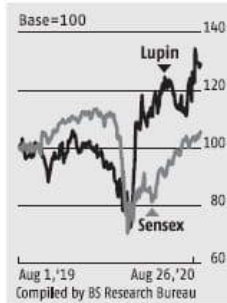


New inhalation product helps Lupin's revenue visibility

More US launches and uptick in the Indian market are near-term triggers



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After a delay in the June quarter, Lupin finally received the go-ahead from the US drug regulator to launch the generic version of inhalation brand ProAir. The launch of Lupin's first device-based inhalation product for asthma will not only help it rake in sales in this limited competition segment, but also validate its capabilities in this space. While the market for inhalation chemical albuterol sulfate is just under \$3 billion, the Proair segment, which Lupin is targeting, has sales of \$1.3 billion.

While there are three brands and six generic players for the drug, interchangeability among brands of the drug means an increase in competitive pressure. However, analysts believe the market is still large enough for generic players to improve their revenues and

market share.

Analysts at Nomura Research believe product pricing is attractive, as high product complexity, greater demand because of Covid-19, and the expectation of limited generic competition have led to lower than typical generic price erosion. Most brokerages expect the opportunity to generate annual revenues upwards of \$75 million, with near-term gains coming from supply issues for the generic competitor, Perrigo.

In addition to this launch, other products could drive Lupin's revenues in the American market. These are the ramp-up in levothyroxine, used in treating thyroid hormone deficiency, anti-inflammatory drug Apriso, and the relaunch of anti-diabetic medication, metformin. The company also has a portfolio of 158 abbreviated new drug applications, which are pending with

the US drug regulator for approval.

The portfolio is expected to help Lupin report annual revenue growth of 7 per cent in two years, as compared to the 5 per cent decline it witnessed in the US market during the FY18-20 period, according to analysts at Motilal Oswal Research. In India, the company is expected to outperform peers, given its chronic-heavy drug portfolio. A key trigger for the stock is also the clearance of its manufacturing sites, which are not compliant with US FDA regulations.

Though the inhaler launch announcement is significant, the stock did not react much as the news has already been factored in. Higher gains than expected in new launches and traction in the key markets of India and the US could see the stock extend its 16 per cent gains over the last month.