

## Pharmaceuticals

### In full bloom

We expect the i-SEC pharma universe to record a strong 66% YoY surge in PAT in Q4FY07E, driven by 32% sales growth and 421bps EBITDA margin expansion. The key factors driving this growth are ANDAs with exclusivity, new launches, acquisitions, healthy growth in the domestic market and improved cost discipline. After accounting for this splendid performance, FY07E would end on a strong note with 62% YoY jump in PAT. Further, we expect the trend of positive newsflow on the drug discovery research front to continue in FY08 with Glenmark occupying centre stage. Based on our 'pick & choose' investment strategy, we reiterate Sun Pharma and Glenmark Pharma as the top BUYs among large-caps and Alembic as the preferred pick among mid-caps in the sector.

- ▶ **Growth engine – Full throttle ahead.** Despite a robust 60% YTD FY07 surge in PAT for the i-SEC pharma universe, we believe there is still scope for growth. Driven by product launches (including some with exclusivity), margin-accretive acquisitions, healthy growth in the domestic market, improving cost discipline and a strong 52% surge in exports (contributing 63% to total sales), aggregate net profits for the i-SEC pharma universe would likely grow 66% YoY to Rs10bn in Q4FY07E. We expect Dr. Reddy's Laboratories (DRL) to report the highest PAT in the universe at Rs2.1bn, scripting the biggest turnaround from a loss of Rs244mn a year ago. Among other companies, Sun Pharma would register the highest PAT growth at 55% YoY, whereas GSK Pharma would be the lowest with 1% PAT growth. Excluding DRL and Ranbaxy (with greater weightage and stronger results), the aggregate sales and PAT growth are at 21% and 25% respectively.
- ▶ **Drug discovery research stole the limelight in Q4FY07.** After Glenmark bagged an out-licensing deal for GRC8200 for €190mn (€25mn up-front already received) plus royalties in Q3FY07, drug discovery research remained in the news in Q4FY07 as well. Further, for the first time ever, Sun Pharma disclosed its R&D pipeline, which we value at ~US\$620mn (or Rs132/share). Sun Pharma's de-merged R&D entity, Sun Pharma Advanced Research (SPARC), would be listed by end-June '07, which we believe would create significant value over the next 3-5 years. Further, as per the modified new agreement, Ranbaxy would promote NCEs up to the proof-of-concept stage and if they reach the market, the company could potentially earn over US\$100mn milestone payment and double-digit royalties on sales.
- ▶ **Reiterate 'pick & choose' strategy for FY08.** Based on our Q4FY07E forecast, we expect FY07 to end on a high note with consolidated PAT for the sector surging 62% YoY to Rs42.8bn. On this high base, we expect a healthy 19% YoY PAT growth (29% excluding DRL) in FY08E on the back of new launches, full benefits from acquisitions and improved cost discipline. Additionally, we expect strong newsflow on the drug discovery research front. Also, on account of the defensive nature of the pharma business and India's global competitiveness, a likely receding risk appetite (given the choppy stock markets YTD FY07) as well as 20% underperformance in the past one year by the sector, our 'pick & choose' investment strategy assumes greater significance in FY08. On the back of this strategy, we expect our top BUYs (Sun and Glenmark) in the sector to generate ~25% RoI in FY08E.

#### Top picks

Sun Pharma  
Glenmark Pharma  
Alembic

## R&D in the limelight in Q4FY07

### **Sun discloses its R&D pipeline for the first time**

In the recent analyst meet, the management of Sun Pharma unveiled the NCE/NDDS pipeline for the first time ever. Sun Pharma is de-merging its R&D business into a separate company, SPARC, which would be listed on the BSE/NSE by end-June '07. SPARC focusses on known and validated targets to discover and develop analogue NCEs. The disclosed NCE/NDDS pipeline comprises a mix of two NCEs, two Prodrug NCEs and eight products under development using four distinct NDDS platform technologies. Sun Pharma plans to monetise its assets so as to out-license after the establishment of proof of concept. Based on DCF, we have valued SPARC's drug discovery pipeline at US\$620mn or 132/share. Also, we expect SPARC to create significant value for its shareholders over the next 3-5 years.

### **Ranbaxy strengthens its deal with GSK plc**

In February '07, Ranbaxy and GSK plc modified and expanded the R&D agreement (entered in '03) across all therapeutic areas, including anti-infectives, metabolic disorders, respiratory and oncology. As per the modified agreement, Ranbaxy would not just venture into chemistry optimisation and compound selection, but also establish the proof of concept. And, if the compound looks promising, GSK plc would take it further to the clinical development stage. Further, if the compound reaches the market, Ranbaxy would receive over US\$100mn milestone payment and earn double-digit royalties on sales. Also, Ranbaxy would retain the right to co-commercialise the products in India. Recently, the companies, Ranbaxy and GSK plc have selected an NCE (found effective in the treatment of respiratory inflammation) for further development.

### **Glenmark likely to steal the show in FY08**

After out-licensing GRC8200 in a blockbuster deal with Merck KGaA, Glenmark has moved on further and entered into a collaborative arrangement with the Dyax Corp. The latter will focus on research for identification of therapeutic antibodies that work on the three specific targets given by Glenmark in return for the cost of research, license fees and royalties on net sales. Glenmark has been the biggest Indian success so far in the drug discovery space. And, we believe this is just the beginning. There is a possibility of Glenmark bagging two lucrative licensing deals out of the three potential candidates – Oglemilast for the EU market, GRC6211 and GRC10693 – by mid-'08.

Besides Glenmark and Sun Pharma, we also expect DRL to witness positive newsflow on the R&D front. DRL's most advanced compound, Balaglitazone (DRF 2593), for which it has signed a co-development and commercialisation deal with Rheoscience A/S in September '05, has completed carcinogenicity studies, the most critical hurdle for PPAR diabetic compounds. The results are expected by mid-'07. Also, Wockhardt is expected to bag an out-licensing deal for an NCE in FY08.

Table 1: Quarterly summary

Company (Rs mn)	Sales			EBITDA			Recurring PAT		
	JFM07*	% change		JFM07*	% change		JFM07*	% change	
		YoY	QoQ		YoY	QoQ		YoY	QoQ
Sun Pharma	5,140	26.8	(4.8)	1,680	73.3	(3.1)	1,834	55.0	(7.8)
Glenmark	2,033	22.3	0.7	500	47.2	(3.4)	302	20.3	(6.4)
DRL	13,304	93.6	(9.8)	3,494	503.9	20.2	2,122	(970.9)	36.5
Cipla	10,503	23.4	26.7	2,476	37.3	12.9	2,090	22.2	13.4
Ranbaxy	15,694	24.2	(7.5)	1,919	34.8	(16.8)	924	36.6	(29.7)
Cadila	4,072	21.1	(11.6)	690	5.2	(16.1)	370	14.2	(24.8)
Alembic	1,619	15.4	(11.6)	243	16.1	(29.3)	129	22.4	(44.5)
Wockhardt	5,013	42.8	(4.8)	1,177	51.7	(3.6)	826	26.3	(5.2)
GSK Pharma	4,174	(2.1)	30.3	1,501	0.8	52.4	1,047	1.2	53.6
Aventis	2,316	16.0	5.0	608	16.4	35.1	436	12.1	17.8
<b>Total</b>	<b>63,869</b>	<b>32.3</b>	<b>(1.1)</b>	<b>14,288</b>	<b>63.0</b>	<b>6.0</b>	<b>10,080</b>	<b>65.7</b>	<b>4.2</b>

\* January-March '07

Source: i-SEC Research

## Alembic (Buy)

(QoQ chg: (10.3%); YTD '07 chg: (11.1%))

### Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	1,619	1,404	15.4	(11.6)	5,284	4,851	8.9
EBITDA	243	210	16.1	(29.3)	955	875	9.2
PBT	141	95	48.9	(44.4)	759	640	18.6
PAT	129	106	22.4	(44.5)	692	551	25.7

Source: Company data, i-SEC Research; \*April-December

- Exports are likely to rise 25% YoY on the back of a robust 50% growth to Rs289mn, while revenues from domestic markets are likely to surge 13% YoY to Rs1.16bn.
- We expect EBITDA margin to expand 193bps to 14.3% on a low base.
- Given its strong fundamentals and compelling valuations (FY08E P/E of 6.9x), Alembic remains our top mid-cap BUY in the sector.

## Aventis Pharma (Buy)

(QoQ chg: (14.9%); YTD '07 chg: (10.2%))

### Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	2,316	1,996	16.0	5.0	8,921	8,022	11.2
EBITDA	608	522	16.4	35.1	2,338	2,268	3.1
PBT	651	565	15.2	27.9	2,600	2,391	8.7
PAT	436	389	12.1	17.8	1,796	1,592	12.8

Source: Company data, i-SEC Research

- Export revenues, which continue to remain volatile, are likely to register a robust 40% YoY growth to Rs658mn. We expect domestic dosage form sales to rise 8% YoY to Rs1.8bn, driven by strong growth in core brands.
- EBITDA margin is likely to remain flat at 26.2% mainly due to rising staff costs on account of larger field force and higher sales & promotion expenditure.
- Aventis continues to be one of the most profitable pharma MNCs operating in India and is well positioned to leverage potential opportunities post the IPR implementation.

## Cadila Healthcare (Buy)

(QoQ chg: 0.9%; YTD '07 chg: (0.1%))

### Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	4,072	3,364	21.1	(11.6)	13,643	11,088	23.0
EBITDA	690	656	5.2	(16.1)	2,811	2,220	26.6
PBT	420	402	4.5	(25.8)	2,022	1,537	31.6
PAT	370	324	14.2	(24.8)	1,736	1,358	27.8

Source: Company data, i-SEC Research; \*April-December

- We expect dosage form exports to more than double to Rs1.3bn due to a steep scale up in key markets (the US and France) and a low base effect.
- EBITDA margin is likely to decline 241bps to 14.2% primarily due to: i) lower sales and PAT from the Zydus-Altana joint venture, given the high base a year ago and ii) rising R&D expenditure to support higher level of activity on the NCE and generics fronts.
- Value-accretive & strategically important acquisitions and strong organic growth in the US, EU and LatAm markets are likely to help Cadila register a 28.5% EPS CAGR through FY09E. Besides, potential upside from the company's under-rated drug discovery programme is likely to trigger a re-rating in the stock over the next 2-3 years.

## Cipla (Buy)

(QoQ chg: (5.3%); YTD '07 chg: (6.8%))

### Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	10,503	8,511	23.4	26.7	25,375	20,503	23.8
EBITDA	2,476	1,803	37.3	12.9	6,757	5,588	20.9
PBT	2,434	1,791	35.9	12.4	6,511	5,043	29.1
PAT	2,090	1,711	22.2	13.4	5,271	4,093	28.8

Source: Company data, i-SEC Research; \*April-December

- We expect a strong 30% surge in dosage form exports to Rs6.8bn on the back of new launches in various segments such as AIDS, asthma, malaria & hormones and scale up of CFC-free inhaler exports to the EU.
- EBITDA margin is expected to expand 238bps to 23.1% on a low Q4FY06 base (when margins declined 516bps to 20.7%).
- The potential upside from Cipla's broad-based US partnerships, continuing strong exports growth and utilisation of US\$170mn GDR proceeds over the next 2-3 years will likely boost earnings.

## Dr. Reddy's Laboratories (Buy)

(QoQ chg: (9.2%); YTD '07 chg: (11.3%))

### Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	13,304	6,873	93.6	(9.8)	47,525	16,516	187.7
EBITDA	3,494	579	503.9	20.2	10,310	2,654	288.5
PBT	2,233	(280)	LP	29.3	6,965	2,137	226.0
PAT	2,122	(244)	LP	36.5	5,715	1,822	213.8

Note: LP - Loss to profit; \* April-December

Source: Company data, i-SEC Research

- We expect DRL to post strong results on the back of the launch of generic *Zofran* tablets (~15% contribution to sales) in December '06 in the US and strong growth in the base business.
- We expect EBITDA margin to be 25% mainly on the back of high margin enjoyed due to the 180-day exclusivity for generic *Zofran* and cost-cutting initiatives (including legal costs) with increasing level of settlement with the innovator company.
- The key future growth drivers are the rapidly scaling up base business, aggressive US\$170mn capex (FY07E-08E) and potential deals for monetisation of DRL's impressive pipeline (58 ANDAs, of which 32 are para IVs). Also, potential positive newsflow from NCE research (from both the own pipeline, especially DRF2593, and Perlecan) is likely to boost sentiment.

## GlaxoSmithKline Pharma (Buy)

(QoQ chg: (1.8%); YTD '07 chg: (2.8%))

### Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	4,174	4,262	(2.1)	30.3	15,820	15,185	4.2
EBITDA	1,501	1,488	0.8	52.4	5,274	4,670	12.9
PBT	1,611	1,596	1.0	50.2	5,598	4,859	15.2
PAT	1,047	1,034	1.2	53.6	3,607	3,092	16.7

Source: Company data, i-SEC Research

- Sales from the pharma business are likely to witness a modest 3% growth to Rs3.85bn due to the high Q1CY06 base (when it rose 61%) and the absence of sales from animal healthcare business (with effect from July 31, '06).
- EBITDA margin is likely to expand 25bps to 33.4%.
- GSK Pharma is the best value play on pharma MNCs and will benefit from the new IPR regime CY09 onwards.

## Glenmark Pharmaceuticals (Buy)

(QoQ chg: 4.2%; YTD '07 chg: 3.1%)

### Quarterly estimates#

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	2,033	1,663	22.3	0.7	5,289	3,966	33.3
EBITDA	500	339	47.2	(3.4)	1,182	694	70.4
PBT	377	317	19.1	(5.0)	905	536	68.8
PAT	302	251	20.3	(6.4)	743	422	75.9

#Standalone financials as company started giving consolidated quarterly only from Q1FY07; \*April-December  
Source: Company data, i-SEC Research

- Exports are estimated to rise 55% YoY to Rs898mn powered by product launches and geographical expansion. Glenmark's two key overseas markets, LatAM and the US (not included in standalone revenues), are likely to perform extremely well.
- Excluding R&D income, we forecast consolidated sales to be Rs3bn (up 4% QoQ) and net profit at Rs556mn (down 9% QoQ).
- With rapid scale up in the generics business and two world-class, lucrative NCE deals already in the bag, Glenmark has demonstrated its capabilities. We expect the company to bag two more NCE deals by mid '08. Further, with massive scale up in the base generics business and drug discovery in India, Glenmark offers the best twin play on both businesses. Our DCF-based fair value of Rs819/share (refer '*Raising the bar*' dated April 3, '07) implies a potential upside of 33% in the next 18 months.

## Ranbaxy Laboratories (Buy)

(QoQ chg: (14.0%); YTD '07 chg: (8.7%))

### Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	15,694	12,631	24.2	(7.5)	60,216	50,974	18.1
EBITDA	1,919	1,423	34.8	(16.8)	9,473	2,588	266.0
PBT	1,155	794	45.5	(25.5)	6,779	1,081	527.2
PAT	924	677	36.6	(29.7)	5,286	2,071	155.3

Source: Company data, i-SEC Research

- Gross revenues are expected to register a strong 25% growth to Rs16bn (US\$358mn), primarily driven by the Terapia acquisition.
- EBITDA margin is likely to expand 99bps to 12% on a low base.
- With a significant bounce back in sales growth and profitability in CY06 over CY05, potential upside from the value-accretive acquisitions and reorganisation of R&D assets into a separate vehicle is likely to boost sentiment.

## Sun Pharmaceutical (Buy)

(QoQ chg: 8.6%; YTD '07 chg: 12.3%)

### Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	5,140	4,054	26.8	(4.8)	15,879	12,301	29.1
EBITDA	1,680	969	73.3	(3.1)	5,253	4,005	31.2
PBT	2,130	1,211	75.8	(1.3)	5,947	4,296	38.4
PAT	1,834	1,183	55.0	(7.8)	5,620	4,114	36.6

Source: Company data, i-SEC Research; \*April-December

- Exports are likely to surge 30% to Rs2.6bn on the back of a 35% YoY growth to Rs2bn in dosage form exports powered by strong sales from Sun Pharma's US subsidiary, Caraco, and introduction of new products in the non-US markets.
- EBITDA margin is likely to expand 878bps to 32.7% due to improvement in Caraco's GPM, tight cost control and low base effect.
- We expect Sun Pharma to outshine its peers (24% EPS CAGR through FY07E-09E) over the next 3-5 years on the back of best-in-class operating & cost discipline, superior performance of generics & R&D businesses (de-merged entity likely to be listed by June '07) and unstinted focus on long-term strategy. Sun Pharma remains one of our top large-cap BUYs in the sector with a fair value of Rs1,292/share.

## Wockhardt (Buy)

(QoQ chg: 19.0%; YTD '07 chg: 17.0%)

### Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	5,013	3,510	42.8	(4.8)	17,277	14,121	22.3
EBITDA	1,177	776	51.7	(3.6)	4,004	3,287	21.8
PBT	1,020	749	36.1	4.9	3,547	3,027	17.2
PAT	826	654	26.3	(5.2)	3,017	2,653	13.7

Source: Company data, i-SEC Research

- Revenues are expected to jump 43% to Rs5bn on the back of the Pinewood Labs and Dumex acquisitions.
- EBITDA margin is likely to expand 137bps to 23.5%.
- With CY06 being a wash-out, Wockhardt is making efforts to script a revival. The company acquired Pinewood Labs and Dumex to further boost its headline growth and expand its product and geographic reach. The stock is currently trading at an attractive valuation of CY07E P/E of 13.5x.



## Earnings watch

	Key Data	Year	Valuation				Growth Rates (% YoY)				Forecasts (Rs mn)					Ratios						
			P/E	P/CEPS	*EV/E	Div. Yield	Rec. EPS	Rep. EPS	EBITDA	Rev.	Rev.	EBITDA	Rec. PAT	Rep. PAT	Op. FCF (post-capex)	Rec. EPS	EBITDA Margin (%)	RoE (%)	RoCE (%)	Net D/E (%)		
			(x)	(x)	(x)	(%)																
<b>PHARMA</b>																						
Not a component of key indices																						
<b>Alambic</b>	<b>BUY</b>																					
Price (Rs)	57	MCap (Rs mn)	7,899	FY04	24.9	15.2	13.4	0.8	NA	NA	NA	NA	5,547	740	318	313	(74)	2.3	13.3	18.3	10.1	120.6
52 week Hi/Lo (Rs)	83/49	MCap (US\$ mn)	178.8	FY05	14.6	9.9	12.0	1.2	70.5	66.5	11.8	(6.2)	5,201	827	542	520	8	3.9	15.9	23.0	13.2	91.4
Free float (%)	39	*BVPS (Rs)	23	FY06	12.0	8.4	8.9	2.0	21.3	50.9	31.1	21.3	6,309	1,085	657	785	192	4.7	17.2	22.0	13.9	66.4
Shares out (mn)	138.5	*Returns (%): 1 mo	(0.6)	FY07E	9.6	7.1	7.2	1.8	25.1	(7.6)	10.5	10.0	6,942	1,198	822	726	1,151	5.9	17.3	22.7	17.2	28.3
Year ending	March	12 mo	(21.8)	FY08E	6.9	5.4	5.8	2.0	39.6	58.1	22.6	16.6	8,091	1,469	1,147	1,147	655	8.3	18.2	25.7	21.2	21.0
<b>Aventis</b>																						
Not a component of key indices																						
<b>Aventis</b>	<b>BUY</b>																					
Price (Rs)	1212	MCap (Rs mn)	27,913	CY05	17.5	15.8	11.0	1.5	6.8	(7.0)	(1.9)	8.6	8,022	2,268	1,592	1,451	1,785	69.1	28.3	33.8	34.0	(1.1)
52 week Hi/Lo (Rs)	2125/1160	MCap (US\$ mn)	631.9	CY06P	15.5	14.1	10.2	1.3	12.8	16.7	3.1	11.2	8,921	2,338	1,796	1,693	1,154	78.0	26.2	32.4	31.7	(0.9)
Free float (%)	40	*BVPS (Rs)	220	CY07E	13.4	12.3	8.2	1.9	16.0	23.0	16.5	10.5	9,861	2,724	2,083	2,083	1,248	90.4	27.6	28.8	29.1	(0.7)
Shares out (mn)	23.0	*Returns (%): 1 mo	(1.5)	CY08E	11.3	10.4	6.5	2.4	18.4	18.4	18.8	13.6	11,206	3,237	2,466	2,466	1,432	107.1	28.9	27.7	27.9	(0.6)
Year ending	December	12 mo	(38.2)	CY09E	9.4	8.6	6.6	3.2	20.8	20.8	20.4	15.3	12,923	3,898	2,979	2,979	1,810	129.3	30.2	27.5	27.6	(0.5)
<b>Cadila</b>																						
Not a component of key indices																						
<b>Cadila</b>	<b>BUY</b>																					
Price (Rs)	351	MCap (Rs mn)	44,086	FY05	33.1	21.5	19.5	1.1	(2.4)	(10.2)	8.9	6.8	12,779	2,428	1,334	1,199	1,398	10.6	19.0	24.1	14.3	82.7
52 week Hi/Lo (Rs)	400/231	MCap (US\$ mn)	998.1	FY06	26.2	17.9	16.7	1.1	26.1	27.1	18.5	16.2	14,845	2,877	1,682	1,524	(236)	13.4	19.4	26.2	16.0	79.1
Free float (%)	28	*BVPS (Rs)	56	FY07E	20.9	15.0	13.9	1.7	25.2	52.2	21.7	22.0	18,113	3,501	2,106	2,129	(301)	16.8	19.3	26.6	16.9	66.6
Shares out (mn)	126	*Returns (%): 1 mo	13.2	FY08E	16.2	11.9	10.8	2.0	29.5	17.6	25.0	24.8	22,603	4,376	2,727	2,727	2,074	21.7	19.4	27.9	19.4	48.5
Year ending	March	12 mo	5.3	FY09E	12.7	11.9	8.2	2.6	27.5	27.5	22.9	21.8	27,536	5,379	3,476	3,476	1,855	27.7	19.5	29.2	22.1	40.2
<b>Cipla</b>																						
Component of: MSCI India, BSE Sensex, Nifty																						
<b>Cipla</b>	<b>BUY</b>																					
Price (Rs)	234	MCap (Rs mn)	181,536	FY05	51.5	44.5	36.6	0.7	11.5	38.6	19.6	17.2	22,545	5,013	3,526	4,096	(1,283)	4.5	22.2	23.7	21.2	17.3
52 week Hi/Lo (Rs)	292/178	MCap (US\$ mn)	4,110	FY06	29.4	26.0	24.0	1.0	75.3	48.3	54.4	32.2	29,814	7,740	6,182	6,076	(1,202)	8.0	26.0	33.2	28.6	27.2
Free float (%)	60.64	*BVPS (Rs)	27	FY07E	24.7	21.6	19.7	1.3	19.1	22.5	19.3	24.5	37,125	9,234	7,361	7,441	2,102	9.5	24.9	27.1	24.8	5.4
Shares out (mn)	777.3	*Returns (%): 1 mo	0.4	FY08E	19.5	17.3	15.9	1.5	26.4	25.1	22.7	20.5	44,732	11,333	9,306	9,306	3,394	12.0	25.3	25.3	24.9	4.4
Year ending	March	12 mo	(14.9)	FY09E	16.1	14.3	13.1	1.9	21.4	21.4	20.9	19.4	53,404	13,701	11,294	11,294	4,525	14.5	25.7	25.7	25.4	3.6
<b>Dr. Reddy's</b>																						
Component of: MSCI India, BSE Sensex, Nifty																						
<b>Dr. Reddy's</b>	<b>BUY</b>																					
Price (Rs)	720	MCap (Rs mn)	120,719	FY05	211.3	66.1	81.0	0.4	(77.9)	(86.9)	(56.4)	(5.2)	18,327	1,409	571	329	2,942	3.4	7.4	2.9	3.8	15.5
52 week Hi/Lo (Rs)	958/579	MCap (US\$ mn)	2,733	FY06	76.5	37.8	44.0	0.4	176.1	345.8	129.3	28.5	23,550	3,232	1,578	1,467	(29,012)	9.4	13.1	7.9	5.5	154.3
Free float (%)	72	*BVPS (Rs)	123	FY07E	15.4	10.5	9.5	0.7	396.7	403.8	327.1	161.0	61,476	13,805	7,837	7,392	461	46.7	21.6	26.9	15.2	88.5
Shares out (mn)	167.7	*Returns (%): 1 mo	9.2	FY08E	19.7	12.0	10.7	0.7	(21.7)	(17.0)	(13.6)	(11.6)	54,342	11,929	6,133	6,133	3,587	36.6	20.1	15.3	10.7	70.7
Year ending	March	12 mo	1.0	FY09E	15.4	10.1	8.5	0.8	28.1	28.1	20.2	25.1	67,968	14,343	7,859	7,859	5,020	46.9	24.0	17.0	12.3	51.9
<b>GSK Pharma</b>																						
Component of: MSCI India, Nifty																						
<b>GSK Pharma</b>	<b>BUY</b>																					
Price (Rs)	1132	MCap (Rs mn)	95,842	CY04	35.7	33.0	23.0	2.5	45.4	92.8	44.2	22.4	14,252	4,143	2,688	3,377	3,803	31.7	28.3	33.9	35.6	0.4
52 week Hi/Lo (Rs)	1540/891	MCap (US\$ mn)	2,170	CY05	30.8	28.9	20.4	2.8	15.8	50.2	12.7	8.3	15,432	4,670	3,113	5,071	3,669	36.8	29.1	33.2	34.5	0.5
Free float (%)	51	*BVPS (Rs)	142	CY06	26.6	25.2	18.1	3.1	15.8	8.6	12.9	4.9	16,193	5,274	3,607	5,510	2,791	42.6	31.3	33.4	34.2	0.5
Shares out (mn)	84.7	*Returns (%): 1 mo	(2.9)	CY07E	23.3	22.4	16.0	3.1	13.8	(25.5)	11.4	14.1	18,473	5,875	4,105	4,105	3,850	48.5	30.0	32.5	33.2	0.2
Year ending	December	12 mo	(22.1)																			
<b>Glenmark</b>																						
Not a component of key indices																						
<b>Glenmark</b>	<b>BUY</b>																					
Price (Rs)	618	MCap (Rs mn)	73,948	FY05	74.1	59.7	49.6	0.1	164.9	159.2	125.4	62.8	5,694	1,558	1,071	1,071	(1,963)	8.3	27.4	40.2	20.8	159.1
52 week Hi/Lo (Rs)	664/228	MCap (US\$ mn)	1,674.2	FY06	98.7	71.2	58.6	0.1	(24.9)	(17.8)	(11.9)	23.3	7,020	1,372	814	880	(3,079)	6.3	19.5	23.5	9.7	214.6
Free float (%)	46	*BVPS (Rs)	31	FY07E	25.8	21.0	19.4	0.4	282.7	244.8	197.6	67.9	11,788	4,083	3,055	3,035	1,612	24.0	34.6	61.8	27.1	114.7
Shares out (mn)	119.7	*Returns (%): 1 mo	7.6	FY08E	14.9	12.7	12.0	0.6	73.4	74.5	58.2	44.0	16,975	6,458	5,296	5,296	3,124	41.5	38.0	62.7	35.9	61.5
Year ending	March	12 mo	90.6	FY09E	13.4	11.4	10.6	0.7	10.7	10.7	8.0	16.0	19,689	6,976	5,862	5,862	4,084	46.0	35.4	44.3	30.3	42.6
Note: EPS on fully diluted basis																						
<b>Ranbaxy</b>																						
Component of: MSCI India, BSE Sensex, Nifty																						
<b>Ranbaxy</b>	<b>BUY</b>																					
Price (Rs)	358	MCap (Rs mn)	133,260	CY04	20.6	16.4	14.7	2.4	2.8	(8.0)	(2.2)	14.3	53,930	9,535	6,922	6,986	(4,066)	17.3	17.7	(5.3)	22.8	37.6
52 week Hi/Lo (Rs)	530/306	MCap (US\$ mn)	3,017	CY05	69.0	37.9	58.3	2.4	(70.1)	(62.5)	(72.9)	(3.2)	52,223	2,588	2,071	2,617	(11,738)	5.2	5.0	8.4	6.6	82.1
Free float (%)	65	*BVPS (Rs)	71	CY06P	27.0	18.5	16.6	2.4	155.3	96.8	266.0	17.5	61,380	9,473	5,286	5,151	(2,161)	13.2	15.4	20.9	11.3	154.8
Shares out (mn)	372.4	*Returns (%): 1 mo	10.5	CY07E	21.6	15.1	13.9	3.2	25.3	28.6	19.3	14.3	70,165	11,299	6,624	6,624	6,626	16.6	16.1	24.1	11.1	142.6
Year ending	December	12 mo	(20.7)	CY08E	17.5	12.5	11.7	3.9	23.1	23.1	17.7	14.1	80,057	13,297	8,154	8,154	8,026	20.4	16.6	27.1	12.9	129.7
Note: EPS on fully diluted basis																						
<b>Sun Pharma</b>																						
Component of: MSCI India, Nifty																						
<b>Sun Pharma</b>	<b>BUY</b>																					
Price (Rs)	1099	MCap (Rs mn)	23,819	FY05	56.4	45.9	7.0	0.4	15.6	13.0	9.5	19.8	11,853	4,325	4,045	3,962	835	19.5	36.5	40.9	19.5	169.2
52 week Hi/Lo (Rs)	1108/640	MCap (US\$ mn)	539	FY06	43.0	45.9	5.6	0.6	31.0	44.7	13.4	38.1	16,368	4,905	5,297	5,733	(2,688)	25.5	30.0	39.0	16.3	124.5
Free float (%)	30	*BVPS (Rs)	86	FY07E	30.6	24.6	2.9	0.7	40.7	30.0	41.3	28.4	21,018	6,933	7,454	7,454	6,300	35.9	33.0	39.5	19.4	89.9
Shares out (mn)	21.7	*Returns (%): 1 mo	8.5	FY08E	24.2	19.7	2.0	0.9	26.4	26.4	32.1	21.6</										



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