

World Pharma Market Update

Domestic market on fast track

According to data from IMS Health Retail Drug Monitor for November 2007, drug sales through retail pharmacies in 13 key markets climbed 4% – from US\$398.7bn for 12 months ending November 2006 to US\$414.6bn for 12 months ending November 2007 (Rs15,948bn to Rs16,584bn). Growth rate during CY06 was 5%, indicating that the global market growth has declined during the year.

The US market - growth maintained

- The US pharmaceutical market, constituting 50% of the global market, grew 4% from US\$197.8bn to US\$205.7bn (Rs7,912bn to Rs8,228bn), indicating a steady growth momentum in line with the global markets.
- The Canadian pharmaceutical market grew 6% – from US\$14.4bn to US\$15.3bn (Rs576bn to Rs612bn).

European markets lagging

- The five major European pharmaceutical markets (Germany, France, Italy, UK and Spain) grew by 3% – from US\$104.1bn to US\$107.2bn (Rs4,164bn to Rs4,288bn).

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

Key country drug purchases (for 12 months ending November 2007) (\$ bn)

Particulars	12 months ending Oct '07	12 months ending Oct '06	% Growth
Selected World	411.4	398.7	4.0
North America	221.0	210.5	5.0
Europe (top five)	107.2	104.1	3.0
Japan	58.0	55.8	4.0
Latin America (top three)	21.4	19.5	10.0
Australia / New Zealand	7.0	6.5	8.0

Source: ISM Data, October 2007

- Of individual markets, Argentina had the highest growth rate (18%) – from US\$2.2bn to US\$2.6bn (Rs88bn to Rs104bn).
- The Italian market slipped 3% – from US\$16.3bn to US\$15.9bn (Rs652bn to Rs636bn) due to pricing pressure and the greater use of generic products.

Global events

- According to IMS data, for the 12 months ending November 2007, the top five global pharmaceutical companies were Pfizer, Glaxo SmithKline, Novartis, Astra Zeneca and Sanofi-Aventis.
- For the 12 months ending November 2007, the five largest selling drugs were Lipitor (Pfizer), Nexium (Astra Zeneca), Seretide (Glaxo SmithKline), Plavix (Bristol Meyer Squibb, Sanofi Aventis) and Enbrel (Wyeth).

Global news

- Merck, US has agreed to pay US\$650m (Rs26.0bn) to settle charges that it failed to pay the correct rebate to Medicaid and other government healthcare programs, and provided illegal incentives to doctors to prescribe its products.
- In China, measures aiming at tightening controls over expenditure on drugs and medical services within health centers and hospitals were outlined.
- Merck Sereno has terminated its out-licensing deal with Glenmark Pharma for the latter's anti-diabetic drug Melogliptin (GRC 8200). Merck has announced to refocus its portfolio and has no plans to invest further into diabetic research and it will return the molecule back to Glenmark. The molecule is currently undergoing phase II B clinical trials.
- The US anti-competitive organisation Federal Trade Commission (FTC) has sued Cephalon, US for unlawfully blocking the sale of generic version of Provigil, sleep disorder drug.
- Allergan, US has said that its popular wrinkle banishing product Botox is safe to use for therapeutic purposes. US FDA has notified adverse reactions like respiratory failure and death following Botox treatment.
- Jubilant Organosys has entered into US\$92m (Rs3.68bn) contracts for its proprietary products and exclusive synthesis under CRAMS business for CY08.

US FDA approvals

- In February 2008, Indian pharmaceutical companies and their subsidiaries received approvals for 11 ANDAs. Details are shown in the following table:

ANDAs approval

Date	Product	Company
4.2.08	Gabapentin Capsules	Aurobindo
4.2.08	Fluoxetine capsules	Aurobindo
5.2.08	Atazanavir sulphate capsules-tentative	Emcure
7.2.08	Esomeprazole Magnesium delayed release capsules-tentative	Ranbaxy Labs
7.2.08	Cefuroxime axetil oral suspension	Ranbaxy Labs
15.2.08	Ramipril capsules-tentative	Dr. Reddy's Labs
15.2.08	Granisetron HCl tablets	Orchid Healthcare
19.2.08	Cefuroxime axetil tablets	Orchid Healthcare
25.2.08	Ciprofloxacin and Dextrose 5% injection-tentative	Claris Lifesciences
25.2.08	Cefadroxil oral suspension	Lupin
27.2.08	Torseמידe tablets	Sun Pharma

Source: US FDA website

As seen from the above table, Aurobindo, Ranbaxy and Orchid HC have received two approvals each.

ORG data showed higher sales of Rs313.53bn, with 13.6% growth rate (ORG data moving annual total (MAT) - January 2008), indicating good growth potential. The domestic pharma market for December 2007 was placed at Rs310.38bn and grew at 13.4% (ORG data MAT - December 2007). For November 2007 it was Rs305.98bn and grew 12.3% (ORG data MAT - November 2007). Thus, figures for the recent month indicate an improvement in the growth rate of the domestic pharmaceutical market.

The Budget 2008-09 has proposed reduction in excise duty from 16% to 8%. This is likely to give a big boost to the domestic pharma industry. With this provision, the effective excise duty would come down from 9.6% to 4.8% (with 40% abatement). Moreover, the reduction in peak excise duty for raw materials and packing materials from 16% to 14% is likely to make them cheaper and will further boost demand for drugs.

The 15% increase in healthcare allocation to Rs165.3bn is also likely to enhance demand for drugs.

The domestic pharma market is again likely to come in the limelight and pharma scrips are likely to be re-rated.



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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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