

Lupin stock hits 8-year high on robust earnings outlook

Firm has a bunch of products lined up which will ensure limited earnings dip in FY27: Analysts

DEEPAK KORGANKAR
Mumbai, 4 July

Shares of Lupin soared 79 per cent to hit an eight-year high of ₹1,749 on the BSE on Thursday, backed by heavy volumes on expectations of a robust earnings outlook. The stock has nearly doubled in value over the last year and trades at consensus valuations of 33 times its FY25 earnings estimates. It has delivered double the returns of Nifty Pharma over the past year, and its outperformance of the Nifty 50 Index is sharper at 4 times during the same period.

Analysts at Kotak Institutional Equities upgraded the stock to 'add' from 'sell' with a fair value of ₹1,805 (₹1,400 earlier). "Our analysis of Lupin's US portfolio leads us to believe that Lupin is well-poised to surprise positively on Street's estimates in the US in FY2025/26. This is despite banking in a sharp decline in Albuterol sales over the next couple of years," the brokerage firm said in its stock update.

The analysts believe there is a possibility of further positive surprises if Lupin continues to gain share in the generic version of the asthma drug Spiriva, and if there is a lower-than-expected hit from Albuterol (asthma) competition. "While westyast cognizant of not ascribing a high multiple to one-off earnings, we highlight Lupin has a bunch of products lined up, which will ensure that the earnings per share decline in FY27 is limited," the brokerage firm said.

HEALTHY SIGNS



Source: NSE



well as margin outlook (lower income tax in India to also help with Empagliflozin - medicine for Type 2 diabetes - the only drug to see a patent expiry over the medium term).

In the March 2024 quarter (Q4FY24), Lupin's gross margins improved, based on better business and product mix, particularly in the US, as well as higher efficiencies. The US busi-

ness continues at a strong \$200 million plus revenue, despite lower seasonal products and a reduction in products like Darunavir (protease inhibitor for HIV infections) that experienced additional competition.

The management expects to sustain US business at the \$200 million plus level, going ahead with the continued ramp-up of Tiotropium (asthma) and new product launches in the financial year 2024-25 (FY25).

Antique Stock Broking is also bullish on the company's prospects. It believes that US generic opportunities with limited competition launches and market share growth in Spiriva are likely to drive Lupin's US generic revenue to over \$1 billion by FY27.

The pharma major enjoys a leadership position in the cardiovascular, anti-diabetic, and respiratory segments while having significant presence in the anti-infective, gastrointestinal, central nervous system, and women's health areas. It is the third-largest pharmaceutical company in the US by prescriptions.

NSE imposes cap on SME debutants

Amid concerns of manipulation, the National Stock Exchange (NSE) has said the opening price on its small and medium enterprises (SME) platform for a stock can be only 90 per cent higher than the issue price. "To standardise the opening price/discovery/ equilibrium price across exchanges during special pre-open session for initial public offering (IPO) for the SME platform, it has been decided to put an overall capping up to 90 per cent over the issue price for SME IPOs," said NSE.

The change will be made effective from Thursday onwards. The exchange has clarified that such price control has been imposed only on SME IPOs and not on those getting listed on the main-board. The concern in SME stocks stem from the irrational growth and return seen in the prices.

NEWS IN BRIEF

Motilal Oswal Defence NFO collects ₹1,676 cr

Motilal Oswal Nifty India Defence Index Fund collected ₹1,676 crore during the new fund offer (NFO) period, Motilal Oswal AMC said in a release. According to the asset manager, the amount is the highest-ever collection by an equity index fund NFO. The defence fund, a first in the passive space, offers exposure to defence stocks listed in India, allowing investors to participate in the significant growth potential of the defence sector, it said.

Mazagon Dock crosses ₹1 trillion mcap

Stock price of Mazagon Dock Shipbuilders rose 20 per cent on Thursday, and its market capitalisation (mcap) crossed the ₹1 trillion mark. The stock ended the session at ₹5,601 and commands a mcap of ₹1.1 trillion. So far in 2024, the stocks gained 146 per cent.

'Domestic flows will sustain, but not rise meaningfully'

The Sensex hit a record intraday high of 80,000 on July 3. GAUTAM SINHA ROY, chief of equity funds at ICICI Prudential Life Insurance, tells Puneet Wadhwa in an email interview that going forward, earnings delivery, which remains strong, would be the key driver for stock returns with some moderation in valuations possible. Edited excerpts:

Would you call the market's recent spurt from June 4 low as irrational exuberance?

Short-term equity market movements are often driven by liquidity flows and sentiment changes. With the elections out of the way, the market has been reinvested, driven by domestic flows and the return of foreign institutional investors (FIIs). The market sentiment also seems to be acknowledging policy continuity for the next five years, which is supportive of investment-led gross domestic product (GDP) growth.

The market attention will gradually shift to earnings and valuations. Market earnings are expected to rise in the 'early teens' for the next two financial years, versus over 20 per cent per annum seen in the previous three years. Hence, we expect some tempering of market returns going forward.

The pockets of the market in which excess exuberance can be seen will undergo a reality check of earnings and valuations. Some laggard sectors of the last couple of years are likely to outperform.

What are your/market's expectations from the Budget?

The upcoming Budget in July will set the tone for the next five years' policy direction. The government is expected to strike a balance between infra and welfare spending. We expect the



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Chief - equity funds, ICICI Prudential Life

Q&A

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What is your view on the mid and small caps?

The last three years (FY21-24) have seen mid cap earnings compounding at around 25 per cent CAGR. During this period, the mid cap index has delivered a similar trend. Though the new stands related to 30x its one-year forward earnings, which is relatively high as compared to the long-term average. The small cap index, too, follows a similar trend. Though the five-fund domestic investor sentiment largely remains intact, the high valuations are raising some concerns. Going forward, earnings delivery (which remains strong) would be the key driver for stock returns with some moderation in valuations possible.

When will the foreign investors

chase Indian stocks with 'animal spirits'?

FIIs purchased \$21.4 billion in calendar year 2023 (CY23), whereas they sold \$17 billion in CY22. In CY24, they had been net sellers till May but turned net buyers in June. As of March 2024, for the NSE-listed universe, the Foreign Portfolio Investment (FPI) ownership is down to the sub-18 per cent; lowest in the last 47 quarters.

What about domestic flows?

While looking at the FII positioning, we need to look at India's position vis-à-vis other emerging markets (EMs). MSCI India currently trades at a 72 per cent valuation premium to MSCI EM, making other EMs more attractive than India for the FIIs. However, FIIs will invest in India more vigorously when this valuation premium shrinks.

For Indian savers, there has been a shift in savings habits from other financial assets to equity financial assets. Among all asset classes, the household exposure to equity in March 2013 was 2.2 per cent; this has risen to 4.8 per cent as of March 2023. Considering the current macro and global scenario, domestic flows will sustain, but not rise meaningfully from here.

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UNITED INDIA INSURANCE CO. LTD. TO ADMINISTER UPGRADED INTEGRATED AYUSHMAN BHARAT-PRADHAN MANTRI JAN AROGYA YOJANA (AB-PMJAY) AND MAHATMA JYOTIRAO PHULE JAN AROGYA

United India Insurance Co. Ltd., has been awarded the responsibility to administer the newly integrated Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) and Mahatma Jyotirao Phule Jan Arogya Yojana (MJPJAY) scheme, set to commence on 1st July 2024. Chairman-cum-Managing Director Mr. Bhupesh Sushil Rahul has said that this landmark initiative, which is a collaborative effort with the Government of Maharashtra, will aim to revolutionize the Public Healthcare delivery in the State by offering a comprehensive, accessible and cashless medical services to all the residents the State. This prestigious Scheme being administered by United India since April 1, 2020 is designed to provide easy access to quality healthcare systems while at the same time relieving the huge burden of healthcare expenditure on the common citizens. The Scheme covers secondary, tertiary, and day care procedures for eligible families through a network of empaneled healthcare providers, ensuring end-to-end cashless services for identified diseases.

The coverage extends to 2.84 crore beneficiary families (of which 2.38 Cr families are covered under insurance mode and the remaining under Assurance mode). Under the scheme, each family is covered up to ₹5 Lakhs amount of which Rs. 1,50 Lakhs (Rs 4.50 Lakhs in case of Renal Transplant) is on insurance mode and the balance amount under assurance mode. The benefit can be availed by presenting a Ration Card or a Domicile Certificate without any prior enrollment. All citizens of Maharashtra state, regardless of their income are eligible to avail free treatment under this integrated scheme which provides significantly higher package amounts compared to the previous scheme. The number of empaneled hospitals also have been increased from 1000 to 1900.

This integrated scheme will provide 1356 health benefit packages and 262 follow-up services across 34 specialties. Notably, 119 procedures are reserved for government hospitals. The Company's partnership with the Maharashtra State Government aims to ensure the successful implementation of the upgraded scheme, creating a more resilient healthcare system that meets the evolving needs of the population.

UNITED INDIA INSURANCE CO. LTD. ORGANIZED LOAN MELA FOR SELF HELP GROUP

United Bank of India, Ahmednagar regional office, has organized a 'Loan MeLa' for Women Self Help Groups. 1.5 crore rupees are to be disbursed across 34 specialties. Notably, 119 procedures are reserved for government hospitals. The Company's partnership with the Maharashtra State Government aims to ensure the successful implementation of the upgraded scheme, creating a more resilient healthcare system that meets the evolving needs of the population.

On this occasion Regional Head Mr. Sunilkumar Yadav said that Self-help groups are important for women's economic empowerment. Therefore, it is equally important to provide finance to these self-help groups. From various branches under Ahmednagar Regional Office of the Bank, Rs 4.90 cr sanctioned to 152 groups. For this Loan MeLa, General manager Dr. Mr. Atul Davange, United Bank Ahmednagar regional Head Mr. Sunil Kumar Yadav, Dy. R.H. Mr. Manishkumar, Subhash Galbhiye, MLP Head Mr. Nishith Raj Singh, Branch head & representatives of self help group were present.

BOB, CUTTACK REGION, ORGANIZED OFFICIAL LANGUAGE SEMINAR

Bank of Baroda, Cuttack Region, under the joint aegis of Ravenshaw University, Cuttack, organized an official language Seminar in the University Campus on the occasion of 80th anniversary of the famous Hindi poet and writer 'Nagjuna'. The theme of the seminar was "Public awakening in the works of Nagjuna". The program was presided over by the Head of the Hindi Department of Ravenshaw University, Cuttack, Prof. Dr. Anjuman Ara.