

ADD

TP: Rs 960 | ▲ 6%

LUPIN

Pharmaceuticals

04 June 2020

Lupin/Mylan win approval for biosimilar Enbrel in Europe

Event: Lupin (LPC) and partner Mylan have secured centralised marketing approval for Nepexto (biosimilar Etanercept) for European markets. This features among the key product catalysts for LPC and forms part of our FY21 estimates. The drug is approved for complete indications of the reference product, including moderate-to-severe rheumatoid arthritis, chronic moderate-to-severe plaque psoriasis and active psoriatic arthritis. LPC expects to launch Nepexto in H2CY20. The company earlier received a positive CHMP (Committee for Medicinal Products for Human Use) opinion on the product in Mar'20.

Product potential: The addressable market size of the Enbrel brand (Etanercept) for Europe is estimated at ~US\$ 1.5bn (2019). Currently, two biosimilars have already been approved: Biogen (2016) and Sandoz (2017). LPC will be the third player to enter this market.

With low probability of early follow-on competition in EU markets, this could be a good limited competition opportunity for LPC, in our view, at least for the next 12-18 months. Our model assumes roughly US\$ 40mn in annualised sales potential for the company. The calculation is based on 50% price erosion on the brand and a gradual 10% market share by FY22, implying sales of US\$ 80mn for Mylan. LPC has 50% share in the partnership.

Our view: We see multiple stock catalysts for FY21 which should support earnings and stock momentum in the midterm. These include (1) Levo ramp-up, (2) Albuterol approval in the US (expected in H1FY21), gFostair approval in the EU (expected in H2FY21), and (3) facility clearance for Gavis/Goa. Retain ADD with a Mar'21 TP of Rs 960 based on an EV/EBITDA multiple of 13x FY22E (implied P/E of 28x).

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Ticker/Price	LPC IN/Rs 908
Market cap	US\$ 5.4bn
Shares o/s	453mn
3M ADV	US\$ 43.5mn
52wk high/low	Rs 919/Rs 505
Promoter/FPI/DII	47%/25%/12%

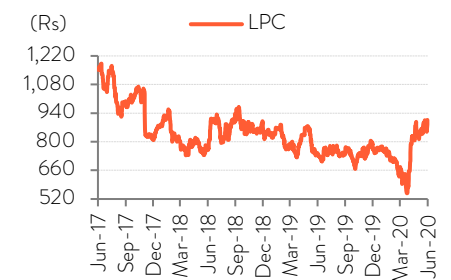
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY20P	FY21E	FY22E
Total revenue (Rs mn)	152,062	170,057	186,113
EBITDA (Rs mn)	23,578	28,123	33,501
Adj. net profit (Rs mn)	3,518	11,830	15,141
Adj. EPS (Rs)	7.8	26.1	33.5
Adj. EPS growth (%)	(62.8)	236.3	28.0
Adj. ROAE (%)	2.6	8.7	10.6
Adj. P/E (x)	116.7	34.7	27.1
EV/EBITDA (x)	19.6	15.4	12.0

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

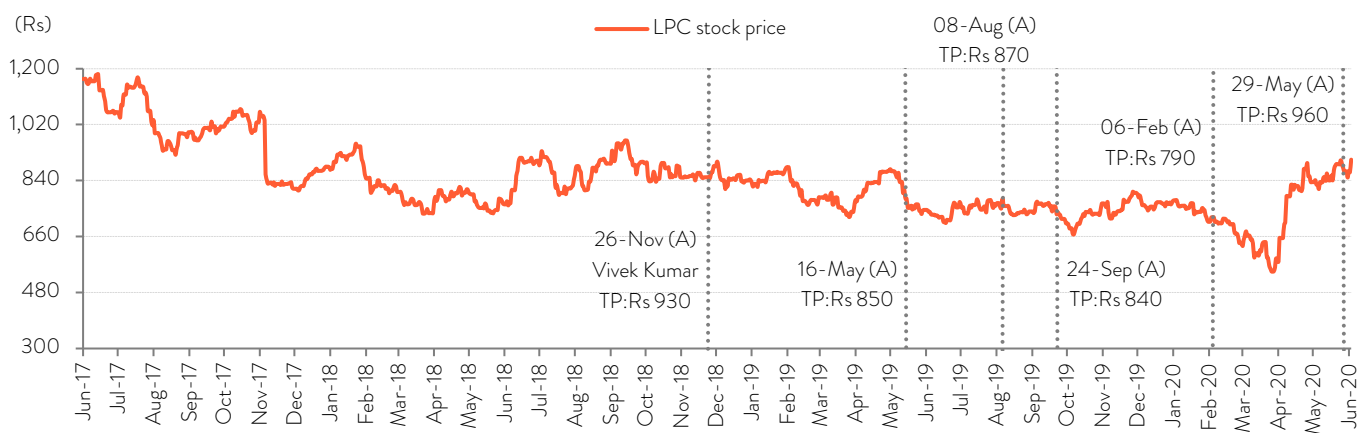
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: LUPIN (LPC IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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