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Lupin to Rationalise Portfolio, Cut Costs to Turn Around US Biz

Drugmaker may exit low margin generics, monetise NCE assets to reduce cash burn

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Mumbai: Drug maker Lupin, which is struggling to grow sales in its key US market, is in the process of a major shakeup of that business. The company is planning to exit low margin generic products, along with possible reduction of cash burn through monetisation of NCE assets and specialty product capabilities.

In an interview to **ET**, Vinita Gupta, chief executive officer of Lupin, said the company had already exited a few products filed from its Somerset facility in New Jersey and has identified 15-20 more products to exit.

"The team is evaluating. We need to look at whether we can sell through the inventory, we need to make sure that we don't really have the residual burn of the idle (capacity) cost on the company," Gupta said.

Gupta hinted the portfolio rationalisation may incur some write-offs on inventory. "If we can really pass on cost increases to our customers, that's our first try. If not, then a very methodical exit."

Lupin is third largest drug maker by prescription in the US with a portfolio of 166 generic products.

Gupta said the company is also evaluating options to monetise its NCE assets with a potential to reduce around $20 million annual expenses on research.

"On the NCE front we have our oncology pipeline. We have five programmes — two were licensed in the past to AbbVie and Boehringer Ingelheim. We don't have to spend any money on those partnerships. We have milestones and success-based royalties. The rest we are putting into an entity in the US and looking to find partners into that entity right now," Gupta said.

Lupin has brought down its $50 million per annum commercialisation expenditure to zero on speciality portfolio, by partnering with US-based Exeltis for marketing its key specialty drug Solosec, she said.

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Gupta added that the company is in the process of monetising its specialty capabilities built around women's health like intrauterine devices and implants.

Lupin's North America generic formulation business that is largely made up of US sales rose just 3% year-on-year (YoY) to ₹5755.6 crore in FY22, compared to the company's overall revenue growth of 8.5%. North America contributed 36% of the company's ₹16,193 crore revenue in FY22.

The company reported net loss of ₹1,528 crore in FY22.(

What is concerning for the company is the average US revenue run rate per quarter has stagnated at around $180 million in the last two financial years. The EBITDA has dropped 1460 basis points YoY to 14.2% - the lowest among its peer group companies.

The management attributes the lacklustre performance of the US business to double digit price erosion, lack of material launches and inflationary headwinds. Gupta expects to see challenges in the first half of FY23, following which she expects launches of generic versions of Suprep Bowel Prep Kit, dry powder inhaler Spiriva (tiotropium bromide) and biosimilar Pegfilgrastim in H2FY23 to drive growth and margins.

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