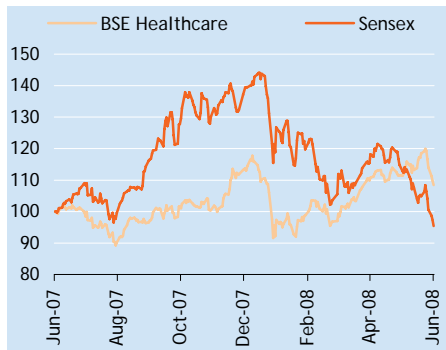


August 25, 2008

Health Care Index Performance v/s Sensex



Source: Bloomberg

Absolute Stock Performance

(%)	1M	6M	12M
Sensex	0.9	(18.4)	(0.2)
Ankur Drugs	15.6	(2.5)	(34.7)
Cipla	5.2	17.5	38.8
Dishman Pharma	8.2	8.4	8.8
GSK Pharma*	4.3	18.1	2.7
Lupin	2.7	35.1	28.5
Pfizer**	3.1	(8.9)	(15.9)
Ranbaxy*	8.6	24.5	44.9
Sun Pharma	2.5	27.3	61.6

PE Valuation

(x)	'08	'09E	'10E
Ankur Drugs	10.1	5.9	4.4
Cipla	26.3	20.9	17.3
Dishman Pharma	19.5	16.2	9.9
GSK Pharma*	24.2	21.6	19.1
Lupin	20.2	14.2	10.0
Pfizer**	13.4	11.9	10.3
Ranbaxy*	32.3	30.0	16.7
Sun Pharma	20.2	19.2	17.1

(CMP as on August 22, 2008)

* Y/e Dec ** Y/e Nov

According to the data from IMS Health Retail Drug Monitor for June 2008, drug sales through retail pharmacies in 13 key markets increased by 3% – from USD421bn for the 12 months ending June 2007 to USD434bn for 12 months ending June 2008 (Rs.18,314bn to Rs.18,879bn). Growth rate during CY07 was 5%, indicating that the global market growth rate has declined during the current year.

The US market - slowdown evident

- The US pharmaceutical market which constitutes 50% of the global market, grew by 2% – from USD219.3bn to USD223.7bn (Rs.9540bn to Rs.9730bn), indicating a slowdown in the US pharma market.
- The Canadian pharmaceutical market, much smaller in size as compared to the US market, grew by 6% – from USD15.9bn to USD16.9bn (Rs.692bn to Rs.735bn).

European markets looking up

- The five major European pharmaceutical markets (Germany, France, Italy, UK and Spain) grew by 3% – from USD111.9bn to USD115.3bn (Rs.4868bn to Rs.5016bn).

Details of key country drug purchases in these markets are shown in the table below:

Particulars	12 months ending Apr '08	12 months ending Apr '07	% Growth
Selected World	434.0	421.0	3.0
North America	223.7	219.3	2.0
Europe (top five)	115.3	111.9	3.0
Japan	63.5	60.5	5.0
Latin America (top three)	23.6	21.7	9.0
Australia / New Zealand	7.9	7.1	12.0

Source: ISM Data, April 2008

- Among the individual markets, Argentina had the highest growth rate of 20% - from USD2.4bn to USD2.9bn (Rs.104bn to Rs.126bn).
- The UK market declined by 1% from USD17.2bn (Rs.748bn) to 17.0bn (Rs.740bn) due to pricing pressure and the higher use of generic products.

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Global events

According to IMS data (for 12 months ending June 2008):

- The top five global pharmaceutical companies were Pfizer, Glaxo SmithKline, Novartis, Astra Zeneca and Sanofi Aventis.
- The five largest-selling drugs were Lipitor (Pfizer), Nexium (Astra Zeneca), Plavix (Bristol Meyer Squibb, Sanofi Aventis), Seretide (Glaxo SmithKline) and Enbrel (Wyeth).
- The top five therapeutic classes were: cholesterol and triglyceride regulators, anti-ulcerants, anti-depressants, anti-psychotics and anti-epileptic.

Global news

- Mylan, US purchased 50% shares of Somerset JV from Watson, US.
- Teva has plans to acquire Barr Labs, US for USD7.5bn (Rs.326bn) boosting its lead in the global generic market. The combined entity would be a generic powerhouse employing 37,000 people globally and operating in over 60 countries.
- Sanofi Aventis has plans to acquire Czech generic manufacturer, Zentiva.
- GSK has diversified into branded generic business agreement with Aspen, South Africa.
- The US authorities started investigating the Indian generic manufacturer Ranbaxy Labs; this was possibly related to the sale of sub-standard products and submission of fraudulent data to obtain their US FDA approval.
- Panacea biotec has bagged USD35m (Rs.1.52bn) order from Unicef for its pentavalent vaccine Easyfive. This vaccine is a combination of five vaccines: diphtheria, tetanus, pertussis, Hepatitis B and HIB(for whooping cough). The order has to be executed over the next 18 months.
- Fresenius Kabi, Germany has plans to invest EUR30m (Rs.1.93bn) in Dabur Pharma over the next 2-3 years. The company has plans to increase their exports to Europe and US.

US FDA approvals

- In July 2008, Indian pharmaceutical companies and their subsidiaries received approvals for 4 ANDAs. Details are given in the following table:

ANDAs approval

Date	Product	Company
1.7.08	Amitriptyline HCl tablets	Caraco
31.7.08	Divalproex Sodium delayed release tablets	Dr. Reddy's Labs
31.7.08	Divalproex Sodium delayed release tablets	Lupin
31.7.08	Divalproex Sodium delayed release tablets	Sun Pharma

Source: US FDA website

ORG data showed higher sales of Rs.327.76bn, with 13.7% growth rate (ORG data moving annual total (MAT) - June 2008), indicating good growth potential. The domestic pharma market for May 2008 was placed at Rs.326.04bn and grew at 14.1% (ORG data MAT - May 2008) and for April 2008 it was Rs.324.09bn and grew at 14.7%. Thus, figures for the recent months indicate a steady growth rate of around 14.2% for the domestic pharma market.



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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