

IMS HEALTH –KEY COUNTRY DRUG PURCHASES

Markets sliding rapidly

- As per IMS Health-Retail Drug Monitor data for 12-months ended June'06, the drug sales in Selected World grew by 3% from \$ 364.4 billion (12 months ended June'05) to \$ 375.3 billion (12 months ended June'06). **The growth rate has dropped to 3% in June'06 from 5% in CY05 with no signs of recovery.**

US market improved

- The US market (constituting 50% of total) grew by 5% from \$ 179.9 billion (Rs. 8304 billion) to \$ 189.1 billion (Rs. 8729 billion).
- The Canadian market grew by 15% from \$ 11.1 billion (Rs. 512 billion) to \$ 12.9 billion (Rs. 595 billion).**

European market-flat

- The five major European markets –Germany, France, Italy, UK and Spain were flat from 92.0 billion (Rs. 4247 billion) to \$ 91.8 billion (Rs. 4237 billion). **The European market grew by 4% during CY05 and has witnessed a declining trend in CY06.**
- The details of the key country drug purchases are shown in the following table:

Table 1: Key Country Drug Purchases (12-months ended June'06)

| PARTICULARS (US \$ billion) | 12-m June'06 | 12-m June'05 | % Growth |
|------------------------------------|---------------------|---------------------|-----------------|
| Selected World | 375.3 | 364.4 | 3 |
| North America | 202.0 | 192.0 | 5 |
| Europe (top 5) | 91.8 | 92.0 | 0 |
| Japan | 57.7 | 60.0 | -4 |
| Latin America (top 3) | 18.1 | 14.7 | 23 |
| Australia/New Zealand | 5.7 | 5.5 | 2 |

- Among the individual markets, Brazilian market had the highest growth rate of 38% from \$ 5.9 billion (Rs. 272 billion) to \$ 8.1 billion (Rs. 374 billion).**
- The UK market declined by 6% from \$ 15.7 billion (Rs. 725 billion) to \$ 14.9 billion (Rs. 688 billion) due to the stiff competition, leading to the fall in drug prices.

Therapeutic categories

- The therapeutic category wise sales indicate that cytostatics (anticancer drugs) grew by 10% from \$ 18.9 billion (Rs. 872 billion) to \$ 20.8 billion (Rs. 960 billion). The NSAIDs category reported 2% drop in sales from \$ 22.4 billion (Rs. 1034 billion) to \$ 21.8 billion (Rs. 1006 billion).
- The therapeutic category wise growth rates have been indicated in the following table:

Table 2: Category wise Sales (12 months upto June'06)

| Particulars (US \$ billion) | 12-m June'06 | 12-m June'05 | Growth Rate % |
|-----------------------------|--------------|--------------|---------------|
| Cardiovascular | 74.2 | 71.6 | 4 |
| CNS | 69.8 | 67.1 | 4 |
| Metabolism | 53.4 | 51.5 | 4 |
| Respiratory | 33.0 | 32.5 | 2 |
| Anti-infective | 29.0 | 29.5 | -2 |
| NSAIDs | 21.8 | 22.4 | -2 |
| Genito-urinary | 20.0 | 19.3 | 4 |
| Cytostatics | 20.8 | 18.9 | 10 |
| Dermatology | 14.7 | 13.7 | 7 |
| Blood Agents | 10.4 | 10.5 | -1 |

Domestic Events

- Tata Group has plans to invest Rs. 10.0 billion in **Advinus Therapeutics** over the next 4 years. Advinus is a JV of Tata Group with Rashmi Barbhaiya-earlier R & D Head of Ranbaxy Laboratories. Tatas have invested Rs. 700 million in creating the infrastructure for drug discovery for pharma and agro products. It has an R & D facility at Pune. Currently, 55 scientists are engaged at this center. Advinus has plans to set up another R & D center at Bangalore with an investment of Rs. 230 million.
- **RPG Life Sciences** has plans to set up manufacturing facility at Thane for specialty biopharmaceuticals in oncology, CVS and anti-diabetic segments. This facility will be complying with US FDA specifications and will involve capex of Rs. 200 million. The company has plans to double the R & D team from 50 to 100 scientists.
- **Sterling Biotech** has plans to set up multi product SEZ at Jambusar, Gujarat with an investment of Rs. 1.6 billion. This will generate employment for 200,000 people.
- **Trans India Acquisition Corporation, US** based 'Blank Check' investment firm has plans to acquire pharma companies in India and has raised \$ 90 million (Rs. 4.14 billion).
- **Mylan Labs-the second largest generic drug company in US has acquired 51.5% stake in Matrix Laboratories from N Prasad-Chairman, Temasek Capital, Newbridge Capital and Spandana Foundation at Rs. 306 per share. The company has made an open offer for additional 20% equity at Rs. 306 per share.**
- **Essel Propack** has acquired 100% stake in Packaging India Private Limited-the packaging company of Cavin Kare group for Rs. 635 million equity and Rs. 240 million debt. The acquisition marks entry of Essel Packaging in Rs. 25.0 billion specialty packaging segment, growing over 15% per annum.

Strategy for Indian pharma companies

- Based on the above data, the Indian pharma companies have to re-align their marketing strategy to gain the maximum advantage from the global markets.
- The Indian companies could focus on semi-regulated Latin American market, which is growing at 23%. The competition and entry barriers in these markets are low compared to the US market. Companies like Glenmark Pharma, Cipla, Unichem Labs, Aurobindo, RLL and Cadila Healthcare have presence in these markets.
- The Indian pharma companies have received approval for 10 ANDA from US FDA in August '06. The same have been shown in the following table:

Table 3: ANDA approvals in August '06

| Date | Product | Company |
|---------|------------------------------|---------------------------|
| 2.8.06 | Finasteride Tablets | Dr. Reddy's Labs |
| 4.8.06 | Risperidone Oral solution | Ranbaxy Labs-tentative |
| 14.8.06 | Cefotaxime Injection | Orchid Healthcare |
| 14.8.06 | Nevirapine Tablets | Strides Arcolab-tentative |
| 16.8.06 | Baclofen Tablets | Caraco Pharma |
| 22.8.06 | Gabapentin Tablets | Glenmark Pharma |
| 29.8.06 | Citalopram HCl Oral solution | Aurobindo Pharma |
| 29.8.06 | Gabapentin Capsules | Sun Pharma |
| 29.8.06 | Gabapentin Tablets | Sun Pharma |
| 29.8.06 | Stavudine Capsules | Strides Arcolab-tentative |

- As seen from the above table, three out of 10 are tentative approvals. **Three approvals were received for Gabapentin Capsules/Tablets during the month.**
- **The domestic pharma market was placed at Rs. 257.11 billion and grew by 16.9%(IMS ORG data MAT- July'06), indicating good growth potential. The growth rate for domestic pharma market for June'06 was placed at Rs. 252.94 billion and grew by 15.8%. The pharma market growth rate for Jan-April'06 was 21.8%. The higher growth rates are attributed to the lower sales during Jan-April'05 due to the uncertainties of VAT introduction. The domestic pharma market is in pink health.**

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