremely critical

The launch of gSpiriva, originally scheduled in FY23F, is now expected in 1HFY24F. Among the high-value US product launches, gSpiriva, given its size and a likely long runway, is most critical to Lupin's sustainable growth and margin recovery. We are building in US\$75m revenue from it in FY24F, going up to US\$120m in FY27F. gSpiriva is expected to contribute 26-29% to our FY24F-FY27F core earnings estimates.

Domestic business growth muted, but a recovery likely in FY24F

Domestic branded business growth at 3% remained muted; we expect a recovery to 9-10% in FY24F. EMEA and RoW market growth at 11% and 22%, respectively, remained healthy; we expect 9-11% sustainable growth in these businesses in the medium term.

Upside likely if gSpiriva launch is on schedule, but we prefer to wait

We have cut FY23F core EPS estimate by 22% and that of FY24F-25F by 14% each. Lupin trades at 25.5x our revised FY24F core earnings. We see some upside in the event of on-time gSpiriva approval (Apr-Jul 2023F) but do not like to take individual product risk. The downside in case of further problems/delay in gSpiriva launch is more than the upside in case of on-time approval. Retain HOLD rating on Lupin with a target price of Rs759. Downside risk: Delay in the launch of high-value products. Upside risk: Larger-than-expected sales from the launch of high-value products.

Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	151,630	164,055	166,317	190,974	208,885
Operating EBITDA (Rsm)	25,669	20,972	16,853	29,225	33,794
Net Profit (Rsm)	12,165	(15,280)	4,765	13,927	17,322
Core EPS (Rs)	26.7	23.3	10.5	30.6	38.1
Core EPS Growth	151.7%	(12.9%)	(55.0%)	192.3%	24.4%
FD Core P/E (x)	27.59	31.69	70.35	24.07	19.35
DPS (Rs)	7.5	10.5	7.5	7.5	8.5
Dividend Yield	1.02%	1.42%	1.02%	1.02%	1.15%
EV/EBITDA (x)	12.65	17.07	22.07	12.90	11.05
P/FCFE (x)	20.98	(24.14)	184.05	24.54	15.44
Net Gearing	(7.7%)	18.3%	29.6%	30.9%	25.4%
P/BV (x)	2.43	2.76	2.76	2.54	2.30
ROE	9.2%	8.2%	3.9%	11.0%	12.5%
% Change In Core EPS Estimates			(17.97%)	(12.84%)	(13.21%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 3QFY23 results snapshot

(Rs m)	3QFY23	3QFY22	yoy(%)	2QFY23	qoq(%)
Revenue	43,222	40,913	6%	41,455	4%
EBITDA	5,160	5,638	-8%	4,342	19%
EBITDA Margin (%)	12%	14%	-2%	10%	1%
PAT	1,535	4,893	-69%	1,297	18%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Actual vs. estimates

(Rs m)	3QFY23A	3QFY23F	Variation (%)
Revenue	43,222	43,756	-1%
EBITDA	5,160	5,727	-10%
EBITDA Margin (%)	12%	13%	-9%
PAT	1,535	2,773	-45%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Actual vs. Bloomberg consensus estimates

(Rs m)	3QFY23A	3QFY23F	Variation (%)
Revenue	43,222	43,238	0%
EBITDA	5,160	5,688	-9%
EBITDA Margin (%)	12%	13%	-9%
PAT	1,535	2,055	-25%

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 4: Our revised estimates

(Rs m)	New estimates		Old estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	1,66,317	1,90,974	1,66,576	1,91,858	0%	0%
EBITDA	16,853	29,225	17,258	32,150	-2%	-9%
EBITDA Margin (%)	10%	15%	10%	17%	0%	-9%
PAT	4,765	13,927	5,808	15,975	-18%	-13%

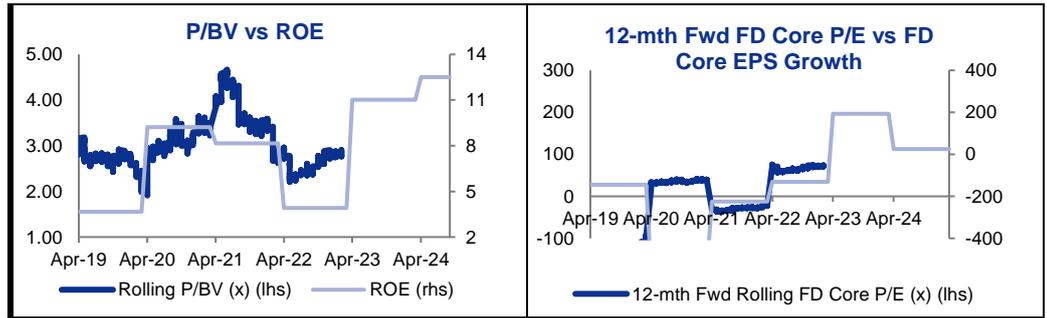
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Core valuation table

	FY21	FY22	FY23F	FY24F	FY25F
Core EPS (Rs)	24.4	19.0	8.0	28.5	35.8
Core EPS growth	227.0%	-22.1%	-58.2%	258.0%	25.6%
Cash per share (Rs)	90.6	42.0	9.1	5.9	5.2
Current Core P/E (Rs)	29.8	38.2	91.4	25.5	20.3
Core ROIC	11.7%	9.0%	5.9%	12.8%	14.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	151,630	164,055	166,317	190,974	208,885
Gross Profit	98,007	99,242	97,976	116,838	128,416
Operating EBITDA	25,669	20,972	16,853	29,225	33,794
Depreciation And Amortisation	(8,874)	(9,510)	(8,367)	(8,900)	(9,400)
Operating EBIT	16,795	11,462	8,486	20,325	24,394
Financial Income/(Expense)	(1,406)	(1,428)	(2,618)	(1,400)	(1,300)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,363	2,101	1,723	1,200	1,200
Profit Before Tax (pre-EI)	16,751	12,135	7,592	20,125	24,294
Exceptional Items					
Pre-tax Profit	16,751	12,135	7,592	20,125	24,294
Taxation	(4,485)	(1,372)	(2,677)	(6,037)	(6,802)
Exceptional Income - post-tax	13	(25,861)			
Profit After Tax	12,279	(15,097)	4,914	14,087	17,492
Minority Interests	(114)	(183)	(149)	(160)	(170)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,165	(15,280)	4,765	13,927	17,322
Recurring Net Profit	12,152	10,580	4,765	13,927	17,322
Fully Diluted Recurring Net Profit	12,152	10,580	4,765	13,927	17,322

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	25,669	20,972	16,853	29,225	33,794
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,925)	(150)	(2,759)	(13,332)	(7,918)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,035	(16,679)	(1,134)	(4,372)	(5,654)
Net Interest (Paid)/Received	(1,406)	(1,428)	(2,618)	(1,125)	(1,611)
Tax Paid	(7,155)	959	895	200	100
Cashflow From Operations	18,217	3,673	11,237	10,596	18,712
Capex	(6,776)	(8,980)	(10,000)	(11,000)	(11,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments		(1,468)	(9,400)		
Other Investing Cashflow					
Cash Flow From Investing	11,441	(6,775)	(8,163)	(404)	7,212
Debt Raised/(repaid)	(13,677)	(10,787)	(1,253)	3,470	(4,210)
Proceeds From Issue Of Shares	106	2			
Shares Repurchased					
Dividends Paid	(2,723)	(2,951)	(4,771)	(3,413)	(3,419)
Preferred Dividends					
Other Financing Cashflow	21,656	(1,606)	(895)	(200)	(100)
Cash Flow From Financing	5,361	(15,343)	(6,918)	(144)	(7,728)
Total Cash Generated	16,803	(22,117)	(15,081)	(548)	(517)
Free Cashflow To Equity	15,982	(13,888)	1,822	13,661	21,714
Free Cashflow To Firm	31,065	(1,674)	5,692	11,591	27,224

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	41,346	19,228	4,177	2,729	2,405
Total Debtors	44,743	42,619	49,895	57,292	62,666
Inventories	40,920	46,307	34,927	40,105	43,866
Total Other Current Assets	12,855	16,422	38,253	43,924	48,044
Total Current Assets	139,864	124,577	127,252	144,050	156,980
Fixed Assets	52,344	53,973	55,606	57,706	59,806
Total Investments	319	303	303	303	303
Intangible Assets	37,126	31,306	40,706	40,706	40,706
Total Other Non-Current Assets	6,451	8,053	8,053	8,053	8,053
Total Non-current Assets	96,241	93,635	104,668	106,768	108,868
Short-term Debt	30,494	37,946	5,000	5,000	5,000
Current Portion of Long-Term Debt					
Total Creditors	20,144	22,829	26,904	29,115	31,516
Other Current Liabilities	33,722	21,990	32,882	35,585	38,520
Total Current Liabilities	84,361	82,764	64,786	69,700	75,036
Total Long-term Debt	161	3,638	35,331	38,800	34,590
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	13,001	9,590	9,590	9,590	9,590
Total Non-current Liabilities	13,162	13,227	44,920	48,390	44,180
Total Provisions					
Total Liabilities	97,523	95,992	109,706	118,090	119,217
Shareholders' Equity	138,031	121,533	121,378	131,732	145,465
Minority Interests	550	687	836	996	1,166
Total Equity	138,581	122,220	122,214	132,728	146,631

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(7.5%)	8.2%	1.4%	14.8%	9.4%
Operating EBITDA Growth	3.7%	(18.3%)	(19.6%)	73.4%	15.6%
Operating EBITDA Margin	16.9%	12.8%	10.1%	15.3%	16.2%
Net Cash Per Share (Rs)	23.51	(49.15)	(79.49)	(90.31)	(81.76)
BVPS (Rs)	303.50	267.22	266.88	289.65	319.84
Gross Interest Cover	11.94	8.03	3.24	14.52	18.76
Effective Tax Rate	26.8%	11.3%	35.3%	30.0%	28.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	119.40	97.19	101.52	102.43	104.81
Inventory Days	256.92	245.62	216.93	184.70	190.44
Accounts Payables Days	150.66	121.01	132.81	137.90	137.51
ROIC (%)	8.9%	5.6%	3.8%	8.3%	9.4%
ROCE (%)	9.9%	6.9%	5.2%	12.0%	13.4%
Return On Average Assets	5.5%	5.2%	3.1%	6.3%	7.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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