

## Industry

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# Indian Pharma & Ag Daily Dose

 Equity 

## Aurobindo (Receives Tentative Approval for Generic Crestor); Indian Pharma Companies May Get Easier Access to Japan

- **From the Research Desk (pg 2)** — [Piramal HC](#) (Downgrade to Hold)
- **Indian pharma companies may get easier access to Japan's US\$60bn market** — Tokyo has given an in-principle nod to New Delhi's demand for according 'national treatment' to Indian pharmaceutical companies on registration and approvals in Japan. The two countries have come to an understanding on attaching a 'legally enforceable text' on pharmaceuticals to the final document on the proposed India-Japan Comprehensive Economic Partnership Agreement. This means, post the pact, Japanese authorities will treat Indian pharma firms and local Japanese companies equally on registration and approvals – effectively granting Indian generic firms faster and greater access to Japan. (*Business Line*)
- **Aurobindo gets US FDA tentative approval for rosuvastatin calcium tabs** — Aurobindo Pharma has received tentative approval for rosuvastatin calcium tablets 5mg, 10mg, 20mg and 40mg from the US FDA. Rosuvastatin calcium tablets are the generic equivalent of IPR Pharmaceuticals Inc's Crestor tablets 5mg, 10mg, 20mg and 40mg. The product had sales of about US\$2.9bn for the year ended December 2009. Aurobindo now has a total of 116 ANDA approvals (86 final approvals and 30 tentative approvals) from the US FDA. (*Pharmabiz*)
- **Strides Arcolab gets US approval to sell Vecuronium injection** — Strides Arcolab has received approval from the US FDA to sell vecuronium bromide injections. Vecuronium bromide, which is used to relax muscles and is given before general anesthesia in preparing a patient for surgery, had total US sales in 2009 of about US\$10mn, the company said, citing IMS Health data. Vecuronium bromide will be launched under Strides's partnership with US-based Akorn. (*WSJ*)
- **Other stories (Pg 2)** — FDA rejects Teva's second citizen's petition against generic Copaxone; Mylan seeking to sell generic Sutent; Sanofi and Merck gear up for animal-health sell-off.

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

**BSE Sensex** up 0.4%; **S&P Nifty** up 0.4%; **BSE H/C** up 1.1%

**Key Gainers:** GSK Pharma, Piramal HC up 4% each

**Key Losers:** Jubilant down 2%

**Volumes:** Strong volumes in Piramal HC

Source: datacentral, Bloomberg

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

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## Other Top Stories

- **FDA rejects Teva's second citizen's petition against generic Copaxone** — The FDA has again denied Teva's citizen's petition asking the agency to block approval of a generic version of its Copaxone multiple sclerosis treatment. The FDA rejected the second petition for the same reason as the first, because it would be "premature and inappropriate" to grant Teva's requests, but gave a detailed response that rejects many of the company's arguments against the generic approval. Momenta Pharma and Mylan have both filed to produce generic versions of Copaxone. Teva has sued both companies. That triggered an automatic 30-month stay on FDA approval, meaning no generic version of Copaxone can enter the US market until early 2011. Mylan signed a worldwide marketing and distribution license with India based Natco Pharma for its generic version of Copaxone in 2008. *(WSJ)*
- **Mylan seeking to sell generic Sutent** — Mylan has applied for US regulatory approval to sell a generic version of Pfizer's Sutent cancer pill. Mylan is challenging "on various grounds" the Sutent basic patent, which expires in 2021, and two other patents that expire in 2020 and 2021. Sutent has been one of Pfizer's few successful new drugs in recent years, generating US\$964mn in sales last year. Launched in the US in 2006, Sutent is approved to treat kidney cancer and certain gastrointestinal tumors. *(WSJ)*
- **Sanofi and Merck gear up for animal-health sell-off** — Sanofi-Aventis and Merck are gearing up to sell parts of the world's largest veterinary drugs operation, offering smaller players in the US\$19bn animal health industry a last clear chance to bulk up. Merck's US\$46bn merger with Schering-Plough last year gave it the latter's Intervet/Schering Plough Animal Health business, which it is now combining with Sanofi's Merial in a joint venture with US\$5.3bn in sales. As part of that process, the two drugmakers are now looking to shed assets worth several hundreds of millions of dollars, as they await regulatory approval for creating a group that would hold 29% of the global animal health market. *(Reuters)*

## From the Research Desk

- **[Piramal Healthcare \(PIRA.BO\): Needs a Breather: Downgrade to Hold](#)** — We downgrade PIRA to Hold (2M) from Buy (1M) with a TP of Rs560. We remain positive on PIRA's prospects given its presence in India & outsourcing - both high growth areas. However, the stock has had a sharp run-up (+21% since April) on rumours of being sold out. With valuations at 18x FY11E EPS, we see limited near-term upside. Prefer Lupin, Aurobindo & Glenmark. *(Prashant Nair, CFA, India)*

## Stock Trends & Valuations

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

Name	RIC	Price (Rs)		Price Change (%)		Volume (k Shares)		CIRA Rating	TP (Rs)
		13 May 10	1-day	1-day	YTD	1-day	3-m avg		
BSE Sensex		17,266	0.4	(1.1)		18,401	16,037		
NIFTY Index		5,179	0.4	(0.4)		187,111	166,580		
BSE Healthcare		5,359	1.1	6.8		2,090	2,565		
Apollo Hospitals	APLH.BO	735	2.5	11.9		63	66	1M	840
Aurobindo Pharma	ARBN.BO	894	2.3	(2.0)		92	153	1M	1,350
Biocon	BION.BO	289	1.0	4.6		290	706	3H	250
Cadila HC	CADI.BO	607	2.8	39.9		110	132	3M	480
Cipla	CIPL.BO	315	(0.3)	(6.1)		885	1,493	3M	290
Dishman Pharma	DISH.BO	215	1.4	(9.3)		41	216	1M	250
Dr.Reddy's Labs	REDY.BO	1,272	0.9	10.9		465	434	2M	1,350
Fortis HC	FOHE.BO	163	0.1	19.2		903	3,301	3M	145
GSK Pharma	GLAX.BO	2,132	3.6	32.3		52	50	3L	1,550
Glenmark	GLEN.BO	279	0.5	1.0		700	1,096	1M	335
Jubilant	JUBO.BO	356	(2.2)	6.4		542	327	1M	465
Lupin	LUPN.BO	1,801	1.1	36.8		154	185	1L	2,100
Piramal HC	PIRA.BO	510	4.2	(20.1)		4,859	799	2M	560
Ranbaxy	RANB.BO	461	0.4	22.1		1,263	2,101	1M	620
Sun Pharma	SUN.BO	1,577	0.8	4.5		113	230	1L	1,600
United Phosphorus	UNPO.BO	172	0.8	(1.2)		1,686	1,686	1H	240

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

Figure 3. CIRA Indian Pharma — Valuation Snapshot

Company	RIC	Rating	MCap (US\$m)	Price 13 May 10	Target price	EPS (Rs/sh)		P/E (x)		EV/EBITDA (x)		EV/S (x)		RoCE		RoE	
						FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
<b>Generic Pharma</b>																	
Aurobindo	ARBN.BO	1M	1,114	896	1,350	72.2	103.4	12.4	8.7	8.8	6.6	2.0	1.6	14%	17%	36%	33%
Biocon	BION.BO	3H	1,277	288	250	14.7	16.5	19.6	17.5	12.3	10.4	2.4	2.1	13%	15%	18%	18%
Cadila HC	CADI.BO	3M	2,762	608	480	25.0	30.3	24.3	20.1	16.4	13.5	3.6	2.9	23%	24%	36%	33%
Cipla	CIPL.BO	3M	5,601	314	290	12.6	13.7	24.9	22.9	18.6	16.5	4.5	4.1	17%	16%	21%	17%
Dr Reddy	REDY.BO	2M	4,765	1,272	1,350	44.6	59.7	28.5	21.3	18.4	16.2	3.2	2.7	2%	17%	3%	22%
Glenmark	GLEN.BO	1M	1,669	279	335	13.2	21.0	21.2	13.3	12.7	9.2	3.6	2.9	13%	17%	16%	22%
Lupin	LUPN.BO	1L	3,545	1,796	2,100	77.0	102.6	23.3	17.5	16.6	12.7	3.4	2.7	24%	28%	37%	34%
Ranbaxy	RANB.BO	1M	4,298	461	620	2.2	9.6	212.7	48.1	18.2	7.3	2.6	1.8	7%	20%	18%	35%
Sun Pharma	SUN.BO	1L	7,231	1,574	1,600	63.0	76.2	25.0	20.7	17.4	18.3	6.7	6.1	22%	15%	21%	17%
<b>Innovator GRAMS</b>																	
Dishman	DISH.BO	1M	384	214	250	15.4	21.1	13.9	10.2	9.9	7.8	2.4	2.0	11%	13%	16%	19%
Jubilant	JUBO.BO	1M	1,259	357	465	24.9	30.8	14.3	11.6	10.3	8.8	2.2	1.9	11%	11%	25%	24%
Piramal HC	PIRA.BO	2M	2,368	511	560	23.4	29.1	21.8	17.5	15.8	12.4	3.2	2.7	20%	22%	32%	32%
<b>Hospitals</b>																	
Apollo Hosp.	APLH.BO	1M	1,008	735	840	25.9	32.2	28.4	22.8	14.8	11.9	2.3	2.0	8%	9%	10%	12%
Fortis HC	FOHE.BO	3M	1,147	163	145	2.0	4.0	80.4	40.3	38.6	19.9	6.4	3.8	4%	6%	4%	6%
<b>MNC Pharma</b>																	
GSK Pharma	GLAX.BO	3L	4,002	2,130	1,550	59.6	68.0	35.7	31.3	24.2	20.6	8.4	7.3	n/a	1356%	31%	31%
<b>AgroChem</b>																	
United Phos.	UNPO.BO	1H	1,673	172	240	12.2	16.3	14.1	10.5	7.6	5.5	1.4	1.1	17%	21%	19%	21%

Source: dataCentral, Citi Investment Research and Analysis estimates

## Appendix A-1

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