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### Lupin set to acquire second generics firm in Japan

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Mumbai: Mumbai-based drug maker Lupin Ltd is close to making its second acquisition in Japan, where it became the seventh largest generics player after buying local firm **Kyowa Pharmaceuticals Ltd** in 2007 for \$100 million (Rs46.5 crore today).

New opportunities: Executive director Nilesh Gupta says the Japanese market holds immense potential for generics companies such as Lupin.

The target company is in the generic injectable drugs segment, and will likely be valued in the same range as Kyowa, according to a person familiar with the development. The new deal will be signed in six-eight months, this person said.

“We are scouting for an acquisition in the injectable segment as the hospital segment is one area that we are interested,” confirmed Lupin’s chief financial officer S. Ramesh, adding that the firm’s balance sheet is strong enough to fund a strategic acquisition through either internal accruals or debt, if need be.

“But it will be difficult to put a number or the size of acquisition that we are looking for in that market,” he added.

The company has not yet mandated any bankers specifically for this deal, Ramesh said.

Lupin had worked with multiple bankers for the Kyowa deal, including Nomura Securities Co. Ltd, **Goldman Sachs** and **Morgan Stanley**, to explore opportunities for strategic buys in Japan. Nomura had also advised Lupin on the acquisition.

Another Lupin executive said the company is scouting for growth opportunities through acquisitions, joint ventures and local alliances in product segments where it does not have a significant market presence.

“Injectables is one such market segment that we are interested in,” he said, declining to be named because the company is not in a position to officially disclose any details.

The new acquisition in the Japanese market is targeted at increasing Lupin’s presence to all potential product segments as early as possible to take the first mover advantage, said a sector analyst with a foreign brokerage, on condition of anonymity.

In an April report, based on interviews with Lupin executives, the India unit of foreign brokerage **Elara Securities (India) Pvt. Ltd** said Lupin is looking for another acquisition in Japan to make a strong entry in the hospital segment, and that the focus of the upcoming deal was likely to be a distribution company in that

segment.

The \$80 billion Japanese drug market is opening up for generic products from local as well as foreign drug makers. The government announced a policy in 2008 to encourage the use of cheap generic drugs to ease the strain on public finances from a large population of the elderly.

The Japanese government plans to convert at least 30% of the country's prescription drug market to low-cost generics or off-patent drugs by 2012. Generic drugs currently command 17% of the market there.

“Lupin appears to be executing well to ensure strong growth over the next three years, driven by the strong product flow, and continuing a scale-up in various markets such as India, (the) US, Japan, the EU (European Union), SA (South Africa), Turkey and Latin America,” investment bank Morgan Stanley said in a 6 May report.

In an earlier interview to *Mint*, Lupin group president and executive director Nilesh Gupta said the Japanese market was of “strategic focus” for the firm. “The Japanese market holds immense potential for global generic pharmaceutical companies like ours,” he said.