

Lupin acquires Russian pharma firm with eye on EM expansion

Nomura

Lupin has announced the acquisition of a Russian pharmaceutical company ZAO Biocom. Biocom manufactures generic pharmaceuticals sold largely in Russia and is also involved in contract manufacturing. Biocom is a small company with sales of RUB861million (₹*9810 crore) in CY14. As part of the acquisition, Lupin gets a manufacturing facility in Russia and an employee base of 118 people. The company has not disclosed the amount paid for the acquisition but we estimate it paid 2-3x sales. We do not expect the acquisition to have any material impact on earnings in the near term. The acquisition is small and we consider it to have limited strategic and financial impact. We believe the market expects Lupin to make much larger acquisitions going forward.

Over the past 10 years we believe Lupin has spent \$500 million on acquisition. The acquisitions have become bigger recently. The acquisition of stakes in Pharmadunamics South Africa, Grin Labs in Mexico and Mediquimica in Brazil over the past 12 months were some of the largest deals that Lupin has done. The intent is clearly to expand its presence in key emerging markets.

We rate Lupin 'neutral' and the stock is trading at P/E of 30.8x FY16f and 25.4x FY17E

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