

## Industry

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# Indian Pharma & Ag Daily Dose

 Equity 

## Piramal Healthcare (Payment From Abbot in 4-6 Weeks); Glenmark (Sanctioned for Destroying Tarka Documents)

- **Piramal Healthcare to receive US\$2.12-bn in 4-6 weeks from Abbott** — Piramal Healthcare expects to get US\$2.12bn in 4-6-weeks following completion of the sale transaction of its branded generics business to Abbott Laboratories, a top company official said. "We expect the first tranche of US\$2.12bn in 4-6 weeks after several approvals, as we close the deal with Abbott Laboratories," Piramal Group's CFO, Rajesh Laddha, told. Abbott will pay a total of US\$3.72bn, of which it will pay US\$2.12bn up-front and make annual payment of US\$400m for four-years from 2011 for Piramal's healthcare solutions business. (*Economic Times*)
- **SRL may buy Piramal Diagnostics for Rs800 crore** — Diagnostic chain Super Religare Laboratories is in advanced talks to buy Piramal Healthcare's diagnostic chain for up to Rs 800 crore, a person familiar with the matter said. "The deal could be announced next week," he said, seeking anonymity as the transaction is not yet signed. A subsidiary of drugmaker Piramal Healthcare, Piramal Diagnostics is among the top five players in the highly fragmented \$2 billion domestic diagnostic and radiology market. Piramal Diagnostics operates 124 diagnostic centres in 85 cities with over 400 sample collection centres. (*Economic Times*)
- **Glenmark sanctioned for destroying documents** — Sanofi & Abbott were successful in their request for sanctions against Glenmark in their patent suit over Tarka, after it was found that Glenmark destroyed evidence relevant to the impending litigation. Judge Dennis Cavanaugh of the U.S. District Court of New Jersey found that Glenmark had destroyed evidence relevant to the reasonably foreseeable litigation associated with filing an ANDA. The ruling, which allows a jury to draw an adverse inference, comes less than a month after Sanofi & Abbott lost a bid to prevent Glenmark from launching its generic. However, Cavanaugh allowed Glenmark to proceed because the generic drugmaker raised "a substantial question" about the validity of the brand-name patent. (*Patent Docs, Pharmalot*)
- **Other stories (Pg 2)** — Biocon; Apollo Hospitals

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**Figure 1. Market Summary** (see details in Fig 2 inside)

**BSE Sensex** up 1.0 %; **S&P Nifty** up 1.0 %; **BSE H/C** flat

**Key Gainers:** Piramal HC up 3%

**Key Losers:** No Major Losers

**Volumes:** Strong volumes in Glenmark

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 Source: datacentral, Bloomberg

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 See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## Other Top Stories

- **Biocon plans to launch drugs in eye-care segment** — Biocon plans to enter the lucrative and growing segment of ophthalmology through synthetic prostaglandins that are used to treat glaucoma, among other problems. This year, it will add Comprehensive Care and Immuno Therapy divisions to the four divisions that currently have 36 brands. The older divisions for Diabetology, Cardiology, Nephrology and Oncology have all grown well at 35 per cent in formulations; the flagship insulin brand, Insugen, is at the Top 3 slot in the vials segment (ORG MAT February 2010), the company said. (*Business Line*)
- **Apollo seeks allies for two non-core units** — Apollo Hospitals plans to bring in separate strategic partners for two business units as part of an ongoing group restructuring to focus on core businesses, a top company executive said. The company has identified hospitals, clinics, pharmacies, medical education and healthcare BPO as its focus areas. It plans to bring in partners for two separate business units Apollo Wellness and Apollo Highway. Apollo Wellness operates health centres that combine alternative healing practices such as aromatherapy with traditional wellness formats such as pranic healing, yoga, and meditation. Apollo Highway is a web portal to store health database for individuals and act as a back-office for connecting doctors, hospitals and pharmacies in the country with the consumer. (*Economic Times*)
- **Apollo to hire 23,000 people in next 3-4 years** — Apollo Hospital said it plans to hire nearly 23,000 employees in the next 3-4 years to support its Rs 1,800 crore expansion plans. Apollo will also increase its bed-capacity to 12,000 from the current 9,000 beds by 2015, for which it plans to have a total workforce of 85,000 employees, Group Executive Director (Operations) Sangita Reddy told. "Our workforce is growing. We are employing at a rate of 15% per year and currently we have 62,000 team members," Reddy said (*Times of India*)
- **Apollo Hospitals considers to enter Sri Lanka again** — Four years after exiting Sri Lanka after failing to stave off a hostile takeover from a local tycoon, Apollo Hospitals on Friday said it is reconsidering to enter the island nation's hospital segment. "We are re-considering Sri Lanka now. Political situation is far more stable. So we are very happy to re-look at Sri Lanka," Apollo Group Executive Director (Operations) Sangita Reddy told. In 2006, Apollo Hospitals decided to sell its 30 per cent stake in Lanka Hospital Corporation – owners of Apollo Sri Lanka – to Sri Lanka Insurance Corporation. (*Economic Times*)

## Stock Trends & Valuations

Figure 2. CIRA India Pharma Universe — Price & Volume Movement

Name	RIC	Price (Rs)			Volume (k Shares)		CIRA Rating	TP (Rs)
		09 Jul 10	1-day	YTD	1-day	3-m avg		
BSE Sensex		17,834	1.0	2.1	14,128	18,435		
NIFTY Index		5,352	1.0	2.9	127,297	174,143		
BSE Healthcare		5,750	0.0	14.6	922	2,650		
Apollo Hospitals	APLH.BO	760	2.0	15.8	160	68	1M	840
Aurobindo Pharma	ARBN.BO	942	2.4	3.3	176	156	1M	1,340
Biocon	BION.BO	318	0.2	15.1	271	557	3H	285
Cadila HC	CADI.BO	654	(0.5)	50.8	168	120	3M	580
Cipla	CIPL.BO	338	(0.3)	1.0	427	1,470	3M	290
Dishman Pharma	DISH.BO	210	1.1	(11.3)	97	139	1M	265
Dr.Reddy's Labs	REDY.BO	1,463	0.1	27.6	216	525	2M	1,350
Fortis HC	FOHE.BO	153	0.4	11.9	1,281	3,607	3M	145
GSK Pharma	GLAX.BO	2,110	(1.3)	30.9	42	33	3L	1,820
Glenmark	GLEN.BO	276	(1.5)	(0.0)	1,269	852	1M	335
Jubilant	JUBO.BO	374	(1.2)	11.9	189	425	1M	465
Lupin	LUPN.BO	1,921	(0.2)	37.3	60	179	1L	2,100
Piramal HC	PIRA.BO	512	2.5	(0.5)	2,167	2,832	2M	560
Ranbaxy	RANB.BO	463	0.4	30.3	584	1,128	1M	620
Sun Pharma	SUN.BO	1,742	(0.6)	15.5	239	239	1L	1,850
United Phosphorus	UNPO.BO	175	(0.8)	0.9	2,015	2,516	1H	240

Source: dataCentral, Bloomberg and Citi Investment Research and Analysis estimates

Figure 3. CIRA Indian Pharma — Valuation Snapshot

Company	RIC	Rating	MCap (US\$m)	Price 09 Jul 10	Target price	EPS (Rs/sh)		P/E (x)		EV/EBITDA (x)		EV/S (x)		RoCE		RoE	
						FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
<b>Generic Pharma</b>																	
Aurobindo	ARBN.BO	1M	1,142	944	1,340	101.2	126.5	9.3	7.5	7.0	5.8	1.7	1.4	16%	18%	31%	25%
Biocon	BION.BO	3H	1,362	318	285	16.5	18.0	19.3	17.7	11.8	10.6	2.4	2.1	15%	16%	18%	17%
Cadila HC	CADI.BO	3M	2,859	652	580	30.3	37.1	21.5	17.6	14.8	12.4	3.2	2.7	24%	25%	33%	31%
Cipla	CIPL.BO	3M	5,817	338	290	13.7	16.0	24.6	21.1	17.9	15.6	4.4	3.9	16%	17%	17%	18%
Dr Reddy	REDY.BO	2M	5,304	1,463	1,350	59.7	76.2	24.5	19.2	18.3	15.2	3.0	2.6	17%	18%	22%	23%
Glenmark	GLEN.BO	1M	1,591	275	335	21.0	21.8	13.1	12.6	9.4	8.9	3.0	2.7	17%	16%	22%	19%
Lupin	LUPN.BO	1L	3,667	1,921	2,100	102.6	112.8	18.7	17.0	13.9	12.4	3.0	2.6	28%	27%	34%	29%
Ranbaxy	RANB.BO	1M	4,181	464	620	9.6	23.2	48.4	20.0	8.0	3.4	2.0	1.3	20%	40%	35%	52%
Sun Pharma	SUN.BO	1L	7,733	1,742	1,850	77.7	91.5	22.4	19.0	19.8	16.7	6.6	5.5	16%	17%	18%	18%
<b>Innovator GRAMS</b>																	
Dishman	DISH.BO	1M	366	212	265	19.3	23.4	10.9	9.0	8.7	7.6	2.2	1.9	11%	12%	18%	19%
Jubilant	JUBO.BO	1M	1,272	374	465	30.8	38.3	12.1	9.8	9.3	7.8	2.0	1.7	11%	12%	24%	22%
Piramal HC	PIRA.BO	2M	2,293	512	560	29.1	38.1	17.6	13.4	12.9	10.4	2.8	2.3	22%	26%	32%	32%
<b>Hospitals</b>																	
Apollo Hosp.	APLH.BO	1M	1,010	763	840	32.2	39.6	23.7	19.3	12.0	10.3	2.0	1.8	9%	10%	12%	14%
Fortis HC	FOHE.BO	3M	1,328	153	145	4.0	6.5	37.9	23.5	22.7	17.0	4.4	3.4	6%	8%	6%	9%
<b>MNC Pharma</b>																	
GSK Pharma	GLAX.BO	3L	3,834	2,112	1,820	68.0	77.4	31.1	27.3	20.5	17.9	7.3	6.4	n/a	602%	31%	31%
<b>AgroChem</b>																	
United Phos.	UNPO.BO	1H	1,648	175	240	16.3	19.2	10.7	9.1	6.3	5.0	1.3	1.0	21%	22%	21%	20%

Source: dataCentral, CIRA estimates

## Appendix A-1

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