

# Indian Pharmaceuticals



## *Indian pharmaceuticals— monthly trends*

*A monthly tracker of domestic finished dosage sales, US generics prescriptions and market shares*

**ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 30**

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# Explanation and interpretation of terminology

This is a monthly publication that analyses Indian domestic finished dosage sales and US prescriptions data. The report has two main sections: 1) the Indian pharmaceutical market section, which summarises sales, price changes and key therapeutic categories for domestic finished dosage sales by company; and 2) the US generics market section, which summarises prescription activity and market shares for Indian companies distributing in the US market.

## India domestic finished dosage sales data (sourced from ORG IMS)

- All value and unit estimates are based on Stockist Secondary Audit (SSA), carried out by ORG IMS. SSA estimates secondary sales, ie, the sell-out from authorised pharmaceutical stockists to retailers and sub-stockists. It does not cover sales to hospitals, institutions, or dispensing doctors.
- The audit is carried out by a panel of 2,400 stockists (out of 18,000 in India), representing 17% of the total pharmaceutical market in value terms. The selection of the stockists ensures representation of all companies in the sub-regions of India. ORG IMS collects data directly from the panel on a monthly basis, covering sales to over 40,000 retailers and sub-stockists across the country. The collected data is then used to reflect market estimates.
- The audit captures data at the price to the retailer. Hence excise duty is included in the audit. It does not include retailers' margin, which is typically 10-20% of the retailer price.
- ORG IMS estimates (though not reflecting actual sales by companies) have proved to be fairly robust in projecting industry trends. In our opinion, some of the key reasons for differences between ORG IMS reported numbers and company reported sales are: 1) ORG captures data at the price to retailer while companies report ex-factory prices; 2) excise duty; and 3) changes in inventory.

## US generics prescription data (sourced from IMS)

- Prescription data are presented for a vast majority of the categories featured in this report, with exceptions being those categories where prescriptions do not adequately capture demand (see below). The data are presented in the therapeutic category section for all relevant categories, in the company section for all companies, and in the market summary section as well.
- Prescription data presented throughout this report are from all channels (ie, retail, mail order, and long-term care facilities). Prescription data presented for all categories include: 1) new and total prescriptions for the entire category; 2) new and total market shares for all key products within the category; and 3) year on year growth trends (for the category and all key products within the category) for total prescriptions. For products with a history of less than 12 months, month on month growth trends are presented.
- Some categories of drugs do not generate prescriptions: hospital-based antibiotics; anti-cancer agents; injectable anti-fungals; injectable anti-platelets; colony-stimulating factors; Erythropoietins; and some drugs for rheumatoid arthritis (eg, Remicade). As a result, IMS sales estimates are used instead of prescriptions. These data reflect sales from all channels (retail, mail order, long-term care facilities, hospitals, HMOs, clinics, home health care, and miscellaneous), except for injectable anti-fungals, which includes only non-federal hospital sales data.
- IMS data pertain to data relating to the distributor. Many Indian companies have out-licensed distribution to other companies (including some Indian companies). To this extent, the IMS data might not be exactly reflective of a company's reported US generics numbers.

## Terminology

- MAT = Moving Annual Total. Sum of the preceding 12 months.
- IPM = Indian Pharmaceutical Market.
- Val growth = Value growth. Combination of volume growth and price growth.
- Vol growth = Volume growth. Contribution of growth from changes in the volume of products. Combination of growth from new launches and changes in older products.
- 3 MMA = three month moving average.
- TRx = Total prescriptions (new Rx's + refill Rx's).
- YoY = Year on year growth.
- MoM = Month on month growth.
- \* = Represents a change of more than 1000%.
- - = Suggests that the percentage change is not relevant as the base period was zero.
- \*\* = Indicates that growth trends are calculated on a MoM rather than a YoY basis (largely because of the lack of adequate historical data).
- ^ = Indicates that growth trends are based on sales rather than prescription data.

## Section 1. The Indian pharmaceutical market

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## Indian pharmaceutical market overview

The Indian pharmaceutical market grew 20% YoY in September from 13% in August 2006, and YTD growth was 19%. Part of the high growth was due to the low base of 10% growth in September 2005. We think this will likely continue into October, as a year ago the growth rate was lower at 8%. The acute segment drove growth higher in September 2006. Among the top 10 companies, only three—Ranbaxy, Lupin and unlisted Alkem—managed to beat the market growth rate. Ranbaxy maintained its market leader status in September. Glaxo was the worst performer among the large companies in September. The Moving Annual Total (MAT) reflects a fair picture of the growth rate for the Indian pharmaceutical industry, as it evens out the impact of VAT that affected the March to April data. Two of the top five companies—Ranbaxy and Nicholas Piramal—grew faster than the MAT06 industry average.

Table 1: Summary of select companies in the IPM

MAT ranking	SEP Month 06				YTD 06				SEP MAT 06				2005		
	Value (Rsm)	Mkt share %	Val grth %	Vol grth %	Value (Rsm)	Mkt share %	Val grth %	Vol grth %	Value (Rsm)	Mkt share %	Val grth %	Vol grth %	Value (Rsm)	Mkt share %	Val grth %
<b>Total market (IPM)</b>	<b>25,546</b>	<b>100.0</b>	<b>20</b>	<b>20</b>	<b>203,375</b>	<b>100.0</b>	<b>19</b>	<b>18</b>	<b>264,337</b>	<b>100.0</b>	<b>17</b>	<b>16</b>	<b>230,394</b>	<b>100.0</b>	<b>9</b>
GLAXOSMITHKLINE	1,274	5.0	5	4	10,710	5.3	7	6	14,107	5.3	7	5	13,040	5.7	3
RANBAXY	1,320	5.2	21	20	10,356	5.1	23	19	13,451	5.1	21	18	11,304	4.9	9
CIPLA	1,195	4.7	17	19	10,256	5.0	17	19	13,406	5.1	14	16	11,766	5.1	5
NICHOLAS PIRAMAL	1,045	4.1	11	11	8,876	4.4	20	18	11,668	4.4	20	18	10,052	4.4	14
ZYDUS CADILA	882	3.5	16	15	6,995	3.4	13	9	9,178	3.5	12	8	8,161	3.5	4
SUN PHARMA	780	3.1	18	18	6,503	3.2	19	19	8,569	3.2	18	19	7,539	3.3	13
ALKEM	828	3.2	22	22	6,086	3.0	19	19	7,842	3.0	18	18	6,855	3.0	11
PFIZER	657	2.6	18	16	5,280	2.6	17	13	7,060	2.7	17	13	6,202	2.7	4
ARISTO PHARMA	596	2.3	9	18	4,737	2.3	16	21	6,166	2.3	18	22	5,451	2.4	21
LUPIN LABS	616	2.4	27	31	4,675	2.3	24	28	6,122	2.3	24	28	5,178	2.2	17
SANOFI AVENTIS	558	2.2	16	10	4,710	2.3	11	4	6,119	2.3	8	2	5,558	2.4	2
DR REDDYS LABS	586	2.3	18	20	4,649	2.3	17	19	6,053	2.3	16	18	5,290	2.3	6
ABBOTT	479	1.9	10	10	4,167	2.0	17	15	5,415	2.0	16	13	4,739	2.1	8
TORRENT PHARMA	484	1.9	24	21	3,960	1.9	19	21	5,157	2.0	18	20	4,463	1.9	14
WOCKHARDT	439	1.7	18	17	3,706	1.8	20	17	4,841	1.8	19	15	4,168	1.8	13
MICRO LABS	422	1.7	8	7	3,530	1.7	11	11	4,672	1.8	12	12	4,275	1.9	11
INTAS	451	1.8	24	27	3,550	1.7	29	35	4,630	1.8	30	36	3,753	1.6	29
NOVARTIS	391	1.5	10	10	3,443	1.7	14	11	4,538	1.7	14	9	4,104	1.8	7
ALEMBIC	435	1.7	11	11	3,254	1.6	11	12	4,362	1.7	11	13	4,001	1.7	8
GLENMARK PHARMA	340	1.3	36	38	2,535	1.2	21	20	3,299	1.2	18	16	2,784	1.2	9

Source: ORG IMS

# Indian pharmaceutical market—therapeutic trend

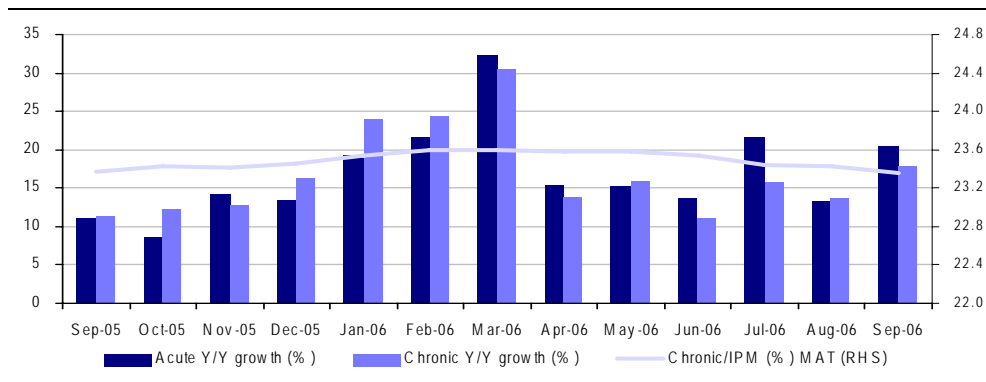
In the past, the chronic segment grew faster than the acute segment but 2006 growth rates have been equal YTD. Acute segment continue to account for over 75% of sales in India. The monsoon months—June to September—are typically the strongest seasonally for the acute segment because of water-borne diseases, and 2006 was no exception to this rule. Increased prevalence of diseases caused by mosquito bites such as malaria, dengue, and chikungunya have added to demand in 2006, as reflected in the high growth rate in the pain and analgesic category. The respiratory category in chronic as well as acute therapy had strong growth in the past few months.

Table 2: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>9</b>	<b>19</b>	<b>11</b>	<b>9</b>	<b>14</b>	<b>14</b>	<b>19</b>	<b>22</b>	<b>32</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>22</b>	<b>13</b>	<b>20</b>
Anti-infectives	17	18	18	14	21	19	13	20	19	23	25	33	17	15	18	28	13	22
Gastro Intestinal	11	11	11	10	18	14	10	14	13	25	30	40	19	15	11	16	7	19
Pain / Analgesics	8	8	8	4	22	6	3	5	4	10	14	28	13	16	20	32	27	34
Vitamins / Minerals / Nutrients	9	9	9	6	13	9	7	14	11	16	17	27	13	12	7	13	6	12
Respiratory	7	7	6	4	24	3	10	15	20	26	27	39	14	13	20	30	21	24
Derma	5	5	5	11	18	9	8	18	13	20	21	36	18	19	9	15	12	21
Gynaec.	6	5	5	8	16	8	5	12	13	19	23	31	17	17	8	10	12	15
Hormones	2	2	2	10	19	8	3	11	13	7	15	25	-1	14	14	37	25	33
<b>Chronic</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>12</b>	<b>18</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>16</b>	<b>24</b>	<b>24</b>	<b>31</b>	<b>14</b>	<b>16</b>	<b>11</b>	<b>16</b>	<b>14</b>	<b>18</b>
Cardiac	10	10	10	13	14	12	11	12	15	21	20	26	10	12	7	12	11	13
Neuro / Cns	5	5	5	13	20	15	16	15	19	30	36	40	18	17	9	16	11	17
Anti Diabetic	4	4	4	13	20	15	15	14	17	25	25	31	16	22	15	19	15	19
Respiratory	3	3	3	5	24	-3	4	9	14	23	22	28	14	17	22	24	28	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>9</b>	<b>19</b>	<b>11</b>	<b>9</b>	<b>14</b>	<b>14</b>	<b>20</b>	<b>22</b>	<b>32</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>20</b>	<b>13</b>	<b>20</b>

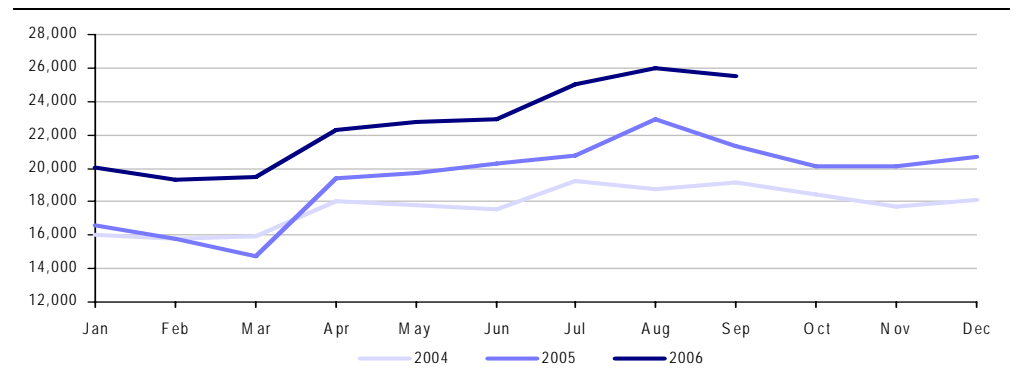
Source: ORG IMS

Chart 1: Acute/Chronic trend



Source: ORG IMS

Chart 2: Monthly sales trend (Rs m)



Source: ORG IMS

# Cipla (Buy 2, PT of Rs315)

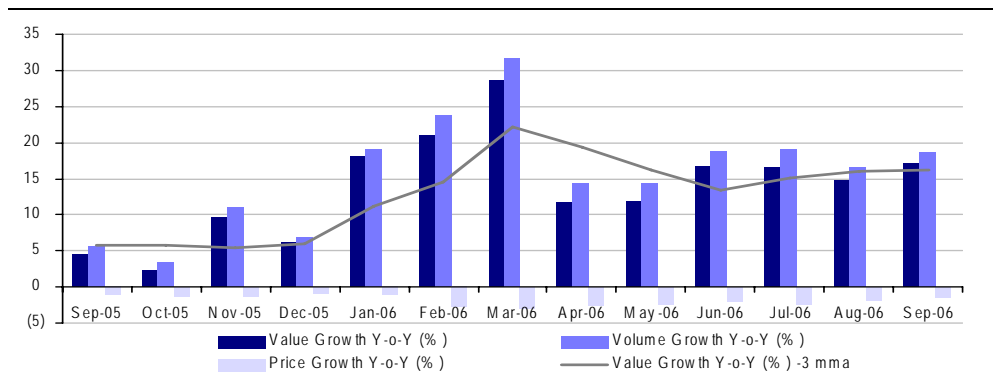
Cipla was losing market share since 2005 and was one of the few companies facing price erosion. However, in recent months it has shown a strong turnaround, closing the gap with the industry growth rate. The performance of its top category—anti-infective—remains a cause for concern because of poor growth in five of the past six months. The gynecology category appears to have been the new growth driver in 2006, but this stalled in September. A worrying trend that had developed over Q106 was the slow growth rate for the chronic segment, traditionally a better margin segment for Indian companies than the acute segment. In September, the chronic respiratory category did well, helping the chronic segment’s faster growth.

Table 3: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>57</b>	<b>56</b>	<b>57</b>	<b>4</b>	<b>17</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>4</b>	<b>20</b>	<b>25</b>	<b>31</b>	<b>12</b>	<b>11</b>	<b>16</b>	<b>17</b>	<b>15</b>	<b>16</b>
Anti-infectives	21	22	21	6	12	18	6	10	-7	28	24	25	-5	-1	25	9	8	7
Gastro Intestinal	7	7	7	-4	12	4	-5	-1	17	32	31	25	-3	-2	-3	10	16	28
Gynaec.	3	3	4	24	53	54	35	45	32	55	65	88	79	67	52	43	56	1
Ophthal / Otologicals	3	4	4	11	23	8	-3	4	11	24	29	36	17	21	14	29	16	27
Pain / Analgesics	4	3	4	-7	22	-9	-14	0	9	-1	32	33	25	13	12	25	29	38
Respiratory	5	5	4	-1	13	-16	-7	7	2	-8	7	25	13	-2	12	25	16	35
HIV	4	4	3	3	3	-2	2	19	21	9	2	11	15	0	-3	-5	-3	5
Vitamins / Minerals / Nutrients	3	2	2	-4	6	-13	-17	-1	5	8	9	28	17	-3	1	4	-7	8
<b>Chronic</b>	<b>43</b>	<b>44</b>	<b>43</b>	<b>7</b>	<b>16</b>	<b>0</b>	<b>4</b>	<b>10</b>	<b>9</b>	<b>15</b>	<b>17</b>	<b>26</b>	<b>12</b>	<b>13</b>	<b>17</b>	<b>16</b>	<b>15</b>	<b>19</b>
Respiratory	27	27	27	7	21	0	7	13	12	19	19	27	12	14	23	22	24	28
Cardiac	12	12	11	6	9	-2	0	5	1	8	11	22	9	13	11	9	-1	2
Neuro / CNS	4	3	3	-5	7	-3	-16	1	1	8	19	24	11	2	1	2	-1	3
Pain / Analgesics	1	1	1	25	13	27	20	19	9	11	20	30	16	17	4	5	9	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>5</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>6</b>	<b>18</b>	<b>21</b>	<b>29</b>	<b>12</b>	<b>12</b>	<b>17</b>	<b>17</b>	<b>15</b>	<b>17</b>

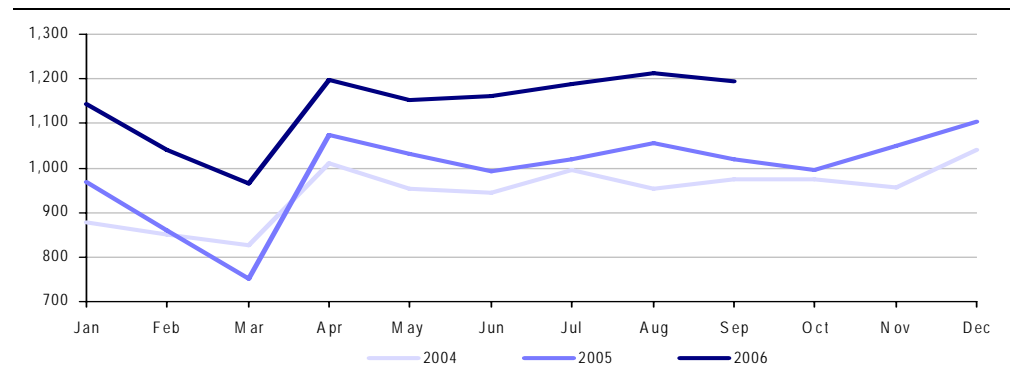
Source: ORG IMS

Chart 3: Price/volume trend (%)



Source: ORG IMS

Chart 4: Monthly sales trend (Rs m)



Source: ORG IMS

# Ranbaxy (Buy 2, PT of Rs500)

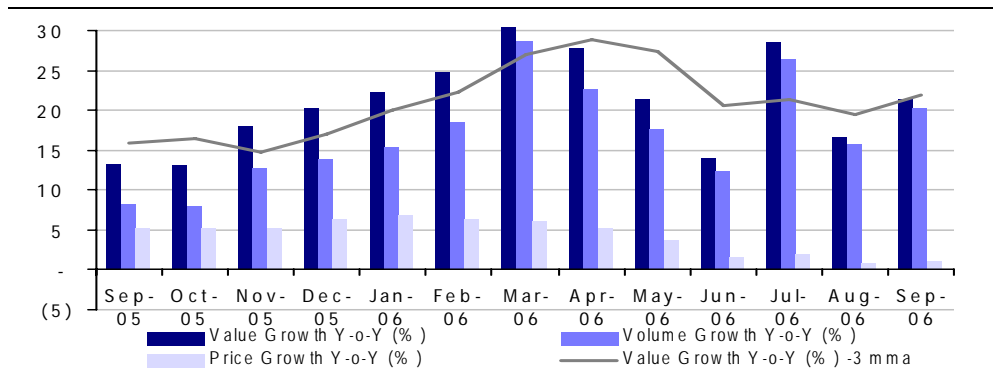
Ranbaxy delivered strong sales growth in 2006, partly helped by price increases that appear to be wearing off. September 2006 data shows the chronic therapeutic segment drove sales growth, a trend seen over the past two years. Anti-diabetic is growing rapidly, but it remains a small category for Ranbaxy. Anti-infective, the largest category, turned around in 2005. Ranbaxy’s sales tend to increase from April to August when it benefits from increased demand because of the monsoon season. Pain/analgesics sales are benefiting from a low base due to product withdrawal in 2005 and increased demand in 2006 from the large number of patients suffering from malaria, chikungunya, and dengue.

Table 4: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>84</b>	<b>83</b>	<b>82</b>	<b>9</b>	<b>21</b>	<b>12</b>	<b>13</b>	<b>18</b>	<b>20</b>	<b>20</b>	<b>23</b>	<b>33</b>	<b>25</b>	<b>16</b>	<b>14</b>	<b>27</b>	<b>14</b>	<b>20</b>
Anti-infectives	41	43	42	14	23	19	16	22	25	30	32	36	32	9	19	29	13	20
Pain / Analgesics	10	9	9	-7	18	-10	12	4	6	2	10	27	13	8	13	41	15	27
Derma	7	8	8	22	24	31	26	27	31	34	45	60	30	17	4	16	17	18
Gastro Intestinal	7	7	7	16	18	20	17	21	21	21	23	36	19	21	7	13	11	26
Sex stimulants / Rejuvenators	6	5	5	0	27	-4	13	26	16	3	6	37	49	61	7	30	38	18
Vitamins / Minerals / Nutrients	3	3	2	0	4	-3	-2	7	7	13	8	21	4	1	-6	3	-3	5
Vaccines	2	2	2	-2	33	-3	-9	17	8	23	20	11	22	248	0	21	38	37
Respiratory	3	3	2	-4	-6	-9	-28	-10	16	-15	-20	-10	-8	-10	3	10	-7	11
<b>Chronic</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>16</b>	<b>33</b>	<b>20</b>	<b>15</b>	<b>19</b>	<b>20</b>	<b>32</b>	<b>33</b>	<b>42</b>	<b>40</b>	<b>47</b>	<b>15</b>	<b>37</b>	<b>29</b>	<b>26</b>
Cardiac	8	9	10	23	36	25	19	24	26	36	30	50	43	49	16	42	33	26
Neuro / Cns	5	5	4	3	10	15	5	4	4	11	25	14	21	25	-8	9	1	1
Anti Diabetic	1	2	2	37	73	22	31	40	33	59	66	86	86	101	55	77	69	61
Respiratory	1	1	1	10	63	6	12	24	35	53	41	34	33	54	63	83	90	103
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>10</b>	<b>23</b>	<b>13</b>	<b>13</b>	<b>18</b>	<b>20</b>	<b>22</b>	<b>25</b>	<b>35</b>	<b>28</b>	<b>21</b>	<b>14</b>	<b>28</b>	<b>17</b>	<b>21</b>

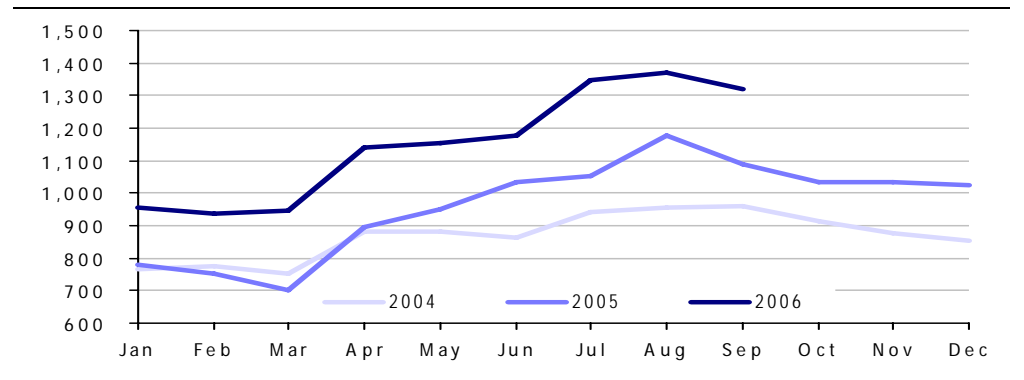
Source: ORG IMS

Chart 5: Price/volume trend (%)



Source: ORG IMS

Chart 6: Monthly sales trend (Rs m)



Source: ORG IMS



# Nicholas Piramal (Buy 2, PT of Rs280)

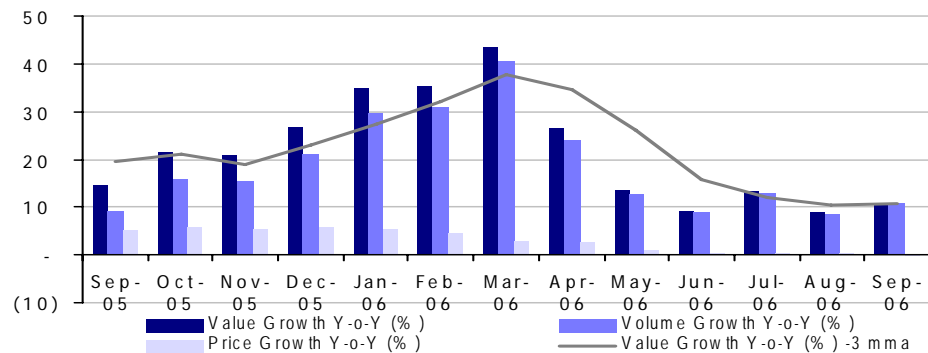
After a strong performance in Q1, NPIL has had a poor growth rate since May 2006. NPIL has reported the lowest growth rate in the past 13 months, in June and August 2006. In September 2006, sales in the acute segment did well, but not the chronic segment. Regulatory action on its main brand, Phensedyl, in the respiratory category affected NPIL’s primary sales in 2005. However, secondary sales seem to be less affected. The pain/analgesic category has an impact on the performance of the pain/analgesic category because of the withdrawal of COX2 inhibitors from the Indian market. NPIL has gained from a 2% price increase in the past 12 months, but the impact is slowing in 2006. The price increase was perhaps necessary because of problems with its largest brand, Phensedyl.

Table 5: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>70</b>	<b>70</b>	<b>72</b>	<b>15</b>	<b>23</b>	<b>15</b>	<b>21</b>	<b>22</b>	<b>31</b>	<b>39</b>	<b>41</b>	<b>49</b>	<b>33</b>	<b>17</b>	<b>12</b>	<b>17</b>	<b>11</b>	<b>12</b>
Respiratory	16	19	20	33	44	28	49	38	71	75	65	77	66	49	16	32	40	9
Anti-infectives	15	13	13	6	10	-1	5	11	3	17	20	37	15	8	9	8	-9	11
Gastro Intestinal	8	8	9	19	34	49	35	22	47	57	78	85	70	19	18	22	10	11
Pain / Analgesics	9	8	9	5	24	11	7	12	12	19	22	33	30	14	20	21	22	37
Vitamins / Minerals / Nutrients	8	7	7	6	12	6	8	6	15	18	18	17	14	11	6	10	8	11
Derma	5	5	5	15	14	-2	6	23	9	11	19	34	25	2	8	10	2	22
Hormones	2	3	2	24	18	28	16	53	42	33	41	41	36	2	17	15	-5	14
Parenteral	3	3	3	14	7	-8	10	28	-3	39	106	17	-36	-6	20	23	10	9
<b>Chronic</b>	<b>30</b>	<b>30</b>	<b>28</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>22</b>	<b>18</b>	<b>18</b>	<b>26</b>	<b>24</b>	<b>33</b>	<b>13</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>6</b>
Cardiac	14	14	13	12	9	14	21	12	14	19	20	26	11	4	0	4	4	7
Neuro / Cns	9	9	9	18	15	16	30	28	23	35	33	50	17	4	-2	6	5	4
Anti Diabetic	5	5	5	13	18	9	16	19	23	32	28	31	14	19	13	11	10	12
Pain / Analgesics	2	2	2	2	4	-3	9	6	11	24	11	15	16	4	-5	-9	-1	-10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>15</b>	<b>20</b>	<b>14</b>	<b>22</b>	<b>21</b>	<b>27</b>	<b>35</b>	<b>35</b>	<b>43</b>	<b>26</b>	<b>14</b>	<b>9</b>	<b>13</b>	<b>9</b>	<b>11</b>

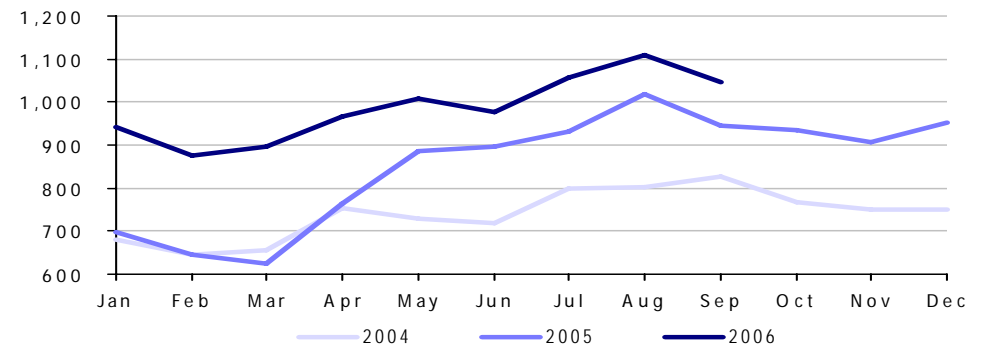
Source: ORG IMS

Chart 7: Price-volume trend (%)



Source: ORG IMS

Chart 8: Monthly sales trend (Rs m)



Source: ORG IMS

# Sun Pharma (Buy 2, PT of Rs1,115)

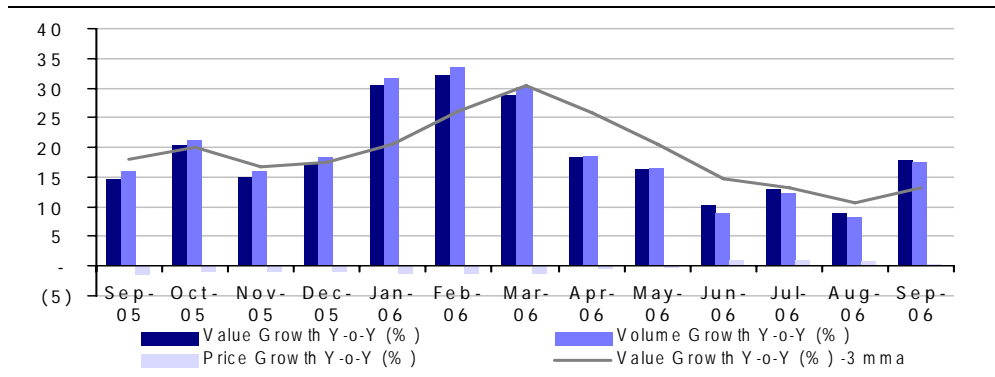
After a strong Q106, there was deceleration in sales growth and Sun's YoY growth rate, which was 9% in August 2006, its worst since February/March 2005. September was much better for Sun Pharma with a strong rebound in the chronic segment, which remains its most important segment. It has had mixed success in the respiratory category so far in 2006. After strong growth until May 2006, performance has worsened progressively. Sun's annual sales in India follow a typically Indian pattern, with the lowest sales recorded in Q1 while the peak is in the monsoon months from July to August. This is a surprise since most of its sales are in the chronic segment that does not display seasonal demand.

Table 6: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>21</b>	<b>16</b>	<b>15</b>	<b>27</b>	<b>31</b>	<b>25</b>	<b>23</b>	<b>11</b>	<b>6</b>	<b>10</b>	<b>6</b>	<b>15</b>
Gastro Intestinal	10	10	10	14	16	19	23	14	15	30	33	29	20	16	3	7	2	16
Gynaec.	7	7	7	21	19	27	36	30	22	41	40	38	26	19	4	11	3	5
Pain / Analgesics	6	6	5	2	11	2	6	3	4	7	11	7	14	15	3	11	6	25
Ophthal / Otologicals	4	4	4	30	13	32	22	27	23	29	35	27	19	3	-4	3	7	8
Vitamins / Minerals / Nutrients	2	2	2	10	31	9	16	13	25	44	45	49	36	26	20	23	15	30
Respiratory	3	2	2	-8	4	0	-6	4	-14	3	14	4	11	4	6	-2	0	2
Blood Related	1	1	1	38	48	28	70	34	40	60	73	40	96	43	43	37	26	37
Hormones	0	1	1	253	93	230	196	159	96	109	114	98	100	77	73	74	95	114
<b>Chronic</b>	<b>61</b>	<b>61</b>	<b>62</b>	<b>13</b>	<b>20</b>	<b>13</b>	<b>20</b>	<b>15</b>	<b>19</b>	<b>32</b>	<b>33</b>	<b>32</b>	<b>16</b>	<b>19</b>	<b>13</b>	<b>15</b>	<b>11</b>	<b>20</b>
Neuro / Cns	29	29	29	14	19	18	21	15	17	35	35	32	14	18	8	13	8	18
Cardiac	20	20	20	9	20	5	15	11	18	27	29	28	14	17	17	16	12	21
Anti Diabetic	9	9	10	21	28	19	25	26	28	40	38	40	22	30	23	21	20	25
Respiratory	3	2	2	4	8	3	14	0	10	16	20	19	15	13	4	1	-7	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>14</b>	<b>19</b>	<b>15</b>	<b>20</b>	<b>15</b>	<b>17</b>	<b>30</b>	<b>32</b>	<b>29</b>	<b>18</b>	<b>16</b>	<b>10</b>	<b>13</b>	<b>9</b>	<b>18</b>

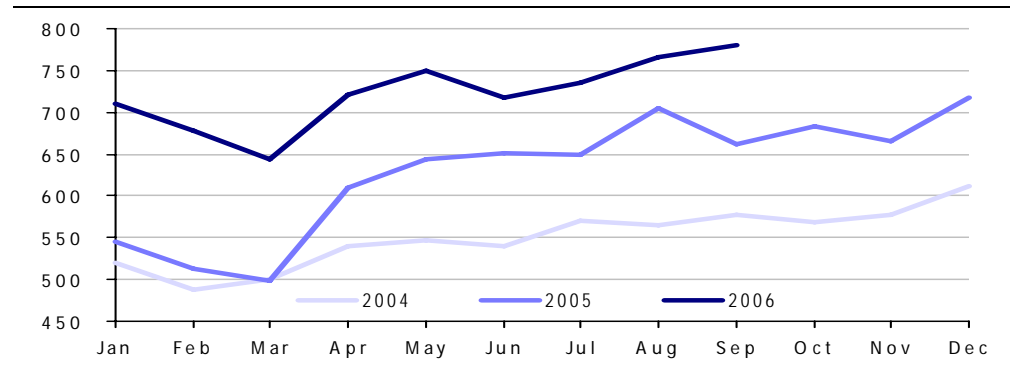
Source: ORG IMS

Chart 9: Price/volume trend (%)



Source: ORG IMS

Chart 10: Monthly sales trend (Rs m)



Source: ORG IMS

# Dr. Reddy's Labs (Neutral 2, PT of Rs900)

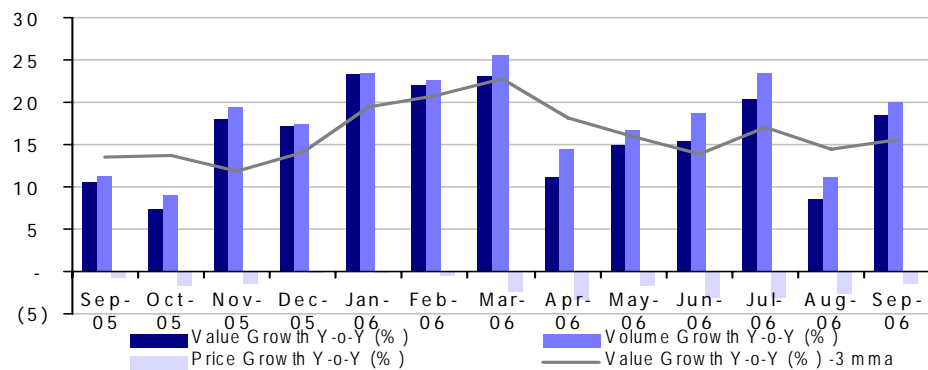
Dr. Reddy's Labs (DRL) has had an inconsistent growth rate in 2006. In May-July 2006, it matched or bettered the industry growth rate but performance has slipped since August 2006. The performance remains patchy, as the anti-diabetic category grew solidly while sales in the pain/analgesic category declined. Its portfolio remains focused on acute therapies and the composition of sales has remained stable since 2004. The gastro-intestinal category is the growth driver in 2006. In the pain/analgesic category, there has been a sharp revival in sales of Nimesulide; controversy over plans for a ban in India affected 2004 sales. DRL appears to be facing marginal price erosion in 2006. It experiences a seasonal increase in sales from April to August.

Table 7: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>73</b>	<b>72</b>	<b>73</b>	<b>6</b>	<b>18</b>	<b>11</b>	<b>9</b>	<b>20</b>	<b>17</b>	<b>21</b>	<b>22</b>	<b>24</b>	<b>14</b>	<b>15</b>	<b>18</b>	<b>23</b>	<b>9</b>	<b>18</b>
Gastro Intestinal	20	20	22	9	27	15	14	24	27	42	33	46	26	23	24	24	16	26
Pain / Analgesics	16	16	17	9	20	13	15	30	5	-8	10	8	11	22	30	51	16	22
Vitamins / Minerals / Nutrients	8	8	7	3	-3	4	-3	6	7	10	8	2	-5	-5	-7	-10	-9	-6
Anti-infectives	9	7	8	-11	25	4	-2	10	8	31	27	18	26	12	30	37	18	24
Stomatologicals	5	5	4	11	7	14	1	17	16	16	13	10	-2	4	0	7	3	15
Derma	4	4	4	11	14	5	12	28	29	26	30	27	9	6	6	4	8	18
Respiratory	4	3	3	6	29	4	11	25	38	50	48	37	18	22	30	30	11	21
Blood Related	2	2	2	-2	9	3	11	3	11	0	7	20	23	15	2	7	-8	19
<b>Chronic</b>	<b>27</b>	<b>28</b>	<b>27</b>	<b>8</b>	<b>15</b>	<b>8</b>	<b>4</b>	<b>13</b>	<b>18</b>	<b>29</b>	<b>23</b>	<b>21</b>	<b>6</b>	<b>15</b>	<b>9</b>	<b>12</b>	<b>6</b>	<b>19</b>
Cardiac	20	20	19	7	11	5	0	9	13	24	18	15	6	9	6	7	2	16
Anti Diabetic	5	5	5	9	21	6	7	12	22	29	22	32	-3	33	16	24	15	27
Pain / Analgesics	1	1	1	70	21	194	188	126	136	266	258	155	50	23	-8	-20	-36	-36
Neuro / CNS	1	1	1	-2	16	-19	-10	20	25	26	26	24	14	3	-6	10	9	38
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>7</b>	<b>17</b>	<b>11</b>	<b>7</b>	<b>18</b>	<b>17</b>	<b>23</b>	<b>22</b>	<b>23</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>20</b>	<b>9</b>	<b>18</b>

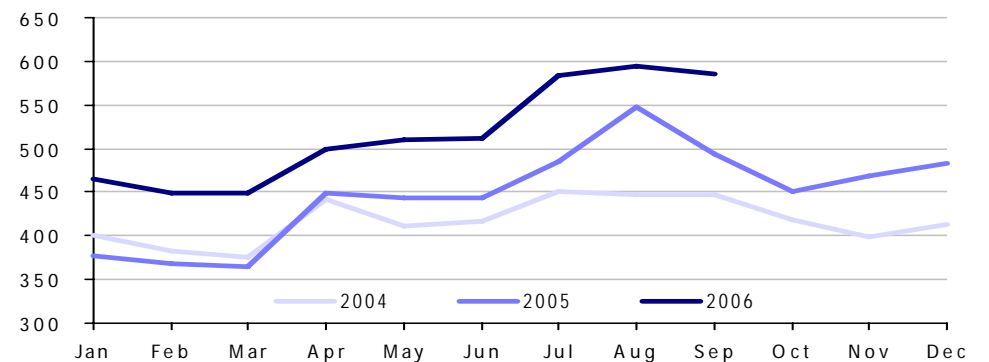
Source: ORG IMS

Chart 11: Price/volume trend (%)



Source: ORG IMS

Chart 12: Monthly sales trend (Rs m)



Source: ORG IMS

# Wockhardt (Buy 2, PT of Rs535)

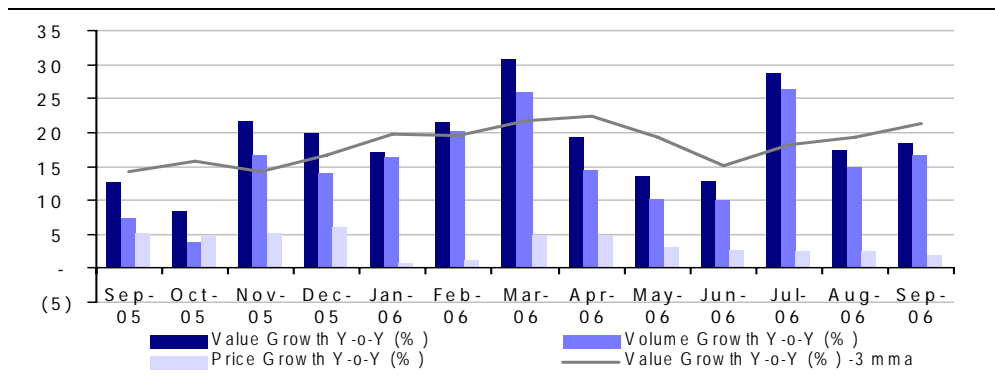
There seems to be an absence of growth in Wockhardt’s chronic therapies in 2006. In the acute segment, vitamins had flat sales but there was strong growth in other acute categories. Sales decline in neuro/CNS for the fifth consecutive month is a concern. Wockhardt has been working to increase the chronic segment’s share of total revenue. There have been no big changes in sales composition by segment since 2004. The two categories that Wockhardt is focusing on are anti-diabetes and nephrology, which have had consistent growth for the past 12 months. Despite Wockhardt’s focus on the chronic segment, the cardiology category has disappointed, with declining sales in the past three months.

Table 8: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>81</b>	<b>79</b>	<b>81</b>	<b>11</b>	<b>22</b>	<b>10</b>	<b>5</b>	<b>21</b>	<b>18</b>	<b>16</b>	<b>21</b>	<b>32</b>	<b>20</b>	<b>12</b>	<b>15</b>	<b>37</b>	<b>22</b>	<b>23</b>
Vitamins / Minerals / Nutrients	25	24	22	8	9	10	10	19	18	23	21	26	10	9	-2	9	-3	0
Gastro Intestinal	11	9	11	-6	56	0	-4	4	8	78	41	113	113	42	38	36	33	26
Respiratory	9	7	8	-9	37	-29	-7	13	8	-6	20	28	21	20	45	87	62	63
Pain / Analgesics	9	9	9	21	14	35	-5	2	-9	-24	9	18	-6	-5	5	70	33	31
Anti-infectives	9	11	11	40	30	51	18	27	35	34	36	39	10	-8	4	61	49	40
Derma	5	5	5	15	9	27	9	-1	48	-31	10	54	-12	10	-4	26	11	42
Hormones	4	5	5	38	3	65	29	39	43	17	23	-2	7	1	-3	-1	2	-4
Vaccines	1	2	2	123	145	-50	-72	*	72	241	-15	-67	274	741	471	406	1,005	59
<b>Chronic</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>27</b>	<b>12</b>	<b>24</b>	<b>25</b>	<b>22</b>	<b>27</b>	<b>22</b>	<b>25</b>	<b>28</b>	<b>18</b>	<b>18</b>	<b>5</b>	<b>1</b>	<b>-2</b>	<b>1</b>
Anti Diabetic	7	8	8	30	25	36	30	31	25	26	40	33	28	51	20	11	13	11
Neuro / Cns	7	8	7	41	5	25	29	28	41	29	20	31	17	-3	-7	-2	-13	-6
CARDIAC	4	4	3	1	-3	4	9	-1	9	4	7	12	0	2	0	-16	-15	-12
Respiratory	1	1	1	-6	10	-4	-4	-3	-10	8	3	21	-1	-5	13	18	17	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>14</b>	<b>20</b>	<b>13</b>	<b>9</b>	<b>22</b>	<b>20</b>	<b>17</b>	<b>22</b>	<b>31</b>	<b>19</b>	<b>14</b>	<b>13</b>	<b>29</b>	<b>17</b>	<b>18</b>

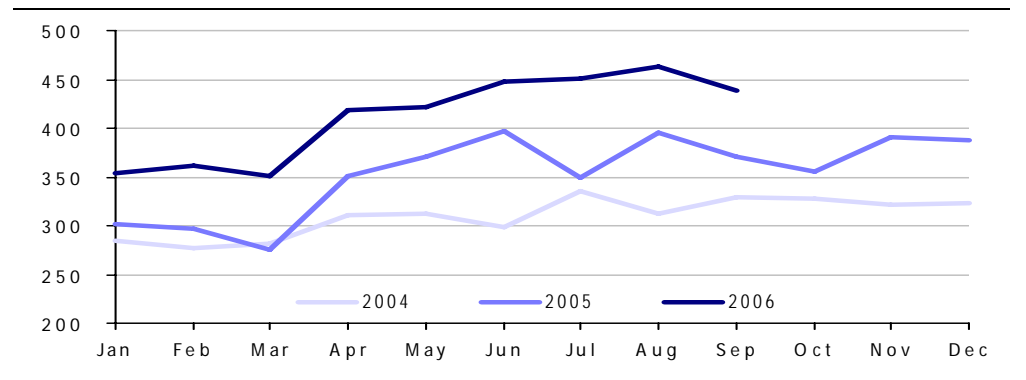
Source: ORG IMS

Chart 13: Price/volume trend (%)



Source: ORG IMS

Chart 14: Monthly sales trend (Rs m)



Source: ORG IMS

# Glenmark (Buy 2, PT of Rs535)

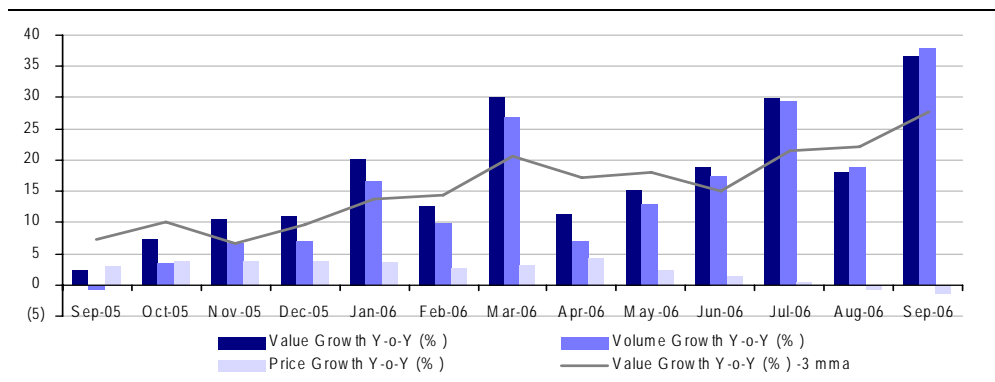
The top three categories— dermatology, anti-infective and respiratory—account for 62% of revenue. The anti-infective category has been growing rapidly for the past 12 months, because of the increased focus on rural markets, launch of new marketing divisions and a bigger marketing team. Acute segment account for 84% of sales, although the chronic segment is growing more rapidly in 2006. In the acute segment, the only category that is a cause of concern is the pain/analgesic category where sales were declining until June 2006. The past two month could have fared better due to the near epidemic prevalence of dengue and chikungunya in India. September 2006 sales benefit from the low base in September 2005, a benefit in October as well.

Table 9: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%) 2006 YTD	Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD		Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>87</b>	<b>85</b>	<b>84</b>	<b>20</b>	<b>0</b>	<b>6</b>	<b>9</b>	<b>8</b>	<b>20</b>	<b>14</b>	<b>29</b>	<b>9</b>	<b>11</b>	<b>19</b>	<b>28</b>	<b>15</b>	<b>36</b>
Derma	31	32	30	15	5	7	15	14	18	19	36	15	10	9	16	-2	20
Anti-infectives	12	14	17	56	21	38	40	41	48	44	74	56	52	51	76	41	65
Respiratory	16	16	15	24	15	18	15	5	49	35	34	-7	0	31	28	16	33
Pain / Analgesics	12	9	7	-20	-61	-52	-59	-54	-51	-50	-42	-40	-28	-11	6	22	89
Gynaec.	4	5	5	18	10	9	16	17	24	12	28	12	14	16	18	20	23
Gastro Intestinal	3	3	4	34	9	24	14	15	37	23	32	12	23	40	49	40	47
Ophthal / Otologicals	3	3	3	12	23	12	19	18	10	2	44	8	4	1	8	17	18
Stomatologicals	2	2	2	24	18	21	32	84	48	32	56	24	2	32	22	8	24
<b>Chronic</b>	<b>13</b>	<b>15</b>	<b>16</b>	<b>29</b>	<b>21</b>	<b>15</b>	<b>22</b>	<b>35</b>	<b>22</b>	<b>6</b>	<b>34</b>	<b>28</b>	<b>38</b>	<b>16</b>	<b>38</b>	<b>36</b>	<b>41</b>
Anti Diabetic	8	9	9	14	22	22	24	30	20	-3	18	16	22	0	17	13	27
Cardiac	5	5	6	41	16	1	13	33	11	8	45	35	57	34	64	66	55
Respiratory	0	0	0	147	31	-1	25	82	196	162	281	148	147	112	141	105	97
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>21</b>	<b>2</b>	<b>7</b>	<b>10</b>	<b>11</b>	<b>20</b>	<b>13</b>	<b>30</b>	<b>11</b>	<b>15</b>	<b>19</b>	<b>30</b>	<b>18</b>	<b>36</b>

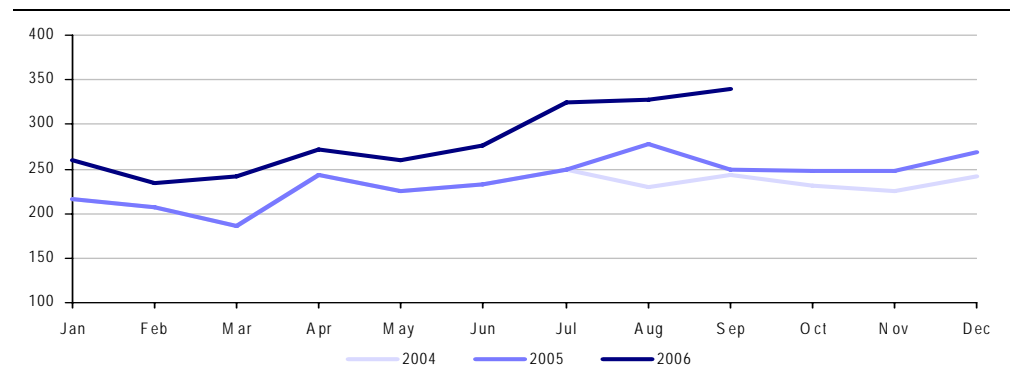
Source: ORG IMS

Chart 15: Price/volume trend (%)



Source: ORG IMS

Chart 16: Monthly sales trend (Rs m)



Source: ORG IMS

# GSK India (Not Rated)

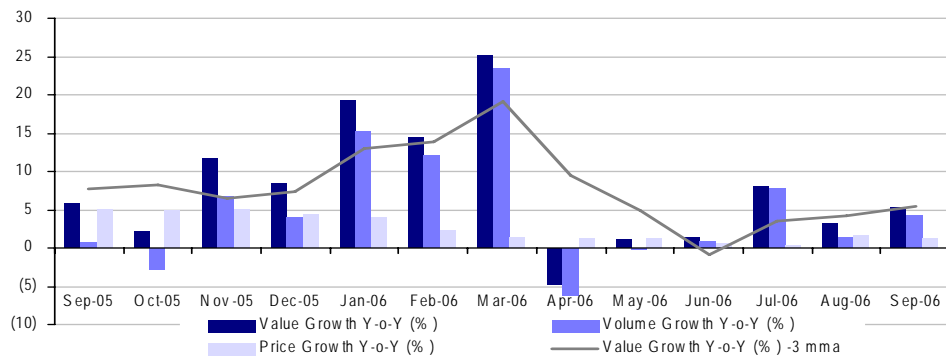
IMS data does not fully capture Glaxo’s vaccine business, as it does not include institutional sales. Since 2005, GSK’s retail business has been underperforming. There was some improvement in Q106 (low base effect) but the poor performance resumed in Q206. The acute segment led to an improvement in July, but August and September data indicate a slump. The chronic segment has been driving down the growth rate since April 2006. In September, sales in two acute categories declined YoY and brought down the growth rate. The rapid growth in Glaxo’s top two categories—anti-infective and dermatological—in Q106 has stalled. There is seasonal effect in GSK India’s sales, with a sharp increase in the monsoon months as anti-infective sales rise.

Table 10: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>94</b>	<b>95</b>	<b>95</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>9</b>	<b>20</b>	<b>15</b>	<b>25</b>	<b>-5</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>3</b>	<b>6</b>
Anti-infectives	20	21	21	9	10	7	4	17	18	30	29	35	-7	6	3	9	-2	7
Derma	15	15	15	4	9	-4	-2	12	2	21	18	31	6	2	-2	4	3	9
Vitamins / Minerals / Nutrients	12	12	11	2	0	6	-4	3	2	11	4	22	-9	0	-9	3	-3	-4
Pain / Analgesics	8	9	10	19	17	38	23	24	37	35	22	50	-7	5	18	24	27	2
Hormones	8	8	8	11	-1	0	-9	11	-7	-3	-4	-4	-24	-7	-12	25	16	19
Respiratory	10	9	9	-7	11	-13	-9	-4	-3	9	3	12	-2	-2	16	28	12	20
Gastro Intestinal	7	6	6	-5	5	-6	-6	-3	-8	18	11	36	-6	3	3	-2	-4	6
Gynaec.	4	4	3	-1	0	10	0	4	19	25	25	17	-5	-1	-5	-5	-13	-19
<b>Chronic</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>-2</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>4</b>	<b>13</b>	<b>10</b>	<b>19</b>	<b>-4</b>	<b>0</b>	<b>-10</b>	<b>-2</b>	<b>7</b>	<b>0</b>
Cardiac	3	3	3	4	-7	10	12	15	9	14	5	10	-15	-14	-21	-13	-3	-11
Respiratory	2	1	1	-17	10	-15	-17	-5	-9	7	3	25	2	15	0	4	-3	12
Pain / Analgesics	1	1	1	-10	2	11	-1	-10	-10	-2	6	10	-4	5	-11	2	44	-16
Anti Diabetic	0	0	0	-	532	-	-	-	-	-	-	-	-	479	313	316	269	270
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>8</b>	<b>19</b>	<b>14</b>	<b>25</b>	<b>-5</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>3</b>	<b>5</b>

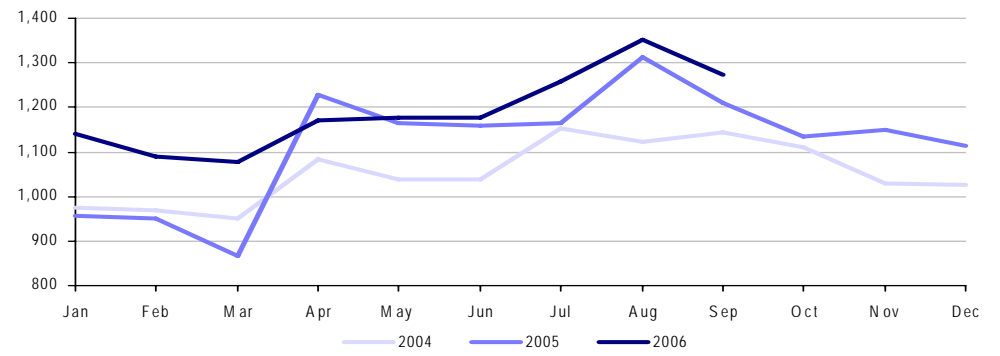
Source: ORG IMS

Chart 17: Price/volume trend (%)



Source: ORG IMS

Chart 18: Monthly sales trend (Rs m)



Source: ORG IMS

# Pfizer (Not Rated)

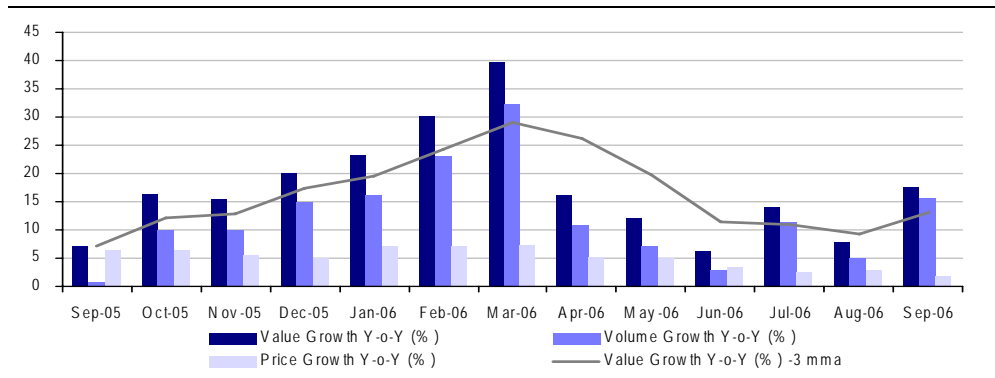
After a strong Q106, Pfizer’s growth rate declined for three months until June 2006, but picked up again in September. There was growth across various categories in both chronic and acute areas in September. It appears Pfizer has decided to achieve growth through price increase in 2006. YTD it has achieved 2% growth in prices. This has helped it achieve 17% growth in 2006 YTD, which is marginally below the industry growth rate in 2006 YTD. Pfizer’s portfolio has remained static since 2004 with the top three categories accounting for 57% of sales. The big driver of growth in 2005 was the gastrointestinal category. Given the strong focus on strong acute therapy, Pfizer’s demand peak is during the monsoon months.

Table 11: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>5</b>	<b>17</b>	<b>7</b>	<b>17</b>	<b>16</b>	<b>21</b>	<b>23</b>	<b>31</b>	<b>40</b>	<b>15</b>	<b>11</b>	<b>6</b>	<b>15</b>	<b>7</b>	<b>17</b>
Respiratory	29	29	28	2	23	5	10	17	25	22	28	48	18	14	17	28	15	21
Vitamins / Minerals / Nutrients	20	19	19	0	12	4	11	16	17	6	33	30	4	4	6	15	6	12
Anti-infectives	11	10	10	-5	15	4	23	11	14	33	37	40	27	10	2	10	-5	8
Gastro Intestinal	6	9	9	48	22	34	56	34	39	56	57	53	35	24	-1	-9	-2	21
Pain / Analgesics	6	6	7	1	36	-3	11	5	12	16	28	29	21	29	23	50	53	73
Derma	5	5	5	5	9	1	11	15	9	22	25	34	26	4	-14	-2	0	13
Hormones	4	4	4	12	1	5	8	20	25	18	10	17	-14	-3	-18	-4	0	14
Gynaec.	3	3	3	8	-3	9	37	29	22	29	37	43	17	-2	-23	-18	-32	-27
<b>Chronic</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>2</b>	<b>19</b>	<b>5</b>	<b>14</b>	<b>9</b>	<b>15</b>	<b>25</b>	<b>23</b>	<b>39</b>	<b>26</b>	<b>20</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>18</b>
Cardiac	7	7	7	5	11	6	13	8	19	21	16	29	18	8	0	1	7	11
Neuro / Cns	2	2	3	2	59	10	26	15	19	35	62	92	87	77	48	44	46	53
Respiratory	1	1	1	-14	1	-15	0	10	-11	38	5	11	-17	3	-3	2	-16	-3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>4</b>	<b>17</b>	<b>7</b>	<b>16</b>	<b>15</b>	<b>20</b>	<b>23</b>	<b>30</b>	<b>40</b>	<b>16</b>	<b>12</b>	<b>6</b>	<b>14</b>	<b>8</b>	<b>18</b>

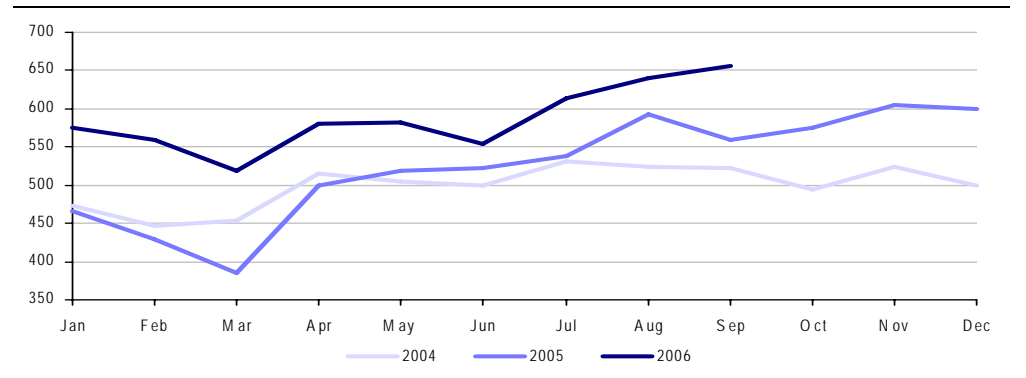
Source: ORG IMS

Chart 19: Price/volume trend (%)



Source: ORG IMS

Chart 20: Monthly sales trend (Rs m)



Source: ORG IMS

# Zydus Cadila (Not Rated)

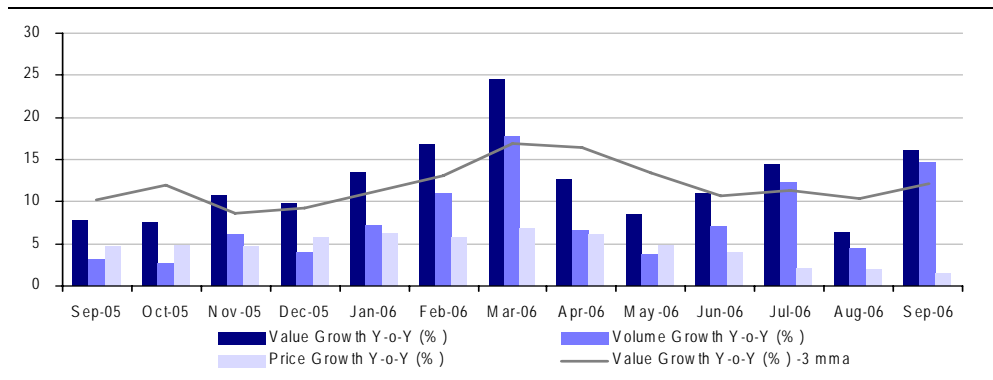
There appears to be no clear growth pattern for Zydus Cadila in 2006. Sales grew for three months until July but fell again in August, before recovering in September. It has continued to report a growth rate significantly below market growth rate since 2005. In addition, growth has been volatile within the therapeutic areas in the last 12 months. Zydus also appears to be using price increases to achieve growth in the past 12 months as it has reported 12% value growth on 8% volume growth. The gynecology category has been driving growth in 2006, but cardiac, neuro/CNS and anti-infective categories' poor performance has lowered the average.

Table 12: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>68</b>	<b>67</b>	<b>67</b>	<b>5</b>	<b>13</b>	<b>8</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>22</b>	<b>13</b>	<b>7</b>	<b>12</b>	<b>17</b>	<b>8</b>	<b>20</b>
Gastro Intestinal	15	15	16	7	15	6	12	16	16	19	23	29	11	5	12	9	14	20
Gynaec.	13	12	14	0	27	-2	-4	2	10	18	24	36	38	24	20	22	25	37
Anti-infectives	10	10	9	12	2	21	11	17	11	2	17	10	4	-7	1	16	-15	7
Pain / Analgesics	9	8	8	-7	6	-18	-16	-8	-13	-10	-7	3	9	-7	2	19	21	23
Vitamins / Minerals / Nutrients	3	4	4	16	17	16	25	23	14	27	40	28	15	10	13	8	0	28
Hormones	3	4	3	14	11	17	32	32	45	26	19	35	-3	3	7	19	-4	14
Blood Related	2	2	2	5	21	-1	10	10	6	8	-16	51	20	8	48	20	29	31
Sex stimulants / Rejuvenators	2	2	2	29	4	32	38	5	21	11	-14	30	5	16	14	3	-19	5
<b>Chronic</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>8</b>	<b>13</b>	<b>8</b>	<b>10</b>	<b>14</b>	<b>11</b>	<b>20</b>	<b>22</b>	<b>29</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>9</b>	<b>3</b>	<b>7</b>
Cardiac	21	21	20	9	8	11	13	16	12	17	17	28	5	7	4	7	-1	0
Respiratory	8	7	8	1	29	-6	2	9	9	27	35	38	31	22	34	19	26	32
Neuro / CNS	3	3	3	18	6	20	11	11	10	18	22	17	10	17	1	0	-14	-9
Anti Diabetic	1	1	1	12	46	11	32	31	17	36	45	62	35	42	41	47	24	83
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>6</b>	<b>13</b>	<b>8</b>	<b>7</b>	<b>11</b>	<b>10</b>	<b>13</b>	<b>17</b>	<b>25</b>	<b>13</b>	<b>8</b>	<b>11</b>	<b>14</b>	<b>6</b>	<b>16</b>

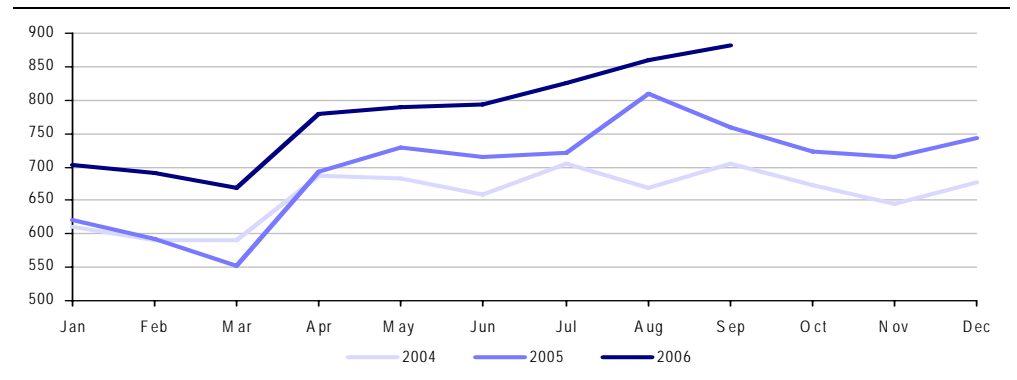
Source: ORG IMS

Chart 21: Price/volume trend (%)



Source: ORG IMS

Chart 22: Monthly sales trend (Rs m)



Source: ORG IMS



# Lupin (Not Rated)

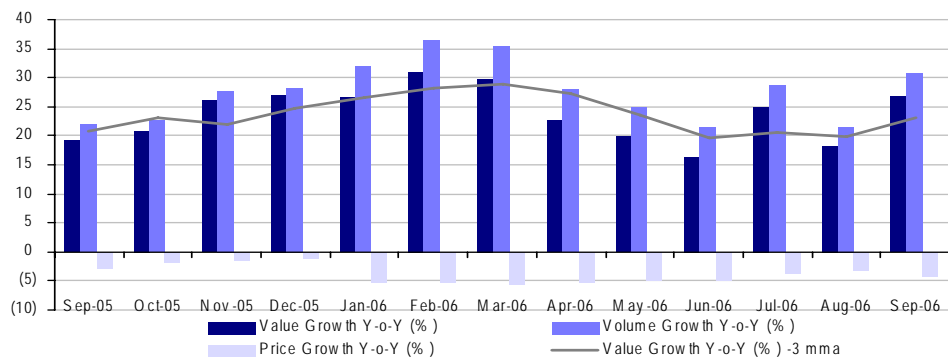
Lupin’s performance has improved significantly since 2005. It has consistently beaten market growth rate for the past 18 months, and September 2006 performance was no exception with 27% growth. Flat sales of anti-TB for the past three months could be part of Lupin’s strategy. It has achieved a sharp increase in sales in the chronic segment since 2004. They now account for 31% of sales, up from 18% in 2004. All four chronic categories where Lupin has a presence report solid growth. The anti-TB category that accounted for nearly one-third of sales has remained almost flat and its importance has declined to 22% of sales. However, it appears that Lupin has been facing price erosion for the past 12 months, and the situation has worsened in 2006.

Table 13: Sales trends in key therapeutic areas

Therapeutic Area	Contribution to sales (%)			Sales growth (%)		Sales Trend - Y/Y growth (%)												
	2004	2005	2006 YTD	2005	2006 YTD	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<b>Acute</b>	<b>82</b>	<b>75</b>	<b>69</b>	<b>8</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>19</b>	<b>19</b>	<b>14</b>	<b>20</b>	<b>19</b>	<b>11</b>	<b>8</b>	<b>6</b>	<b>14</b>	<b>7</b>	<b>16</b>
Anti-TB	32	26	22	-2	0	-1	7	-1	-1	1	2	12	0	-3	-10	-5	5	2
Anti-infectives	27	25	23	10	15	15	12	32	35	26	17	7	7	14	17	19	2	29
Gastro Intestinal	6	7	7	26	34	43	35	42	46	31	66	73	43	29	29	33	16	22
Vitamins / Minerals / Nutrients	5	6	6	42	15	37	36	50	31	32	40	32	23	13	3	17	-1	6
Pain / Analgesics	4	4	4	14	14	20	31	51	42	11	27	25	18	9	5	14	11	12
Respiratory	3	3	4	-7	73	2	-4	6	16	36	107	78	49	49	68	105	100	63
Derma	1	1	1	-2	32	-6	17	17	10	13	15	18	-1	1	33	61	32	89
Gynaec.	2	1	1	-29	-32	-24	-25	-21	-41	-63	35	32	-6	-37	-59	-23	-51	-40
<b>Chronic</b>	<b>18</b>	<b>25</b>	<b>31</b>	<b>60</b>	<b>59</b>	<b>51</b>	<b>52</b>	<b>54</b>	<b>56</b>	<b>66</b>	<b>64</b>	<b>61</b>	<b>60</b>	<b>58</b>	<b>50</b>	<b>61</b>	<b>55</b>	<b>60</b>
Cardiac	14	16	18	36	38	29	29	28	25	36	36	34	37	35	30	43	41	50
Respiratory	1	3	5	305	107	192	131	132	149	164	137	132	100	87	87	101	105	83
Anti Diabetic	2	3	4	129	80	116	112	113	123	135	120	127	101	92	68	60	43	48
Neuro / CNS	1	2	3	52	117	36	70	92	95	105	109	110	139	153	133	127	92	98
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>17</b>	<b>24</b>	<b>19</b>	<b>21</b>	<b>26</b>	<b>27</b>	<b>26</b>	<b>31</b>	<b>30</b>	<b>23</b>	<b>20</b>	<b>16</b>	<b>25</b>	<b>18</b>	<b>27</b>

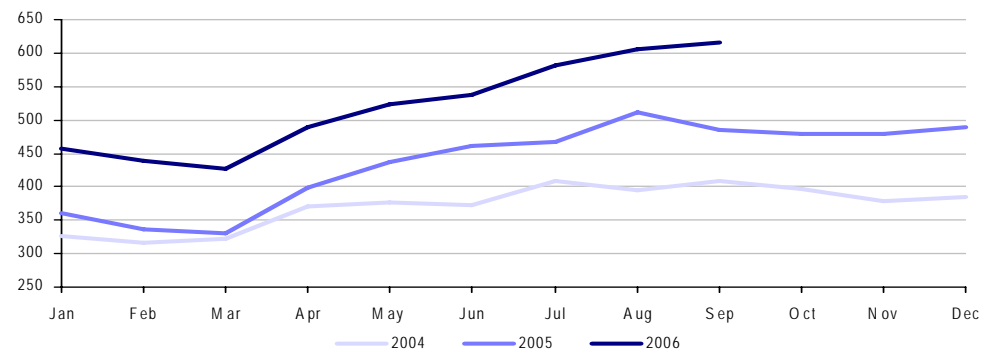
Source: ORG IMS

Chart 23: Price/volume trend (%)



Source: ORG IMS

Chart 24: Monthly sales trend (Rs m)



Source: ORG IMS

## Section 2. The US generics market

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# The US generics market—prescription data overview

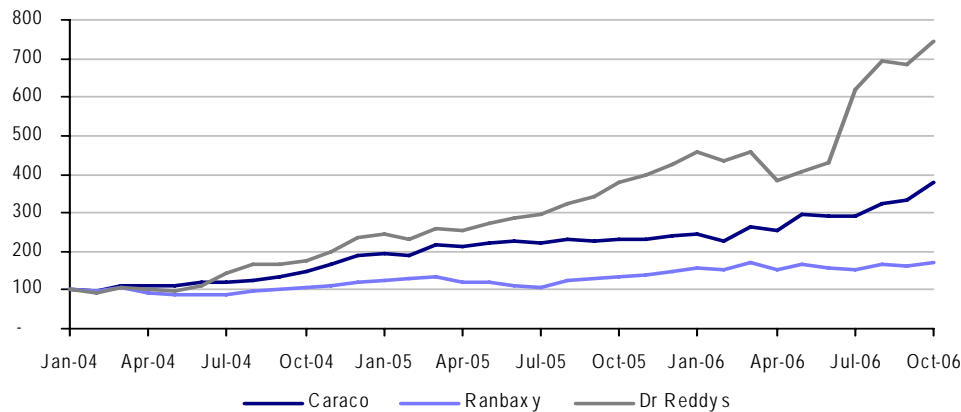
In this section, we focus on the performance of Indian companies in the US generics market. The data relates to total prescriptions whereas data relating to India in the previous section is on sales. We use a month-on-month sales growth analysis since many Indian companies do not have a long enough history in the US to make a year-on-year comparison meaningful. Figure 1 shows trends for companies that have operated in the US for over two years. We have indexed January 2004 data to 100 and calculated the monthly progress of the companies. Caraco and Dr. Reddy's Labs have recorded steady growth in the past two years, but Ranbaxy recorded a sustained increase in prescriptions only after July 2005. We plot monthly prescriptions data for recent entrants, in Figure 2. For 2006, all Indian companies are showing strong growth, driven by new products. In September 2006, the US FDA gave 26 final approvals across 15 drugs. The approvals for Indian companies were Meloxicam for Aurobindo, Pravastatin 10,20,40mg for Dr. Reddy's, Cefadroxil for Orchid and Zonisamide for Zydus Cadila.

Table 14: Summary of performance in prescription data

Company	Number of Rx			Rx growth - Y/Y (%)						Rx Trends - M/M TRx growth (%)						
	2004	2005	2006 YTD	2005	2006 YTD	Jul-06	Aug-06	Sep-06	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Ranbaxy	34,183,859	43,282,055	46,035,517	27	31	42	32	28	30	-13	11	-6	-4	9	-1	5
Dr. Reddys	5,995,601	13,129,460	18,766,260	119	84	109	114	101	95	-16	6	5	45	11	-1	9
Caraco	8,345,593	14,469,252	15,813,051	73	33	30	39	46	64	-3	15	-1	0	11	3	14
Zydus Cadila	0	522,678	5,124,979	-	*	-	*	*	330	0	12	-4	3	15	-10	-2
Lupin	44,442	186,013	4,992,389	319	*	*	*	*	*	41	78	18	11	35	33	46
Aurobindo	0	510,047	2,573,244	-	794	896	600	358	336	-2	52	26	4	3	-1	12
Wockhardt	79,810	971,322	2,248,654	*	223	140	132	139	157	-11	15	4	13	13	9	14
Glenmark	0	934,764	1,786,880	-	157	91	102	104	140	0	17	1	1	16	7	22

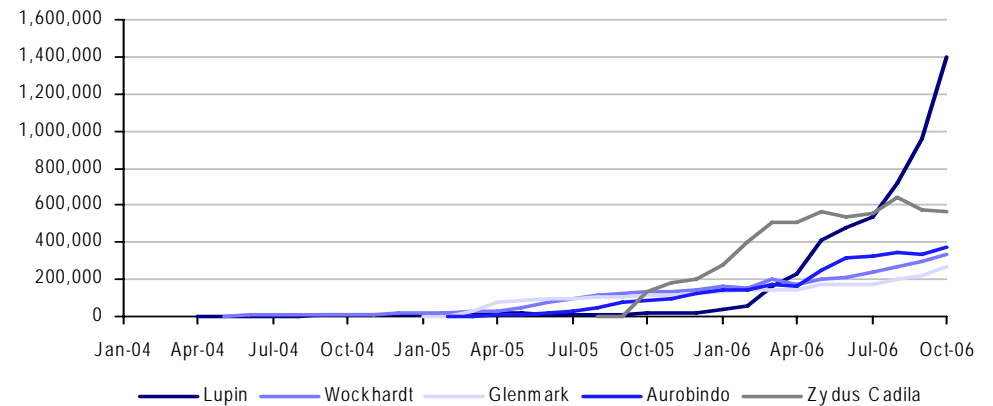
Source: IMS Health

Chart 25: TRx trend indexed to January 2004



Source: IMS Health

Chart 26: TRx monthly trend



Source: IMS Health

# Para IV launches—Weekly Rx trend

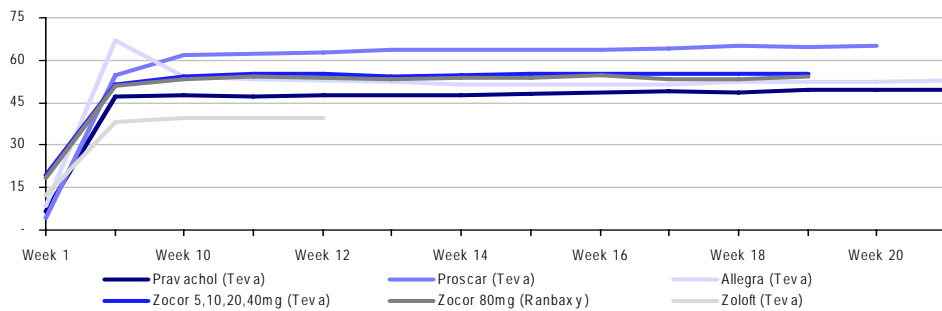
Here we focus on the market share for newly launched products by Indian companies where Para IV litigation was involved. We hope to give investors a comparable picture of recent Para IV challenge products. Please note this is weekly data while we use monthly data everywhere else. DRL has progressed well in generic Zocor with about a 26% market share and in generic Proscar with a 24% market share. In Zocor 80mg, Ranbaxy had captured 54.2% of the market by end of week 19. This is creditable given that it has nearly matched Teva's performance in other segment.

Table 15: Para IV launch summary

		Launch Date	Week 1	Week 5	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 26
<b>Allegra/ Fexofenadine</b>		<b>6-Sep-05</b>														
Brand	Sanofi Aventis		91.3	21.9	16.7	15.8	15.9	14.9	14.7	14.3	13.8	13.9	12.3	12.0	11.6	10.3
Para IV winner	Teva		8.7	67.1	54.3	53.1	53.0	52.4	51.4	51.3	51.4	51.6	52.1	52.2	52.3	53.1
Authorized Generic	Prasco		na	10.9	29.1	31.1	31.1	32.7	33.9	34.3	34.8	34.5	35.5	35.9	36.0	36.7
<b>Pravachol/ Pravastatin 10,20,40mg</b>		<b>25-Apr-06</b>														
Brand	Bristol Myers		89.6	17.6	12.7	12.8	11.0	10.4	10.3	10.0	9.2	8.7	8.3	8.2	8.1	6.8
Para IV winner	Teva		6.5	47.0	47.8	47.2	47.8	47.8	47.8	48.2	48.8	49.1	48.6	49.6	49.7	49.4
Authorized Generic	Watson		3.9	35.4	39.5	40.0	41.2	41.8	41.9	41.9	42.1	42.2	43.1	42.2	42.1	43.7
<b>Proscar/ Finasteride</b>		<b>19-Jun-06</b>														
Brand	Merck		93.7	26.7	16.3	15.6	15.2	14.6	13.9	13.3	13.0	12.2	11.7	11.4	11.0	
Para IV winner	Teva		4.3	54.7	61.9	62.2	62.7	63.9	63.6	63.9	63.8	64.4	65.2	64.7	65.3	
Authorized Generic	Dr. Reddys		2.0	18.5	21.8	22.2	22.2	21.6	22.5	22.8	23.2	23.4	23.1	23.9	23.7	
<b>Zocor/ Simvastatin 5,10,20,40mg</b>		<b>23-Jun-06</b>														
Brand	Merck		68.9	26.2	21.2	19.8	21.1	21.1	20.6	19.7	19.3	19.3	19.4	18.9		
Para IV winner	Teva		19.3	51.4	54.5	55.4	55.0	54.3	54.6	55.1	55.3	55.3	55.0	55.1		
Authorized Generic	Dr. Reddys		11.8	22.4	24.3	24.8	24.0	24.6	24.8	25.3	25.4	25.3	25.6	26.0		
<b>Zocor/ Simvastatin 80mg</b>		<b>23-Jun-06</b>														
Brand	Merck		70.2	25.8	20.9	19.9	21.4	21.3	20.5	19.7	19.4	20.1	19.3	18.8		
Para IV winner	Ranbaxy		18.2	50.8	53.5	54.3	54.0	53.3	53.7	53.7	54.6	53.2	53.4	54.2		
Authorized Generic	Dr. Reddys		11.6	23.4	25.6	25.8	24.7	25.4	25.8	26.7	26.0	26.7	27.4	27.1		
<b>Zoloft/ Sertraline</b>		<b>14-Aug-06</b>														
Brand	Pfizer		68.0	15.3	12.9	12.6	12.1									
Para IV winner	Teva		12.3	38.1	39.8	39.8	39.8									
Authorized Generic	Greenstone		19.7	46.6	47.4	47.6	48.1									

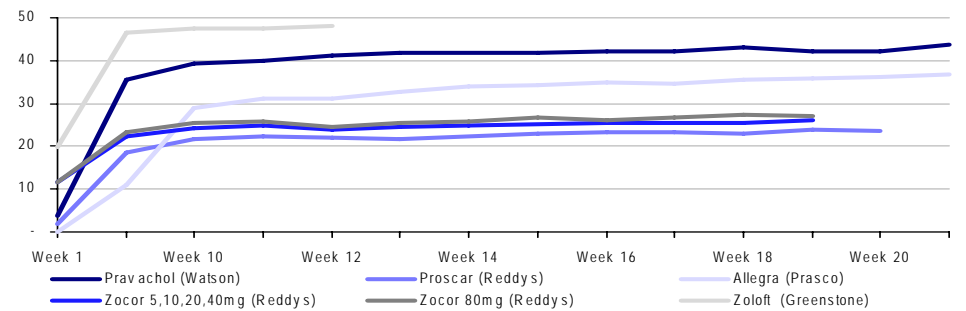
Source: IMS Health

Chart 27: Para IV winner market shares (%)



Source: IMS Health

Chart 28: Authorized generic market shares (%)



Source: IMS Health

# Ranbaxy (Buy 2, PT of Rs500)

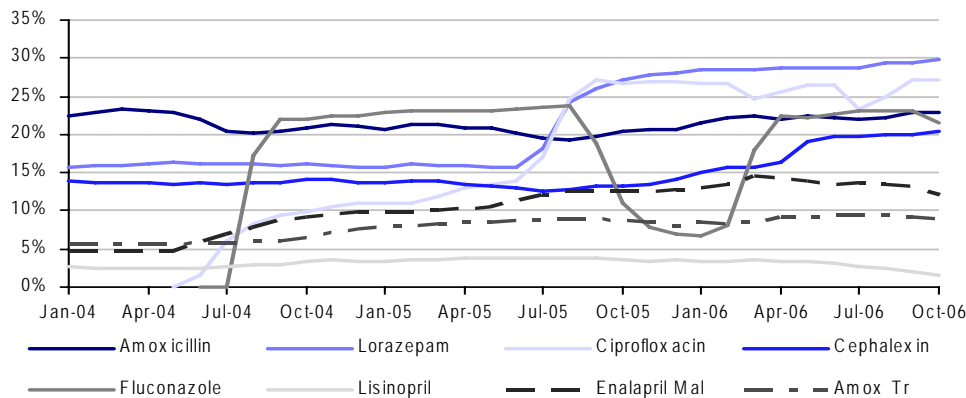
Ranbaxy has witnessed an increase in the number of prescriptions following approval of new products in late 2005. Ten products were launched in 2005 and six to date in 2006, including generic Zocor in end-June 2006 and Zonisamide in September 2006. The top five products accounted for almost 58% of prescriptions while products launched since January 2005 accounted for 10% of total prescriptions in October 2006. There was 5% MoM growth in October after a decline in September 2006. Ranbaxy had made significant market share gains in many products. Clarithromycin is a notable example where Ranbaxy has gained 21% market share. Ranbaxy had a 51% market share in October 2006 for its Para IV opportunity of generic Zocor 80mg.

Table 16: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Y/Y TRx growth (%)			M/M TRx growth (%)				Marketshare Trends - Brand+Generic (%)					
		2005	2006 YTD	Oct-06	Aug-06	Sep-06	Oct-06	Jul-06	Aug-06	Sep-06	Oct-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Amoxicillin	Pre- Apr03	26	23	22	24	25	22	-14	14	12	13	22.5	22.2	21.9	22.2	22.9	22.9
Lorazepam	Pre- Apr03	11	13	13	24	13	13	-2	8	-4	5	28.6	28.7	28.7	29.3	29.3	29.7
Ciprofloxacin	Jun-04	7	9	9	20	18	23	-12	14	6	2	26.5	26.4	23.4	24.8	27.2	27.0
Cephalexin	Pre- Apr03	8	8	8	52	44	50	-2	6	-7	2	19.1	19.8	19.8	19.9	19.9	20.3
Fluconazole	Jul-04	5	5	5	5	27	115	-3	10	-6	-2	22.3	22.7	23.1	23.2	23.1	21.6
Amox Tr/Pot Clavul	Pre- Apr03	4	3	3	3	0	6	-12	9	6	9	9.3	9.5	9.4	9.4	9.1	8.9
Minocycline Hcl	Pre- Apr03	3	2	2	-8	-12	-10	-4	7	-11	2	23.0	22.6	22.9	22.1	21.6	21.2
Clarithromycin	May-05	0	1	1	216	197	145	-13	12	22	22	20.0	20.1	20.7	20.7	20.6	21.1
Sotret	Pre- Apr03	0	0	0	-9	-10	-11	-8	2	-3	8	23.2	23.6	23.0	22.0	21.7	20.8
Cefadroxil	Pre- Apr03	0	1	1	248	190	58	-14	7	-2	3	22.8	21.2	19.4	19.8	21.2	21.6
Gabapentin	Oct-05	0	1	1	-	-	*	13	14	-2	-2	1.8	2.3	2.7	2.9	3.0	2.8
Simvastatin	Jun-06	-	1	3	-	-	-	*	16	0	8	-	-	45.7	50.2	51.1	51.4
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>32</b>	<b>28</b>	<b>30</b>	<b>-4</b>	<b>9</b>	<b>-1</b>	<b>5</b>						

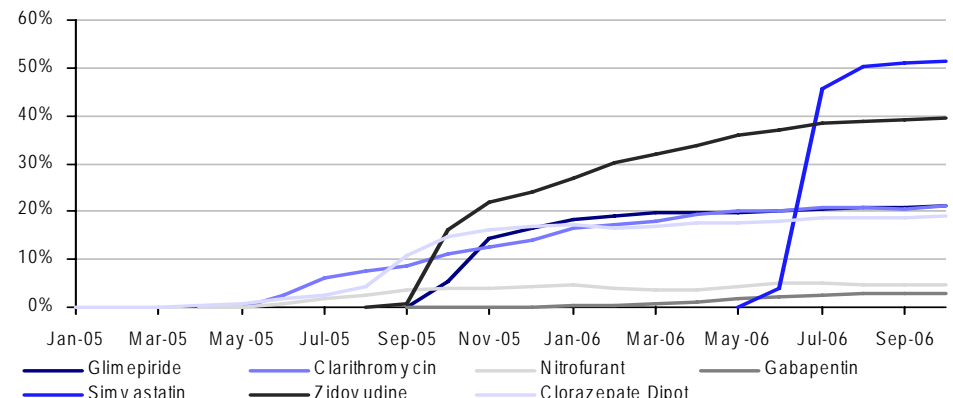
Source: IMS Health

Chart 29: Market share trends for existing products



Source: IMS Health

Chart 30: Market share trends for new products



Source: IMS Health

# Dr. Reddy's Labs (Neutral 2, PT of Rs900)

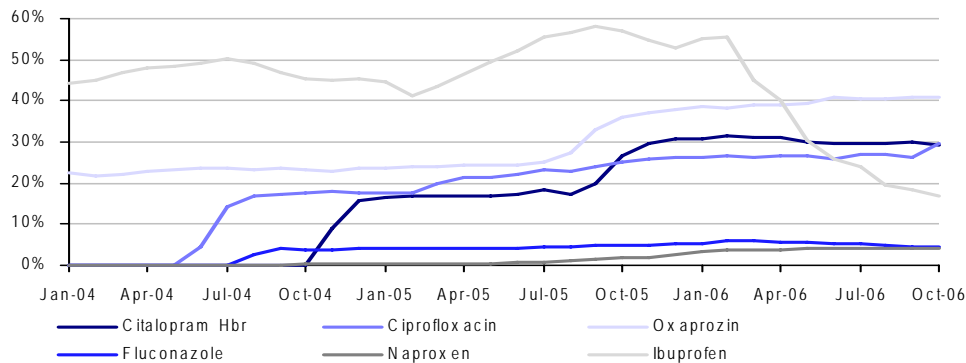
New product approvals in 2005 have changed DRL's portfolio along with market share gains for products launched in 2004. It launched seven products in 2005 and six YTD in 2006 and has six products already on the market. Generic Zocor is now the largest product for DRL. Market share data is positive, apart from Ibuprofen, where DRL is losing market share to Perrigo that launched the product a few months ago. Since its launch in October 2005, Glimepiride has proved a successful for DRL with market share now at 22%. Zonisamide, launched in January 2006, had had a sharp decline in market share since June 2006. DRL's market share gain in generic Allegra is lower than we expected, but the lack of new approval for competitors is positive. The market share for the two authorised generics, namely, Simvastatin and Finasteride is as in line with our expectations. DRL launched Pravastatin 10, 20 and 40mg in October 2006.

Table 17: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Y/Y TRx growth (%)			M/M TRx growth (%)				Marketshare Trends - Brand+Generic (%)					
		2005	2006 YTD	Oct-06	Aug-06	Sep-06	Oct-06	Jul-06	Aug-06	Sep-06	Oct-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Ibuprofen	Pre -Apr03	41	14	4	-75	-77	-79	-15	-7	-9	-4	30.3	25.7	24.2	19.7	18.3	16.9
Ciprofloxacin	Jun-04	27	22	19	43	27	43	3	8	-7	17	26.7	25.9	27.1	27.2	26.1	29.7
Citalopram Hbr	Oct-04	18	20	15	126	98	45	0	7	-2	4	30.0	29.7	29.4	29.6	29.8	29.2
Glimepiride	Oct-05	2	8	6	-	-	-	1	1	-2	6	21.3	21.3	21.6	21.1	21.5	22.0
Tizanidine	Feb-05	3	4	3	37	18	15	-3	8	-6	6	20.9	21.1	20.9	21.1	20.6	20.8
Fluconazole	Jul-04	4	3	2	9	1	0	-9	2	-9	-1	5.6	5.4	5.1	4.8	4.6	4.4
Naproxen	Jul-04	1	3	2	281	187	171	-2	8	-3	9	4.0	4.1	4.1	4.1	4.1	4.3
Oxaprozin	Pre -Apr03	3	2	2	44	18	10	-3	4	-4	3	39.5	40.8	40.7	40.5	40.8	40.9
Zonisamide	Jan-06	-	0	0	-	-	-	-44	-42	-37	-34	12.3	10.4	6.0	3.3	2.2	1.4
Fexofenadine Hcl	Apr-06	-	4	7	-	-	-	18	44	15	10	-	4.9	6.5	8.7	9.9	11.2
Finasteride	Jun-06	-	1	3	-	-	-	389	20	1	11	-	-	17.4	20.1	21.0	21.9
Simvastatin	Jun-06	-	18	36	-	-	-	899	18	2	10	-	-	24.7	27.5	28.4	29.2
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>114</b>	<b>101</b>	<b>95</b>	<b>45</b>	<b>11</b>	<b>-1</b>	<b>9</b>						

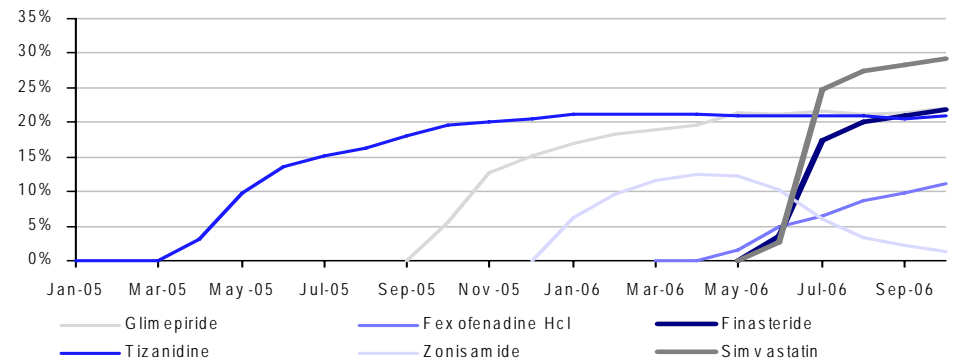
Source: IMS Health

Chart 31: Market share trends for existing products



Source: IMS Health

Chart 32: Market share trends for new products



Source: IMS Health

# Caraco (Not Rated)

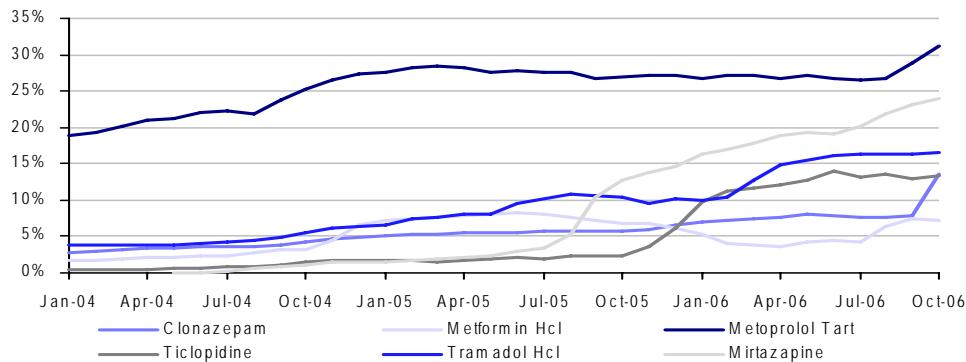
Caraco had a strong prescription growth of 73% in 2005 despite no big approvals. October was another strong month with 64% YoY growth. Caraco has gained significant market share for Clonazepam with a 560bp increase in October 2006. Generic Ultracet (tramadol + APAP), launched in January 2006 is gaining market share, reaching 13% in October 2006. Its market share in tizanidine and citalopram has doubled since April 2006. It did not launch new products in October.

Table 18: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Y/Y TRx growth (%)			M/M TRx growth (%)				Marketshare Trends - Brand+Generic (%)					
		2005	2006 YTD	Oct-06	Aug-06	Sep-06	Oct-06	Jul-06	Aug-06	Sep-06	Oct-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Metoprolol Tart	Pre -Apr03	52	44	40	8	20	32	0	4	4	13	27.1	26.6	26.6	26.8	28.8	31.1
Tramadol Hcl	Pre -Apr03	10	13	13	76	76	88	1	6	-3	6	15.6	16.0	16.3	16.3	16.3	16.5
Clonazepam	Pre -Apr03	7	9	12	46	47	159	-4	5	0	79	8.0	7.8	7.7	7.6	8.0	13.6
Metformin Hcl	Pre -Apr03	18	11	12	-1	18	21	-6	58	10	0	4.1	4.4	4.2	6.4	7.4	7.1
Mirtazapine	Jun-04	3	8	8	326	135	101	5	13	2	8	19.2	19.1	20.2	21.9	23.1	24.0
Digoxin	Aug-03	4	2	2	-23	-13	3	1	2	-2	7	-	-	-	-	-	-
Citalopram Hbr	Nov-04	2	4	4	278	227	232	13	10	-2	9	4.4	5.7	6.3	6.6	6.6	6.8
Tramadol/APAP	Jan-06	-	2	3	-	-	-	1	10	-3	7	10.0	10.7	11.4	12.0	12.5	13.2
Tizanidine	Jan-04	1	3	3	782	743	749	3	10	-2	6	16.2	18.0	19.0	19.6	19.9	20.1
Oxaprozin	Pre -Apr03	0	1	1	77	70	77	5	4	-1	2	-	-	-	-	-	-
Clozapine	Jun-03	0	0	0	114	109	130	-11	14	-3	14	2.1	2.7	2.5	2.5	2.6	2.8
Meloxicam	Jul-06	-	0	0	-	-	-	-	438	9	7	-	-	0.1	0.7	0.8	0.8
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>39</b>	<b>46</b>	<b>64</b>	<b>0</b>	<b>11</b>	<b>3</b>	<b>14</b>						

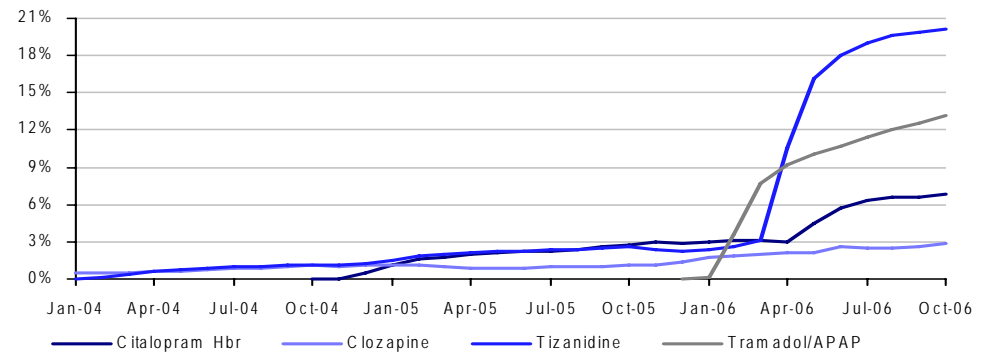
Source: IMS Health

Chart 33: Market share trends for existing products



Source: IMS Health

Chart 34: Market share trends for new products



Source: IMS Health

# Wockhardt (Buy 2, PT of Rs535)

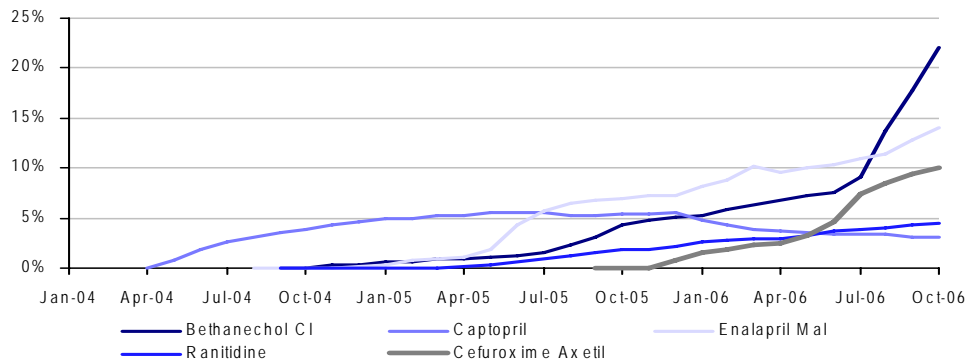
Wockhardt’s current portfolio focuses only on two products: Enalapril and Ranitidine; Famotidine is becoming increasingly important. The company’s marketing arrangements with Ranbaxy for products such as Bethanechol has ended and Wockhardt now does its own marketing. It launched six new products 2006 and it will be interesting to monitor their progress. Its Zonisamide has gained 4% market share since launch in February 2006. The company appears to be gaining market share in most of its old product categories such as Cefuroxime axetil. Famotidine’s market share has improved a sharp 130bp to 9%. We expect Wockhardt to increase its focus on the US market in 2006-07.

Table 19: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Rx Trends - M/M TRx growth (%)							Marketshare Trends - Brand+Generic (%)						
		2005	2006 YTD	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Enalapril Mal	Sep-04	65	60	54	-13	13	0	5	6	8	13	9.6	10.1	10.4	11.0	11.4	12.8	14.0
Ranitidine	Oct-04	16	21	18	-6	16	9	3	7	3	6	3.0	3.2	3.7	3.9	4.0	4.3	4.4
Captopril	May-04	18	4	2	-15	4	-8	-6	1	-12	2	3.6	3.5	3.5	3.3	3.4	3.1	3.1
Cefuroxime Axetil	Oct-05	0	5	7	-21	30	24	36	25	27	21	2.5	3.2	4.6	7.4	8.5	9.4	10.0
Bethanechol Cl	Oct-04	1	2	2	-3	16	5	17	58	25	27	6.8	7.2	7.6	9.1	13.7	17.8	22.1
Citalopram Hbr	Mar-06	-	0	1	251	61	18	17	34	28	31	0.0	0.1	0.1	0.1	0.1	0.2	0.2
Famotidine	Jun-05	0	6	12	109	114	231	467	65	13	15	0.1	0.2	0.8	4.3	6.8	8.1	8.9
Metformin Hcl	Mar-06	-	0	1	-50	*	189	-20	46	20	95	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Mirtazapine	Feb-06	-	0	1	-40	*	115	4	188	368	58	0.0	0.0	0.0	0.0	0.1	0.2	0.4
Zonisamide	Feb-06	-	1	1	60	75	22	17	7	7	2	1.6	2.5	3.1	3.7	3.8	4.2	4.2
Ceftriaxone Sod	Jun-06	-	0	1	-	-	-	280	905	233	198	-	-	0.0	0.1	0.5	1.5	4.3
Clarithromycin	Aug-06	-	0	0	-	-	-	-	-	-42	-100	-	-	-	-	0.0	0.0	-
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>-11</b>	<b>15</b>	<b>4</b>	<b>13</b>	<b>13</b>	<b>9</b>	<b>14</b>							

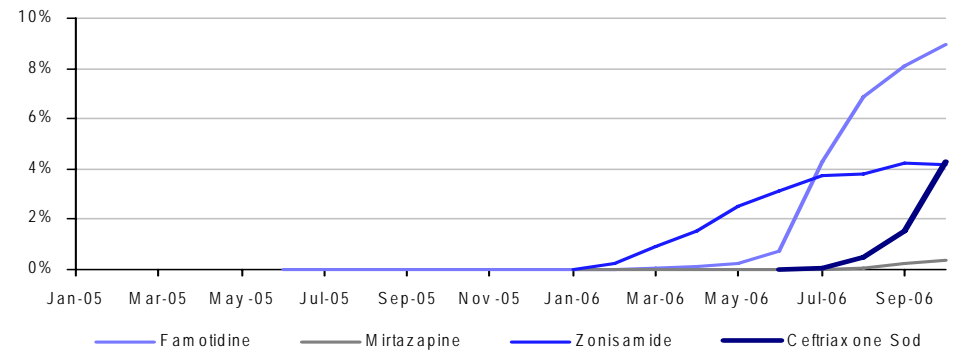
Source: IMS Health

Chart 35: Market share trends for existing products



Source: IMS Health

Chart 36: Market share trends for new products



Source: IMS Health



# Aurobindo Pharma (Reduce 2, PT of Rs450)

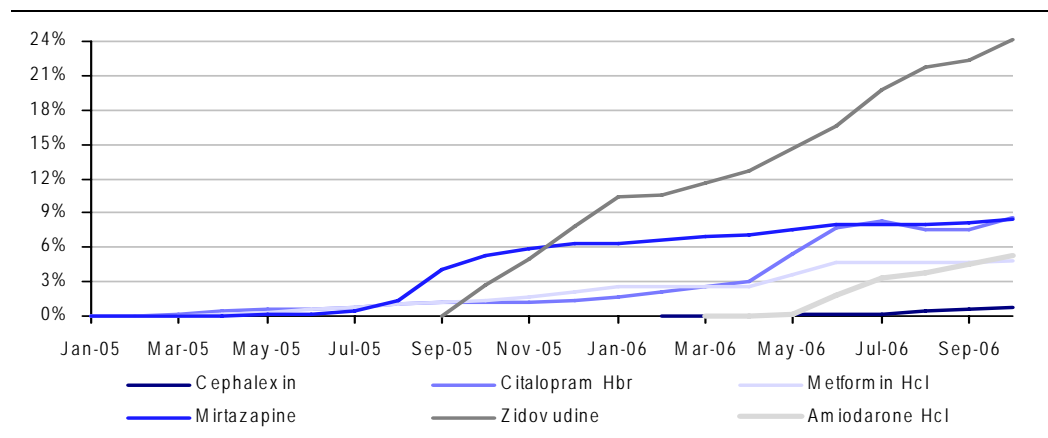
Aurobindo entered the US market in 2005, although market share data might not reflect its success in the US, as the company has several product-specific alliances. Mirtazapine’s market share rose 8.5% MoM in October 2006; Metformin remained flat. Despite competitors having gained approval for Zidovudine, Aurobindo’s continued to gain market share and was 24% in October 2006. Aurobindo has garnered a 5.3% share in the sixth month of its Amiodarone launch.

Table 20: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Rx Trends - M/M TRx growth (%)								Marketshare Trends - Brand+Generic (%)					
		2005	2006 YTD	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Metformin Hcl	Feb-05	54	49	44	-7	54	24	0	3	-2	4	2.6	3.6	4.6	4.7	4.6	4.7	4.8
Mirtazapine	Feb-05	30	20	16	-4	14	2	0	5	-2	9	7.2	7.6	8.0	8.0	8.0	8.1	8.5
Citalopram Hbr	Feb-05	16	27	32	11	99	41	9	-3	-4	23	3.0	5.5	7.8	8.4	7.6	7.5	8.6
Zidovudine	Oct-05	0	1	1	0	35	10	20	15	-4	16	12.7	14.7	16.6	19.8	21.7	22.3	24.1
Cephalexin	Mar-06	-	2	4	357	128	30	15	172	38	24	0.0	0.1	0.1	0.1	0.4	0.6	0.7
Amiodarone Hcl	May-06	-	2	4	-	-	*	78	18	15	23	-	0.1	1.8	3.3	3.8	4.5	5.3
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>-2</b>	<b>52</b>	<b>26</b>	<b>4</b>	<b>3</b>	<b>-1</b>	<b>12</b>							

Source: IMS Health

Chart 37: Market share trends (%)



Source: IMS Health

# Glenmark Pharma (Buy 2, PT of Rs535)

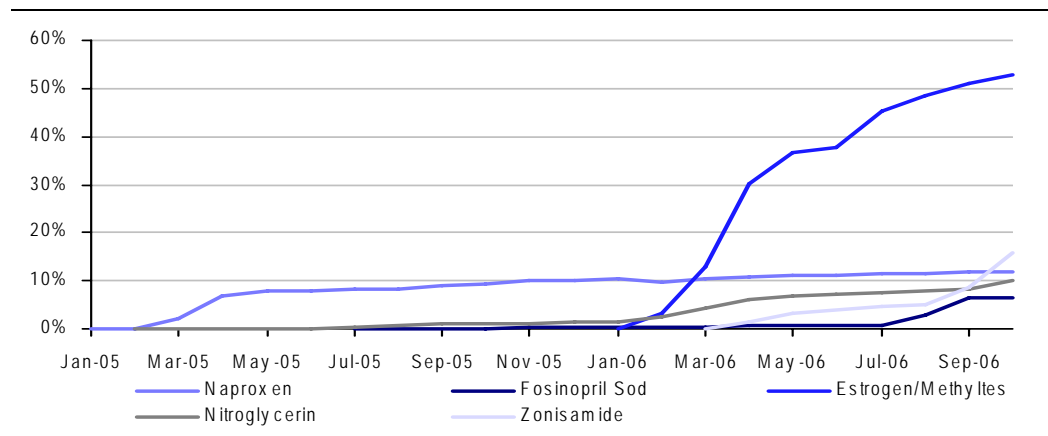
Glenmark continues its steady gain in all products launched in 2005. The biggest gainer is Estrogen+ Methyl testosterone, which is in-licensed by Glenmark. Zonisamide’s market share rose sharply to 15.6% in October 2006 from 5.2% in August. Glenmark plans to launch several new products in the next 12 months. These include controlled release substances in partnership with Aspen and Lehigh Valley Technologies of which Codeine Sulfate was launched in July. In addition, it has product development alliances with Shasun and Invagen Pharmaceuticals. Management expects to file for regulatory approval of these products in FY07. It did not launch a new product in October 2006.

Table 21: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Rx Trends - M/M TRx growth (%)							Marketshare Trends - Brand+Generic (%)						
		2005	2006 YTD	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Naproxen	Jan-05	98	76	57	-5	11	-2	-1	8	0	5	10.7	11.0	11.1	11.4	11.5	11.7	11.8
Nitroglycerin	Apr-05	2	12	12	37	32	2	2	13	0	15	5.9	7.0	7.3	7.4	8.0	8.4	9.9
Fosinopril Sod	Aug-05	0	3	7	1	43	-5	9	238	120	2	0.6	0.8	0.8	0.9	2.8	6.6	6.6
Zonisamide	Mar-06	-	2	5	634	165	19	15	13	59	91	1.4	3.3	4.1	4.8	5.2	8.5	15.6
Estrogen/ Methyltes	Jan-06	-	2	2	189	71	8	13	1	-4	4	30.2	36.5	37.6	45.3	48.5	51.1	52.8
Fluconazole	May-06	-	4	14	-	-	181	26	99	18	261	-	0.1	0.3	0.4	0.8	1.0	3.4
Meloxicam	Jul-06	-	1	2	-	-	-	-	498	-4	13	-	-	-	0.1	0.6	0.6	0.7
Codeine Sulf	Jul-06	-	0	0	-	-	-	-	*	300	47	-	-	-	0.0	0.5	2.2	3.1
Gabapentin	Sep-06	-	0	0	-	-	-	-	-	-	*	-	-	-	-	-	0.0	0.0
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>17</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>7</b>	<b>22</b>							

Source: IMS Health

Chart 38: Market share trends (%)



Source: IMS Health

# Zydus Cadila (Not Rated)

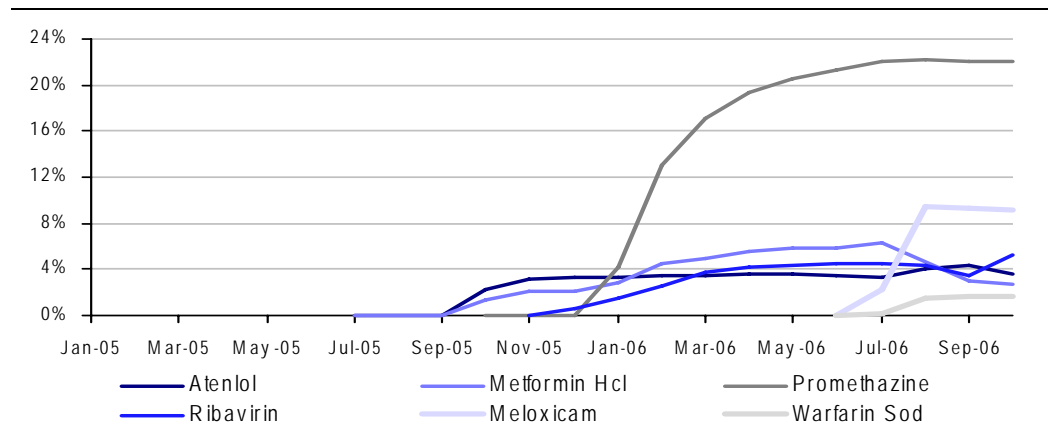
As 2006 will be the first full year for Zydus Cadila in the US market, it would not be appropriate to comment on apparent data on market share. The company's most notable product is Promethazine, where it garnered a market share of 22% in October 2006, despite being a late entrant facing tough competition from Sandoz and Watson. Ribavirin's market share recovered to 5.3% in October 2006; Metformin HCL continued to decline for the third month. Of the two products launched in July 2006, meloxicam had gained a 9% share by September 2006 in a generic market of 16 players. It did not launch any new product in October 2006.

Table 22: Key products, Rx trend and market share

Generic Name	Launch Date	Contribution to total Rx (%)			Rx Trends - M/M TRx growth (%)							Marketshare Trends - Brand+Generic (%)						
		2005	2006 YTD	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Atenlol	Aug-05	68	29	26	-5	9	-9	-4	28	1	-13	3.6	3.6	3.4	3.3	4.1	4.3	3.6
Metformin Hcl	Aug-05	32	30	16	8	12	-2	7	-23	-37	-11	5.6	5.8	5.8	6.3	4.7	3.0	2.6
Promethazine	Nov-05	0	35	38	-4	14	-3	-4	7	-3	6	19.3	20.5	21.4	22.0	22.2	22.1	22.1
Ribavirin	Dec-05	0	0	0	6	21	-2	-7	9	-23	62	4.2	4.3	4.4	4.5	4.3	3.4	5.3
Meloxicam	Jul-06	-	4	11	-	-	-	-	367	-4	6	-	-	-	2.2	9.4	9.2	9.2
Warfarin Sod	Jul-06	-	3	9	-	-	-	-	858	5	9	-	-	-	0.2	1.5	1.6	1.7
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>12</b>	<b>-4</b>	<b>3</b>	<b>15</b>	<b>-10</b>	<b>-2</b>							

Source: IMS Health

Chart 39: Market share trends (%)



Source: IMS Health

# Valuations

Company	Rating	Price Target	Price 15-Nov-06	Mcap USDm	EPS (Local currency)				P/E			EPS Growth (%)			Price performance (%)				52- week	
					2004	2005	2006E	2007E	2005	2006E	2007E	05E vs 04E	06E vs 05E	07E vs 06E	1M	3M	6M	12M	High	Low
Cipla	Buy 2 (CBE)	315	265	4,544	4.6	8.1	9.0	11.5	32.8	29.6	23.0	75	11	28	2	6	(0)	74	298	154
Sun Pharma	Buy 2 (CBE)	1,115	967	3,985	21.3	30.9	35.2	45.5	31.3	27.5	21.2	45	14	29	5	18	11	56	967	635
Ranbaxy	Buy 2 (CBE)	500	403	3,317	19.5	6.4	14.2	18.7	63.5	28.4	21.6	(67)	124	31	(3)	3	(16)	3	522	320
Dr Reddys	Neutral 2 (CBE)	900	780	2,640	2.3	9.8	44.0	33.6	79.5	17.7	23.2	334	348	(24)	8	8	(2)	66	841	453
Glenmark	Buy 2 (CBE)	535	574	1,504	8.9	7.2	22.4	40.7	79.2	25.7	14.1	(19)	208	82	69	83	53	96	574	239
NPIL	Buy 2 (CBE)	280	237	1,095	5.1	5.1	9.9	14.4	46.7	24.0	16.5	(1)	95	46	(5)	5	4	(13)	295	157
Wockhardt	Buy 2 (CBE)	535	421	1,017	19.6	23.5	23.5	29.8	17.9	17.9	14.1	20	0	27	3	16	(7)	(1)	552	321
Aurobindo	Reduce 2 (CBE)	450	606	712	1.0	12.6	19.2	33.9	48.1	31.6	17.9	1,224	52	77	0	(6)	(11)	80	717	337
Cadila	Not Rated		359	995	9.5	12.1	16.8	21.4	29.6	21.4	16.8	27	38	28	13	16	1	54	400	231
Lupin	Not Rated		501	887	11.4	22.1	27.4	34.8	22.6	18.3	14.4	93	24	27	(1)	2	(16)	41	638	355
Biocon	Not Rated		366	807	20.9	17.8	18.5	23.3	20.6	19.8	15.7	(15)	4	26	(2)	(0)	(21)	(28)	533	306
Jubilant Organosys	Not Rated		261	822	9.9	9.6	12.1	15.9	27.1	21.5	16.4	(2)	26	32	30	26	5	34	290	180
Panacea Biotec	Not Rated		343	432	4.3	9.6	15.7	26.7	35.9	21.9	12.9	121	64	70	(12)	5	(15)	16	531	253
Torrent Pharma	Not Rated		207	386	5.8	6.0	9.8	13.7	34.4	21.1	15.1	4	63	40	7	13	(20)	38	337	148
Dishman	Not Rated		216	328	4.7	6.8	10.0	13.1	31.8	21.7	16.6	44	47	31	7	12	(12)	49	264	132
Orchid Chem	Not Rated		223	318	6.8	11.8	17.3	29.8	18.9	12.9	7.5	74	46	72	6	13	(23)	4	400	142
Teva Pharmaceuticals	Not Rated		31	23,393	1.6	1.7	2.2	2.2	17.7	13.8	13.8	11	28	0	(13)	(10)	(19)	(23)	46	30
Barr Laboratories, Inc.	Not Rated		49	5,299	2.4	3.1	3.3	3.8	15.8	14.9	13.1	30	6	13	(5)	(12)	(2)	(11)	69	45
Mylan Laboratories	Not Rated		21	4,508	0.7	0.9	1.3	1.4	22.2	16.0	15.1	30	39	6	(1)	2	(1)	3	25	19
Gedeon Richter	Reduce 2	42,800	42,625	3,950	2,010.7	2,340.6	2,780.1	2,764.8	18.2	15.3	15.4	16	19	(1)	(4)	(3)	(4)	22	49,700	35,000
Watson Pharmaceuticals	Not Rated		25	2,910	1.4	1.3	1.2	1.4	19.0	20.4	17.3	(5)	(7)	18	(5)	1	(6)	(24)	35	21
Aspen Pharmacare	Buy 2	4,050	3,240	1,661	138.1	181.7	215.3	270.3	17.8	15.0	12.0	32	18	26	3	(10)	(16)	(1)	4,495	32
Stada	Reduce 2	37	39	2,663	1.0	0.7	0.7	1.0	58.3	59.2	39.4	(36)	(2)	50	(2)	2	7	42	41	27
Zentiva	Neutral 1	1,420	1,243	2,160	48.9	49.2	57.9	75.8	25.2	21.5	16.4	1	18	31	(6)	9	4	16	1,325	842
Alpharma	Not Rated		23	1,281	0.7	1.3	1.3	1.5	18.2	17.4	16.2	97	4	8	1	8	(6)	(6)	34	20
Egis	Neutral 2	29,700	25,300	979	954.8	1,473.2	2,004.3	1,993.1	17.2	12.6	12.7	54	36	(1)	(10)	(17)	(13)	23	35,055	20,500
Par Pharma	Not Rated		19	648	2.4	0.7	0.9	1.2	27.3	20.6	15.0	(72)	33	37	(2)	9	(17)	(24)	39	13
Impax Laboratories Inc.	Not Rated		7	415	0.0	0.3	0.7	0.8	22.9	9.7	8.7	3,000	136	12	19	42	(19)	(29)	12	5
Taro	Not Rated		10	305	0.3	0.5	0.5	0.8	19.8	19.7	13.6	65	1	44	(19)	(13)	(16)	(49)	22	10
Zhejiang Huahai Pharma (G)	Buy 2	14	12	354	0.5	0.6	0.7	0.8	21.6	17.8	14.9	8	22	20	(3)	(14)	5	18	14	9
China Pharmaceutical	Reduce 2 (CBE)	1	1	201	0.2	0.1	0.0	0.0	10.0	47.0	22.0	(36)	(79)	114	11	(4)	(19)	(24)	2	1

Note: Price and price targets are in local currency. EPS data is for the nearest financial year, i.e., 2005 = Sep, Nov, Dec 2005; /Mar, Jun 2006. We use consensus estimates from Bloomberg/Reuters for stocks not rated by UBS. Source: Bloomberg, Reuters, UBS estimates

## Price target derivations

### Ranbaxy (Buy 2, Rs500)

We base our 12-month price target on 20x 12-month forward estimated earnings. Given the global nature of Ranbaxy's generic business and its strong growth in 2006, albeit from a low base in 2005, we think this valuation is justified. This is the valuation measure we have used since 2003 and believe it has served us well.

### Cipla (Buy 2, Rs315)

We base our 12-month price target for Cipla on a 22x (10% premium to our estimated industry multiple of 20x) 12-month forward EPS and net cash per share at the end of FY08. We expect Cipla to trade at a premium to the industry average in the next 12 months because of its superior growth profile and rising growth trend. We think our target valuation of 22x one-year forward earnings is justified, given the five-year average of 21x one-year forward earnings and Cipla's lower risk business model (compared with other pharmaceutical companies), which focuses on chemistry-driven Indian manufacturing strengths.

### Sun Pharma (Buy 2, Rs1,115)

We base our 12-month price target on a sum of: 1) 20x our 12-month forward earnings estimate for the pharmaceutical business; and 2) net cash per share at the end of FY08 3) Proposed R&D company valued at book. We use a valuation multiple for the pharmaceutical business that is similar to the 20x we apply to its Indian peers.

### Dr. Reddy's (Neutral 2, Rs900)

We base our 12-month price target on 20x 12-month adjusted forward earnings, excluding amortisation of intangibles. With the acquisition of a German generics business, we think DRL now has a revenue mix that is as good as or better than of its peers. In the international finished dosage segment, DRL has a higher contribution from developed markets compared with Ranbaxy, in our opinion. In FY07, finished dosage revenues from developed markets (the US/Europe) will likely account for 41% of Ranbaxy's EBITDA compared with 51% for DRL.

### Nicholas Piramal (Buy 2, Rs280)

We base our 12-month price target on 17x 12-month forward earnings, which is a 15% discount to Ranbaxy and Cipla, as NPIL focuses on India and we expect two years of very high EPS growth compared with Ranbaxy and Cipla, which focus on their international business.

### Wockhardt (Buy 2, Rs535)

We base our 12-month price target on 17x 12-month forward adjusted EPS (a 15% discount to the leading Indian pharma companies Ranbaxy, Sun Pharma and Cipla). We estimate that Wockhardt will continue to trade at a 15% discount to these companies, because of its lower free float and less developed US business.

### Aurobindo Pharma (Reduce 2, Rs450)

We base our 12-month price target on 15x 12-month forward earnings, a 25% discount to Ranbaxy and Cipla. We think this discount is justified due to Aurobindo's focus on the API segment where prices and profits are volatile. We think there is risk to the upside for our FY07 estimates, depending on product approvals in the US and Europe and the launch dates.

### Glenmark Pharma (Buy 2, Rs535)

We use a sum-of-the-parts valuation to arrive at our price target of Rs535 (Rs340 for the pharma business at 18x one-year forward PE multiple; and Rs195 as the present value of its research pipeline).

## Risk statement

We believe general risks include regulatory, timing of approval, competition from rival drug therapies, litigation (including the appeals process), accounting/disclosure, product liabilities, execution and product pricing from generic competition. Severe pricing pressure in the US generics market occurred in 2005, a result of increased competition, and this might continue in 2006. In the generics industry, competition usually surfaces without warning.

We base our predictability level of 2 on our view that pharmaceutical revenues are very difficult to forecast in terms of timing of revenues from quarter to quarter. Lumpiness of customer orders, price erosion in the generics industry and delays in regulatory approval can make quarterly profits very volatile. Another growing risk is higher R&D costs.

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### UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 6% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 6% above the MRA, lower degree of predictability	<b>Buy</b>	49%	34%
<b>Neutral 1</b>	FSR is between -6% and 6% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -6% and 6% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	38%	32%
<b>Reduce 1</b>	FSR is > 6% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 6% below the MRA, lower degree of predictability	<b>Sell</b>	12%	27%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 30 September 2006.

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

### EXCEPTIONS AND SPECIAL CASES

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

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### Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
<b>Aurobindo Pharma Ltd</b> <sup>20</sup>	ARBN.BO	Reduce 2 (CBE)	Rs606.00	15 Nov 2006 23:39 HKT
<b>Cipla Ltd.</b> <sup>20</sup>	CIPL.BO	Buy 2 (CBE)	Rs264.95	15 Nov 2006 23:39 HKT
<b>Dr. Reddy's Labs</b> <sup>13,18,20</sup>	REDY.BO	Neutral 2 (CBE)	Rs779.50	15 Nov 2006 23:39 HKT
<b>Glenmark</b> <sup>20</sup>	GLEN.BO	Buy 2 (CBE)	Rs574.05	15 Nov 2006 23:39 HKT
<b>NPIL</b> <sup>4,5,6,20</sup>	NICH.BO	Buy 2 (CBE)	Rs237.35	15 Nov 2006 23:39 HKT
<b>Ranbaxy</b> <sup>2,4,20,25</sup>	RANB.BO	Buy 2 (CBE)	Rs403.40	15 Nov 2006 23:39 HKT
<b>Sun Pharma</b> <sup>20</sup>	SUN.BO	Buy 2 (CBE)	Rs967.45	15 Nov 2006 23:39 HKT
<b>Wockhardt</b> <sup>20</sup>	WCKH.BO	Buy 2 (CBE)	Rs421.15	15 Nov 2006 23:39 HKT

Source: UBS. HKT: Hong Kong time.

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