

COMPANY QUICK COMMENT

Lupin today announced the acquisition of I'ROM Pharmaceuticals. This is a strategic acquisition as it shall help expand the product offering in Japan, one of Lupin's focus markets. I'ROM specializes in injectables with a material presence in the hospital segment. I'ROM Pharmaceuticals has recorded sales of US\$69m in FY11. The company hasn't disclosed the acquisition price, but we expect it to be less than 1x sales.

Price target: 570.0 INR

Price (16 Nov 2011): 455.95 INR

Research analyst: Saion Mukherjee

+91 22 4037 4184

saion.mukherjee@nomura.com

Research analyst: Aditya Khemka

+91 22 4037 4197

aditya.khemka@nomura.com

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Expands presence in Japan through I'ROM acquisition

Lupin today announced acquisition of I'ROM Pharmaceuticals, which is a subsidiary of I'ROM Holdings. The acquisition shall help Lupin enter the injectable space in Japan. I'ROM has significant presence in the hospital segment. I'ROM specializes in injectables with Gastroenterology and Oncology as key therapy areas. Beside the product portfolio, Lupin also acquires I'ROM Pharmaceuticals injectable manufacturing facility and sales force (approx 20). I'ROM Pharmaceuticals has recorded sales of US\$69m in FY11. The company hasn't disclosed the acquisition price. We don't expect the valuation to be aggressive and think it will not be a stretch on Lupin's balance sheet. We expect valuation at less than 1x sales. I'ROM Holdings, the parent company, has an EV of less than US\$50m (Bloomberg, 16 Nov 2011). Further, Reuters reports that I'ROM shall report a gain of US\$15.7m.

We believe the acquisition is incrementally positive. This is a strategic acquisition as it shall help expand product offering in Japan, one of Lupin's focus markets. Though the acquisition price has not been disclosed, we don't expect it to be aggressive.

Valuation Methodology and Investment Risks: See below

Note: Ratings and Price Targets are as of the date of the most recently published report (<http://go.nomuranow.com/research/globalresearchportal>) rather than the date of this email.

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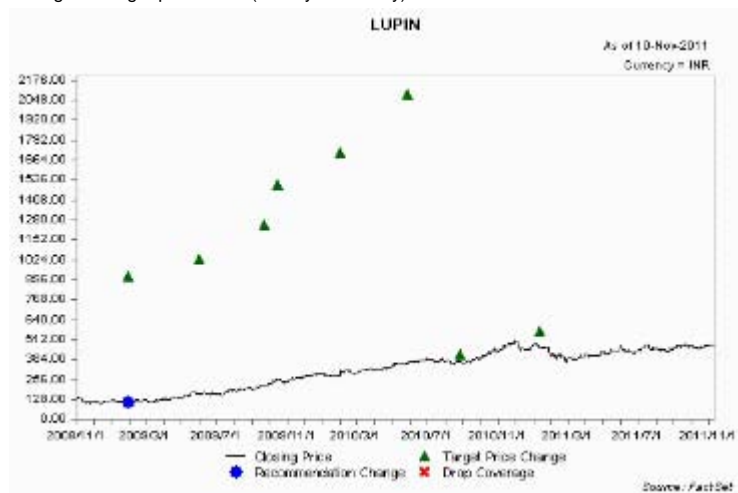
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Issuer Specific Regulatory Disclosures**Mentioned companies**

Issuer name	Ticker	Price	Price date	Stock rating	Disclosures
Lupin	LPC IN	455.95 INR	16 Nov 2011	Buy	

Previous Rating

Issuer name	Previous Rating	Date of change
Lupin	Not Rated	30 Jan 2009



Date	Rating	Target price	Closing price
11-Jan-2011		570.00	455.20
27-Aug-2010		417.00	372.50
28-May-2010		2087.00	364.60
01-Feb-2010		1707.00	314.80
16-Oct-2009		1506.00	255.92
23-Sep-2009		1251.00	212.91
02-Jun-2009		1028.00	163.44
30-Jan-2009		919.00	113.98
30-Jan-2009	Buy		113.98

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value LPC at 23x one yr forward earnings to arrive at a target price of INR 570. The valuation multiple is in line with other front line generic companies.

Risks that may impede the achievement of the target price The key risks to our view are: a) slowdown or fall in branded generic revenues. Suprax and Antara are both likely to face generic competition over the next 4-5 years and need to be replaced over time.; b) appreciation in INR against export currencies; c) regulatory changes including price control in key markets like India and Japan.

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Online availability of research and conflict-of-interest disclosures

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STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

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SECTORS

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Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

STOCKS

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A '**Buy**' recommendation indicates that potential upside is 15% or more. A '**Neutral**' recommendation indicates that potential upside is less than 15% or downside is less than 5%. A '**Reduce**' recommendation indicates that potential downside is 5% or more. A rating of '**Suspended**' indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company.

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Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009

STOCKS

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Benchmarks are as follows: **Japan**: TOPIX; **United States**: S&P 500, MSCI World Technology Hardware & Equipment; **Europe**, by sector -

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Target Price

A Target Price, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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Nomura Structured Finance Services Private Limited, India

Tel: 91 22 3053 2345

Nomura, 9th Flr, Hiranandani Business Park
Powai, Mumbai – 400076, INDIA

Fax: 91 22 3053 2111

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