

Industry

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Indian Pharma & Ag Daily Dose

 Equity

Piramal Healthcare (BioSyntech Acquisition); Sun Pharma (Generic Optivar Approved)

- **From the Research Desk (pg 2)** — [Sun Pharma](#) (Stalevo, Comptan Settlement).
- **Piramal Healthcare to acquire assets of BioSyntech** — Piramal Healthcare has signed a definitive agreement to acquire BioSyntech's assets for a consideration of C\$3.9mn. BioSyntech is a medical device company specializing in the development, manufacturing and commercialization of advanced biotherapeutic thermogels for regenerative medicine and therapeutic delivery. BioSyntech's technology platform consists of hydro gels, which can be injected or applied to a specified area and can repair damaged cartilage, bone. The company's lead, late-stage product, BST-CarGel is currently undergoing an international pivotal trial. (*Press Release, DNA Money*)
- **Sun Pharma receives USFDA approval for generic Optivar** — Sun Pharma has announced that USFDA has granted approval for an ANDA to market a generic version of Optivar, azelastine ophthalmic solution, 0.05%, therapeutically equivalent to Optivar Ophthalmic Solution, 0.05% from Medpointe Pharmaceuticals which has annual sales of approximately US\$50mn in the US. Azelastine is a selective antihistamine for the treatment of the itching of the eyes associated with allergic conjunctivitis. (*Press Release*)
- **Ranbaxy's bulk drug factory will continue operating, Daiichi Sankyo says** — Ranbaxy Laboratories has no plan to close the Mohali bulk-drug manufacturing plant in India, a spokesman for the company's majority owner said. The plant will continue operating, Satoru Ogawa, a spokesman for Tokyo-based Daiichi Sankyo Co., told Bloomberg by telephone. (*Bloomberg*)
- **Other stories (Pg 2)** — Piramal Healthcare eyes more "late stage" buys; Abbott sues Sandoz over Niaspan patents; Wockhardt promoters pledge 61.87% stake; Concern over foreign trials for drugs sold in US; ICICI Venture gets ready to exit RFCL.

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

BSE Sensex down 0.7 %; **S&P Nifty** down 0.7 %; **BSE H/C** up 0.1 %

Key Gainers: Dishman up 7%, Biocon, Glenmark, Ranbaxy up 3% each

Key Losers: No Major Losers

Volumes: Strong volumes in Biocon, Ranbaxy & United Phosphorus

Source: datacentral, Bloomberg

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

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Other Top Stories

- **Piramal Healthcare eyes more "late stage" buys** — Piramal Healthcare will seek more 'late stage' acquisitions in the west, according to a senior official. "We may look at opportunities like what we have done with Biosyntech - get late-stage deals and commercialise and market" Swati Piramal, director, strategic alliances and communications, said in an interview. Piramal would focus on pain, arthritis, hospital care and critical care segments for such deals to enhance its strength in the area, she added. (*Reuters*)
- **Abbott sues Sandoz over Niaspan patents** — Abbott has sued Novartis AG's Sandoz unit to block sale of a generic copy of Niaspan, a drug used to increase so-called good cholesterol, accusing its Swiss rival of infringing three patents. The Novartis unit applied to the US Food and Drug Administration for approval of the generic and wrongfully intends to market a version of the patent-protected drug, Abbott said a complaint filed June 18 in federal court in Wilmington, Delaware. Abbott said in April that first-quarter sales of Niaspan, a form a Vitamin B, rose 15% to US\$205mn. (*Bloomberg*)
- **Wockhardt promoters pledge 61.87% stake** — In a filing to the Bombay Stock Exchange, Wockhardt said its promoter firm, Khorakiwala Holdings and Investments Private Ltd, on June 7, had pledged 62.9 million shares, representing a holding of around 61.47% cent in the company. In addition, Wockhardt Chairman H F Khorakiwala has also pledged his entire holding of 442,000 shares, representing around a 0.4% stake in the company. Wockhardt, which had reported a net loss of over Rs565crore in the fourth quarter ended March 31, is currently undergoing a corporate debt restructuring process. (*Business Standard*)
- **Concern over foreign trials for drugs sold in US** — According to a report by Daniel R. Levinson, the inspector general of the Department of Health and Human Services, 80% of the drugs approved for sale in 2008 had trials in foreign countries, and 78% of all subjects who participated in clinical trials were enrolled at foreign sites. Mr. Levinson's investigators found that the F.D.A. was 16 times more likely to audit a domestic site than a foreign one. Mr. Levinson pointed out that the agency was often unaware of foreign clinical trials as they were being conducted. As a result, federal regulators have no ability to ensure that patients in these trials are being protected while the research is continuing. (*New York Times*)
- **ICICI Venture gets ready to exit RFCL** — After five years of buying out Ranbaxy's allied business — Ranbaxy Fine Chemicals — ICICI Venture, is now looking at a complete exit. In June of 2009, it part-sold the business, selling the animal healthcare vertical of the company, Vetnex, to global giant Pfizer for about Rs350crore. The remaining businesses include diagnostics and fine chemicals. ICICI Venture, said sources, will be looking at about Rs400crore from the assets. (*Business Standard*)

From the Research Desk

- **Sun Pharmaceuticals (SUN.BO): Buy: Stalevo, Comptan Settlement - Another Small Positive** — Sun Pharma & Orion have settled their US patent litigations over Comptan & Stalevo (Parkinson's disease). While it would enjoy sole exclusivity in Stalevo 100 & Stalevo 150, it would be the second generic entrant in other versions of Stalevo & Comptan. Sun can sell 25/100/200 mg (Stalevo 100) & 37.5/150/200 mg (Stalevo 150) Stalevo tablets from 2 Apr 12 – will have sole exclusivity for six months. It can sell the versions from 2 Oct 12, where it is likely to be the second generic entrant after Wockhardt. Sun can launch Comptan on 1 Apr 13. Orion will supply the products to Sun. *(Prashant Nair, CFA, India)*

Stock Trends & Valuations

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

Name	RIC	Price (Rs)			Volume (k Shares)		CIRA Rating	TP (Rs)
		22 Jun 10	1-day	YTD	1-day	3-m avg		
BSE Sensex		17,750	(0.7)	1.6	26,277	17,861		
NIFTY Index		5,317	(0.7)	2.2	186,200	173,886		
BSE Healthcare		5,661	0.1	12.8	1,162	3,027		
Apollo Hospitals	APLH.BO	772	(0.9)	17.5	12	60	1M	840
Aurobindo Pharma	ARBN.BO	866	0.3	(5.1)	105	158	1M	1,340
Biocon	BION.BO	324	3.2	17.5	2,208	609	3H	250
Cadila HC	CADI.BO	650	1.7	49.8	55	115	3M	480
Cipla	CIPL.BO	336	(1.1)	0.4	757	1,604	3M	290
Dishman Pharma	DISH.BO	226	7.0	(4.8)	487	172	1M	265
Dr.Reddy's Labs	REDY.BO	1,409	(0.7)	22.9	510	525	2M	1,350
Fortis HC	FOHE.BO	147	(1.3)	7.4	2,404	3,564	3M	145
GSK Pharma	GLAX.BO	2,098	(1.2)	30.1	47	39	3L	1,550
Glenmark	GLEN.BO	273	2.7	(0.9)	693	1,006	1M	335
Jubilant	JUBO.BO	348	(0.7)	3.8	42	350	1M	465
Lupin	LUPN.BO	1,886	0.1	31.8	77	180	1L	2,100
Piramal HC	PIRA.BO	492	0.2	(15.3)	1,014	2,806	2M	560
Ranbaxy	RANB.BO	458	2.6	28.0	2,642	1,144	1M	620
Sun Pharma	SUN.BO	1,762	0.4	16.8	219	251	1L	1,850
United Phosphorus	UNPO.BO	195	0.2	12.0	2,712	2,193	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 22 Jun 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
Generic Pharma																	
Aurobindo	ARBN.BO	1M	1,072	867	1,340	101.2	126.5	8.6	6.9	6.6	5.5	1.6	1.3	16%	18%	31%	25%
Biocon	BION.BO	3H	1,422	325	250	16.5	18.0	19.7	18.1	12.1	10.8	2.4	2.2	15%	16%	18%	17%
Cadila HC	CADI.BO	3M	2,906	648	480	30.3	37.1	21.4	17.5	14.7	12.4	3.2	2.7	24%	25%	33%	31%
Cipla	CIPL.BO	3M	5,914	336	290	13.7	16.0	24.5	21.0	17.8	15.5	4.4	3.9	16%	17%	17%	18%
Dr Reddy	REDY.BO	2M	5,220	1,411	1,350	59.7	76.2	23.6	18.5	17.6	14.6	2.9	2.6	17%	18%	22%	23%
Glenmark	GLEN.BO	1M	1,619	274	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	3,680	1,889	2,100	102.6	111.6	18.4	16.9	13.6	12.3	2.9	2.6	28%	26%	34%	29%
Ranbaxy	RANB.BO	1M	4,214	458	620	9.6	23.2	47.8	19.7	7.9	3.3	2.0	1.3	20%	40%	35%	52%
Sun Pharma	SUN.BO	1L	7,974	1,759	1,850	77.7	91.5	22.6	19.2	20.0	16.8	6.7	5.6	16%	17%	18%	18%
Innovator CRAMS																	
Dishman	DISH.BO	1M	395	224	265	19.3	23.4	11.6	9.6	9.1	7.9	2.3	2.0	11%	12%	18%	19%
Jubilant	JUBO.BO	1M	1,211	348	465	30.8	38.3	11.3	9.1	8.8	7.5	1.9	1.6	11%	12%	24%	22%
Piramal HC	PIRA.BO	2M	2,248	491	560	29.1	38.1	16.9	12.9	12.4	10.0	2.7	2.2	22%	26%	32%	32%
Hospitals																	
Apollo Hosp.	APLH.BO	1M	1,042	770	840	32.2	39.6	23.9	19.5	12.1	10.4	2.1	1.9	9%	10%	12%	14%
Fortis HC	FOHE.BO	3M	1,021	147	145	4.0	6.5	36.4	22.6	17.6	13.2	3.4	2.7	6%	8%	6%	9%
MNC Pharma																	
GSK Pharma	GLAX.BO	3L	3,896	2,101	1,550	68.0	77.4	30.9	27.1	20.6	17.7	7.3	6.4	1356%	846%	31%	31%
AgroChem																	
United Phos.	UNPO.BO	1H	1,873	195	240	16.3	19.2	11.9	10.2	7.0	5.6	1.4	1.2	21%	22%	21%	20%

Source: dataCentral, CIRA estimates

Appendix A-1

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