

# Lupin's Albuterol launch will boost US revenues; stock is priced to perfection

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Lupin Ltd's US FDA nod for the drug Albuterol will set the ball rolling for its September launch. Lupin had filed an application for the drug in 2017, and began manufacturing it in July. However, the Street has already pencilled in a sizeable increase in earnings from the launch, and to that extent has already priced in incremental earnings growth. The Lupin stock was flat in trade on Wednesday.

In the first quarter, Lupin's US revenues hit a rough patch, puncturing enthusiasm for its stock lately.

Note that in the last quarter, lower sales of generic Tamiflu and the recall of metformin saw Lupin's US sales contract 25% sequentially in Q1.

While the new launch will boost

its US revenue, the Street is still looking for a quick scalability and potential upside from the Albuterol launch. Any setback in ramping up the product could crimp its stock price.

The launch is expected to add about \$80-90 million in sales in FY22, say analysts. The drug Albuterol currently accounts for about \$1 billion in sales in the US. Lupin is expected to capture a decent share of the market.

"Lupin has capacities to supply 10mn devices, with Teva and GSK, the only other players having large capacities (each in excess of 20mn). Despite the three AGs in the market, and three approved generics, we believe albuterol pricing remains steady," said analysts

at Kotak Institutional Equities in a note.

Analysts are also expecting more drug launches in the US and other European markets in the coming months. Lupin has about 158 new drug applications pending approval. It is also expected to relaunch its recalled drug, Glumetza, in the coming months.

"Lupin would file three more inhalers in FY21. Compared with 5% compounded decline over FY18-20, we expect a 7% sales CAGR in the US over FY20-22," said Motilal Oswal Financial Services in a note.

Domestic market growth has also been lacklustre lately, but it could pick up gradually. Its active pharma ingredient business though showed decent uptick.

Still, the 27% year-to-date increase in stock price has priced it to perfection. "Street estimates, including ours, are nearly doubling over FY20-22, factoring in the ramp-up of generic Levo/generic Albuterol and the recent stock out-performance reflects this well, we believe. Thus, it is paramount for Lupin to execute well and there is very little room for error," said Emkay Global Financial services in a note to clients.

The stock's quoting at a price-earnings multiple of about 24 times FY22 earnings.

**The launch of Albuterol is expected to add about \$80-90 million in sales in FY22, say analysts**

## Uptick on the cards

Lupin's US revenue, which shrank sequentially in Q1, is expected to bounce back in the coming quarters on the back of its new drug approval.

Source: Emkay Global Financial Services



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