

Weekly: Nomura Indian Pharma

Weekly review of key approvals and market share trends of recent launches in the US

June 25, 2013

Weekly prescription highlights for the week ended 14 June 2013:

- Sandoz recently launched Nystatin/Triam cream and has gained 4.8% (+140bps w-w) share. This product accounts for ~20% of Taro's US revenue, as per IMS. Taro now has 95.2% market share.
- Mylan's market share was at 31% (+10bps w-w) in Antara. Lupin AG has 30%. The Lupin brand has a 39% share.
- Mylan has no meaningful share in Tricor yet. Teva dominates at 48%. Lupin has a 35% share.
- Dr Reddy's has ~3.3% share (+59bps w-w) in Isotretinoin. Ranbaxy's Absorica has 13.5% (+130bps w-w) market share in the Isotretinoin market.
- Ranbaxy has no meaningful share in Pristiq as yet.
- Sun garnered a 17% share (+310bps w-w) in Comtan. Mylan recently obtained approval in Comtan.

Key newsflows during the week

- **Dr Reddy's obtained final approval for generic Lamictal XR (USD280mn):** As per the FDA website, Dr Reddy's obtained approval for generic Lamictal XR on 19 June. Although this is the fifth final approval to be granted for the drug, we note that Handa and Anchen are yet to launch. Wockhardt and Par have less than 50% of market share in the space, four months after launch. More than 50% of the market is still with the innovator. Hence, Dr Reddy's is likely to be the third generic on the market if it launches in the near-term.
- **Sun Pharma and Glenmark obtain final approval for generic Rilutek (USD65mn):** As per the FDA website, on 18 June, Sun Pharma and Glenmark obtained final approval for generic Rilutek. These are the second and third final approvals, respectively to be granted for the drug. The approvals come on the back of patent expiry and we expect Apotex, Sun Pharma and Glenmark to launch imminently. We do not expect the product to be a material opportunity for the companies involved.
- **Dr Reddy's settles litigation over generic Zegerid (USD13mn):** Santarus announced today that it has settled all outstanding litigations with Dr Reddy's over generic Zegerid. As per the terms of the settlement, Dr Reddy's may launch the generic in July 2016 when the patent expires. The settlement is along expected lines, as Dr Reddy's had previously lost the patent case in a lower court.

Anchor themes

The US opportunity appears to be the most dominant growth theme for India generic pharmaceutical companies, which hold ~24% market share of generic volumes in the US. Around one-third of the pending ANDA applications with the USFDA are filed by Indian companies, on our numbers.

Research analysts

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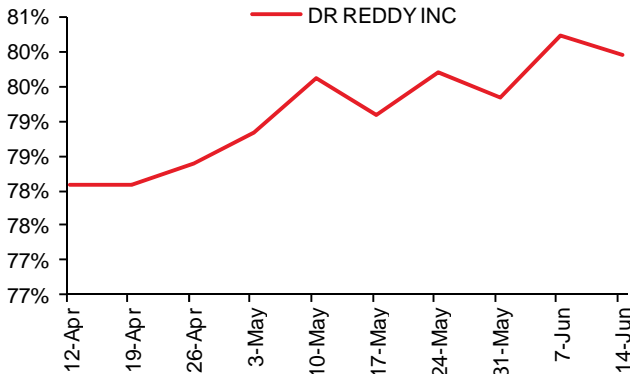
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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Market share trend of latest launches (Week ended 14 June)

Fig. 1: Propecia market share data

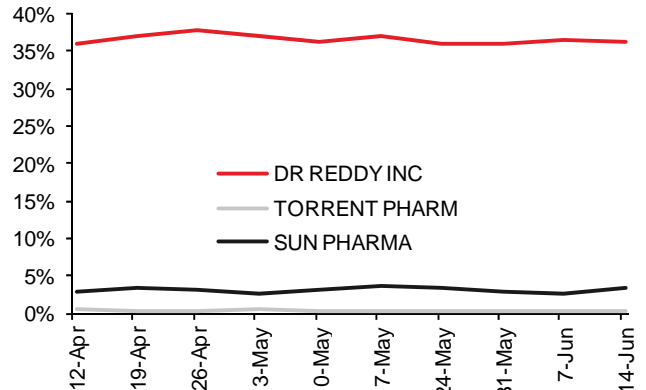
Dr Reddy's has gained ~80% market share; no AG yet.



Source: IMS, Nomura research

Fig. 2: Zyprexa ODT market share data

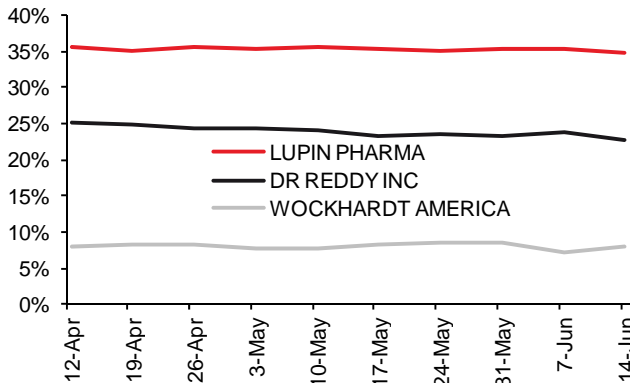
Dr Reddy's market share is stable at ~35-38%.



Source: IMS, Nomura research

Fig. 3: Geodon market share data

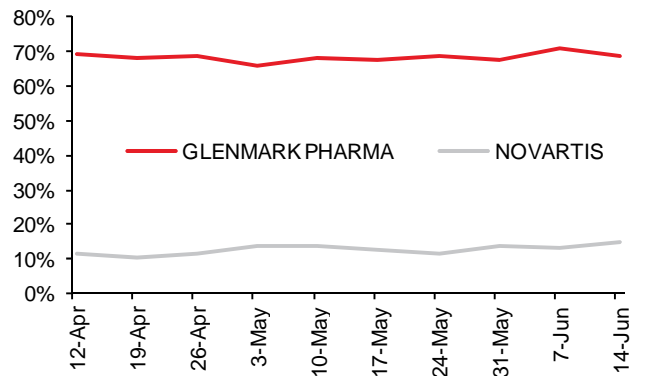
Wockhardt /Lupin/Dr Reddy's have 8%/35%/23% share.



Source: IMS, Nomura research

Fig. 4: Cutivate market share data

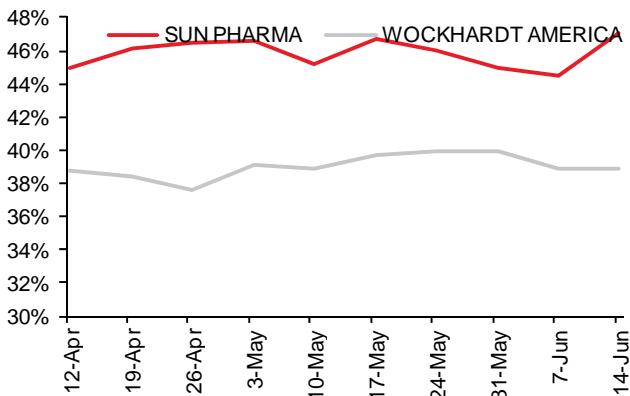
Glenmark held 69% market share; Novartis (AG) has 15%.



Source: IMS, Nomura research

Fig. 5: Stalevo market share data

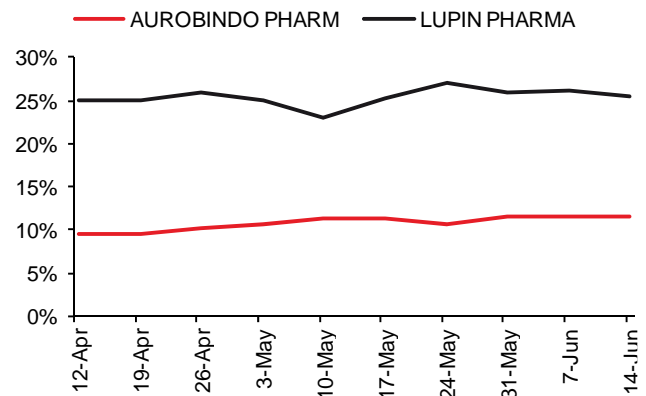
Sun had a market share of 47% including all strengths.



Source: IMS, Nomura research

Fig. 6: Combivir market share data

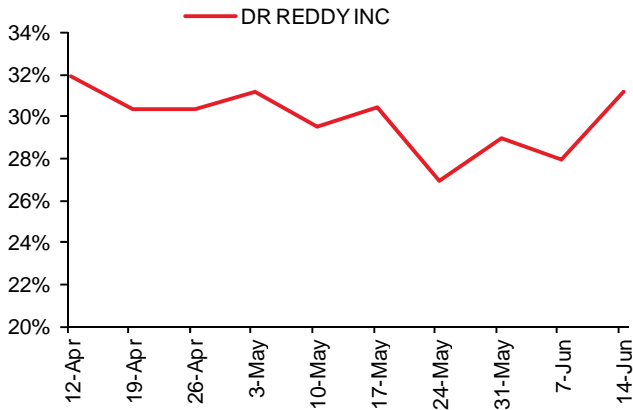
Lupin's market share stabilised at ~25-27%.



Source: IMS, Nomura research

Fig. 7: Requip XL market share data

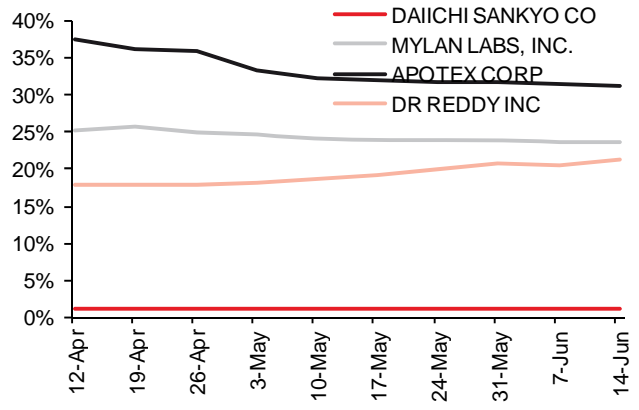
Dr Reddy's has lost share from 35% to 31%.



Source: IMS, Nomura research

Fig. 8: Lipitor market share data

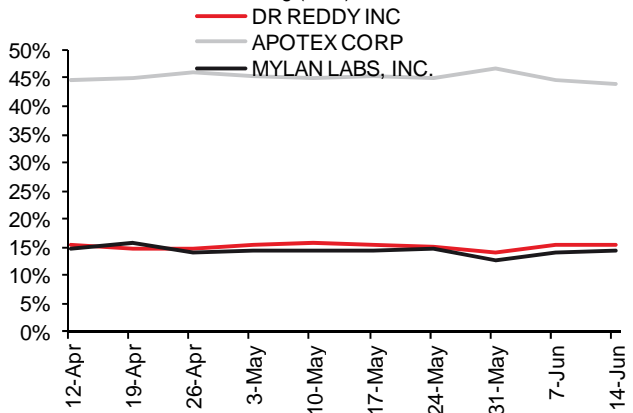
RBXY share now at 1%; DRRD's market share gaining at ~21%.



Source: IMS, Nomura research

Fig. 9: Boniva market share data

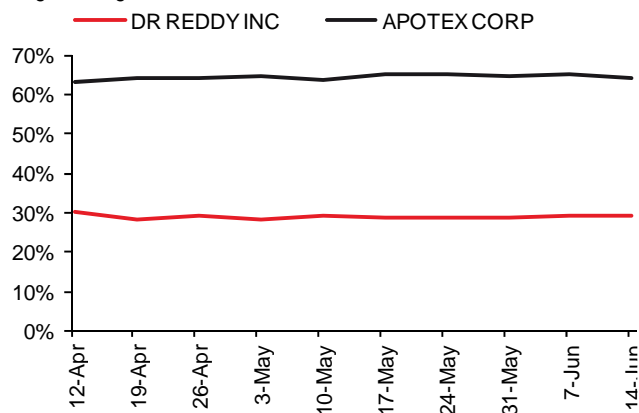
DRRD's market share is stabilising (16%).



Source: IMS, Nomura research

Fig. 10: Arixtra market share data

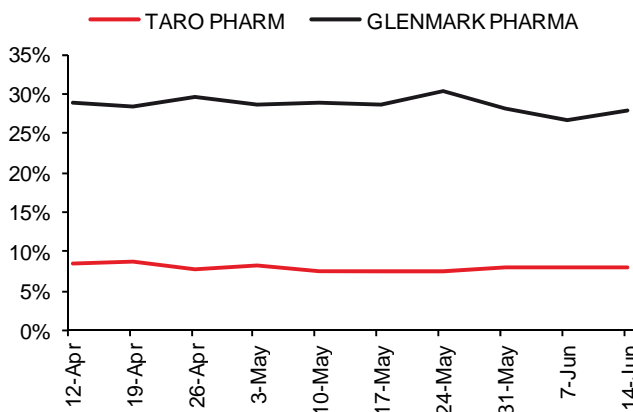
No significant gains in DRRD's market share above 25-30%.



Source: IMS, Nomura research

Fig. 11: Aldara market share data

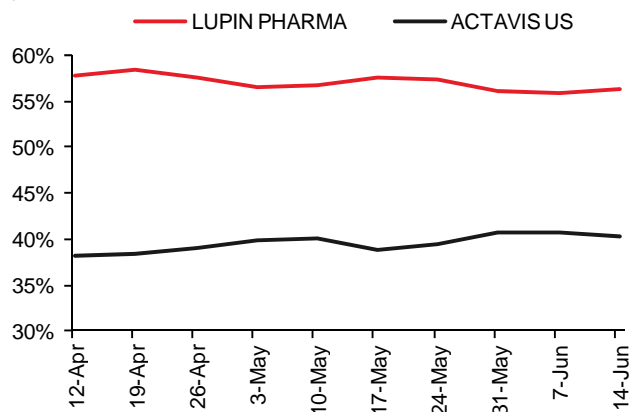
Glenmark TRx stabilised; share at 27-30%.



Source: IMS, Nomura research

Fig. 12: Fortamet market share data

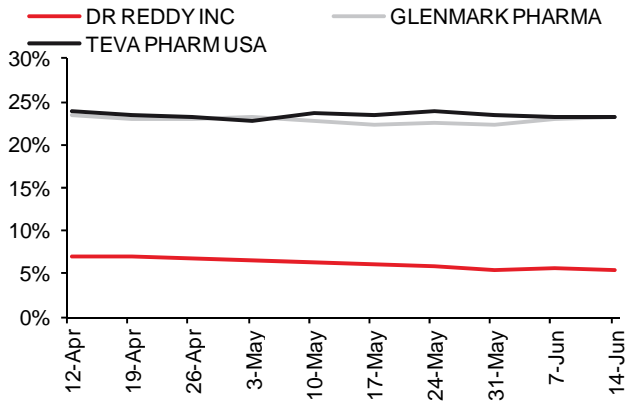
Lupin's market share stable at ~56%.



Source: IMS, Nomura research

Fig. 13: Singulair (10mg tabs) market share data

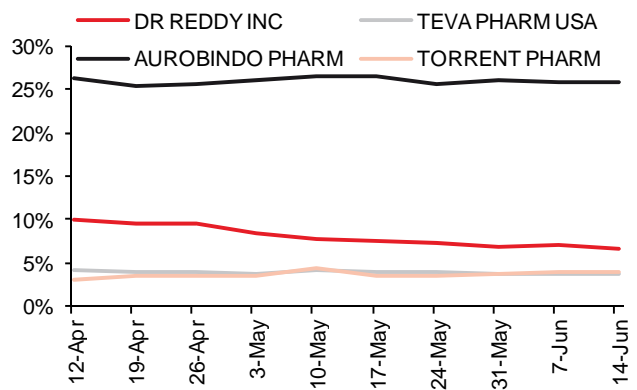
Glenmark share dips to 23% share; Teva at ~23%.



Source: IMS, Nomura research

Fig. 14: Singulair (chewable tabs) market share data

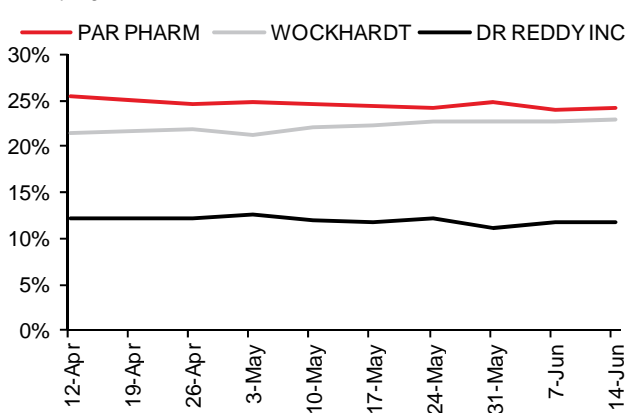
Dr Reddy's share ~7%; Aurobindo leads.



Source: IMS, Nomura research

Fig. 15: Toprol XL market share data

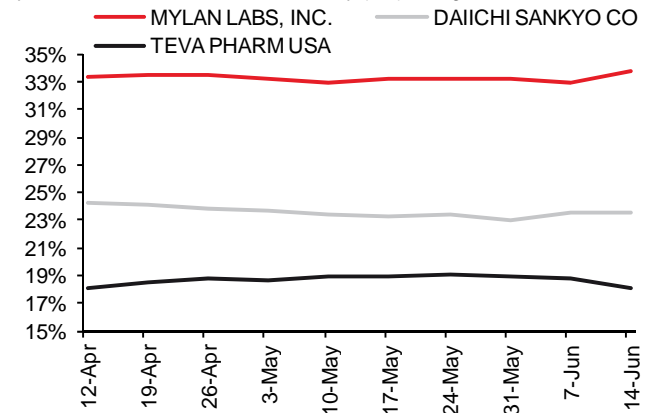
Dr Reddy's gained 12% share; Par has lost share, now at 24%.



Source: IMS, Nomura research

Fig. 16: Actos market share data

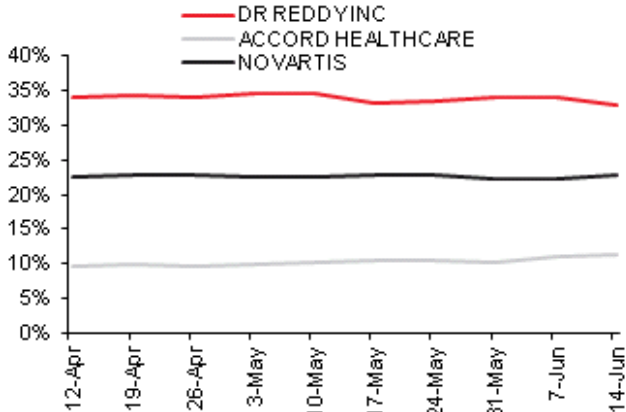
Mylan leads with a 34% share; Ranbaxy (AG) losing share at 24%.



Source: IMS, Nomura research

Fig. 17: Prograf market share data

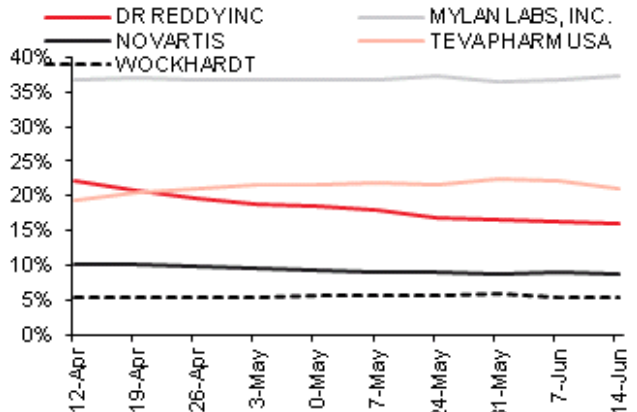
DRRD's market share has ramped up to 32-35% from 20% over the recent past.



Source: IMS, Nomura research

Fig. 18: Prevacid market share data

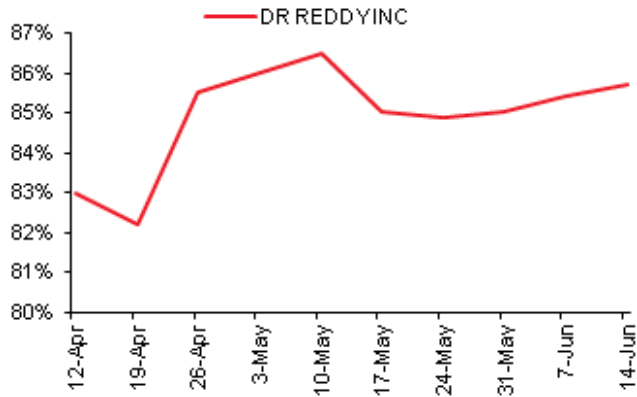
Dr Reddy's market share at 16%; losing share to Teva.



Source: IMS, Nomura research

Fig. 19: Singulair granules market share data

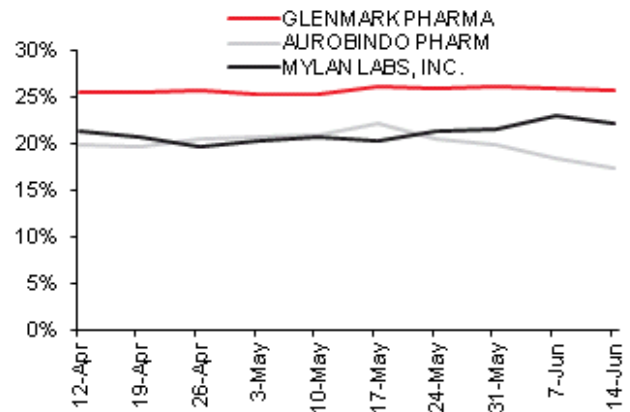
DRRD's market share is stabilising at ~85%; no additional competition yet.



Source: IMS, Nomura research

Fig. 20: Maxalt market share data

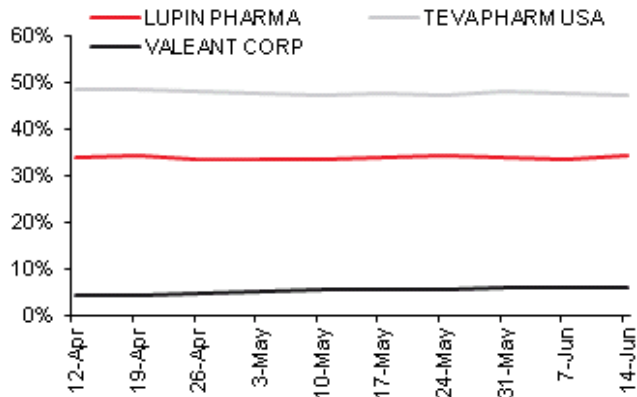
Glenmark's market share at 26%; Aurobindo follows with 17%.



Source: IMS, Nomura research

Fig. 21: Tricor market share data

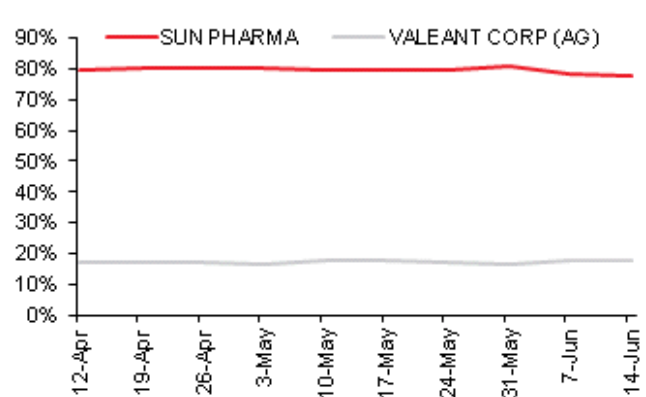
Lupin's market share at 35%; Teva leads with 48%.



Source: IMS, Nomura research

Fig. 22: Cardizem CD 360mg market share data

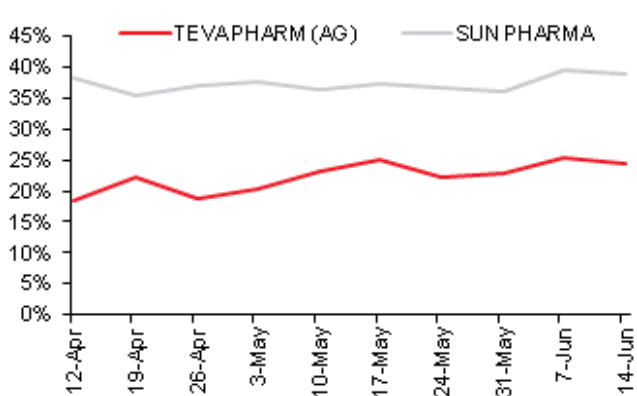
SUNP's share in Cardizem CD (360mg) declined to 78%; AG at 18%.



Source: IMS, Nomura research

Fig. 23: Gabitril market share data

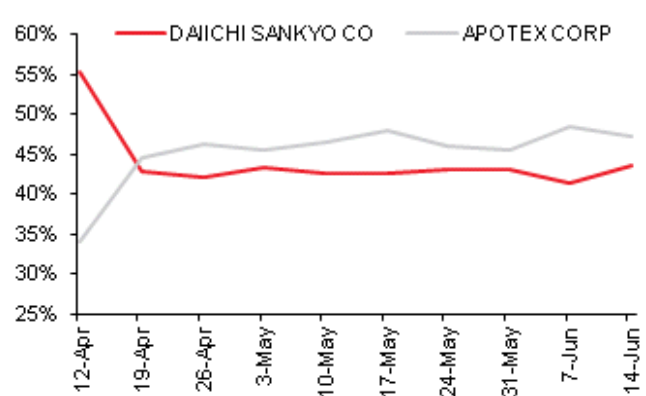
Sun's market share at 39%; Teva AG has 25%.



Source: IMS, Nomura research

Fig. 24: Evoxic market share data

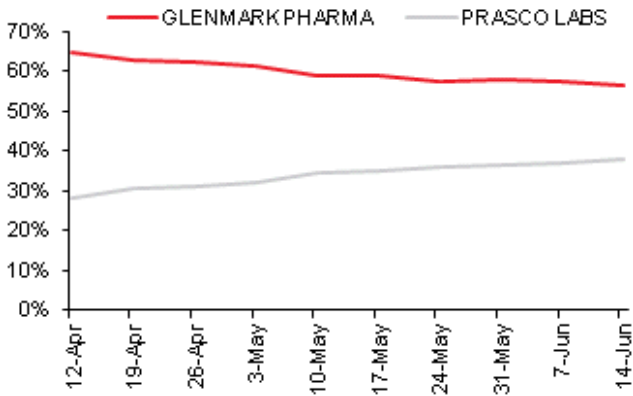
Ranbaxy (AG) has lost share at 41%; FTF Apotex at 48%.



Source: IMS, Nomura research

Fig. 25: Bactroban market share data

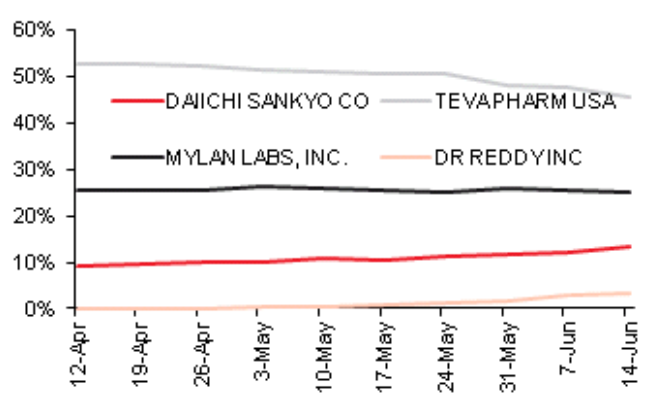
GNP's market share at 56%; Prasco AG has 38%.



Source: IMS, Nomura research

Fig. 26: Absorica market share data

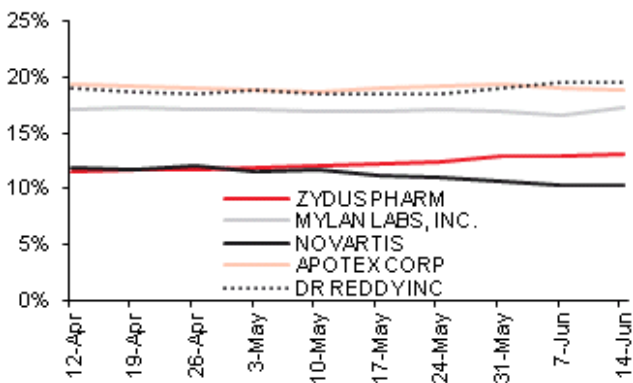
Ranbaxy has gained 14% market share; Dr Reddy's has ~3% share.



Source: IMS, Nomura research

Fig. 27: Omeprazole market share data

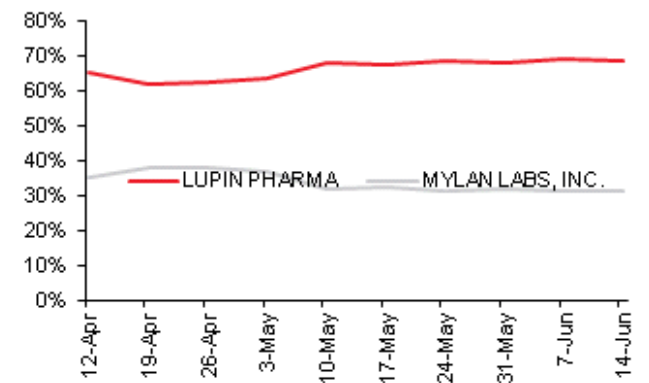
Zydus has gained 13% market share; Apotex leads with 19%.



Source: IMS, Nomura research

Fig. 28: Antara market share data

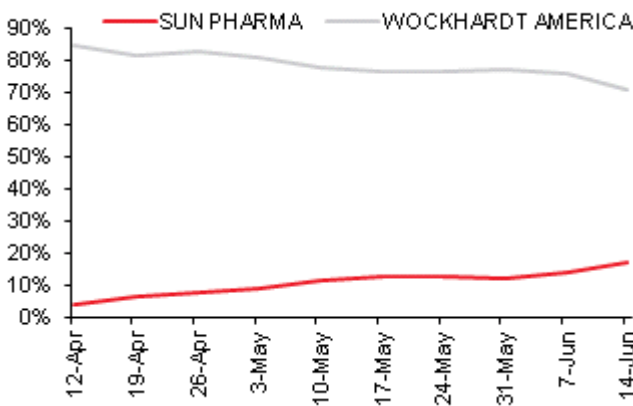
Mylan has 31% market share; Lupin AG at 30%.



Source: IMS, Nomura research

Fig. 29: Comtan market share data

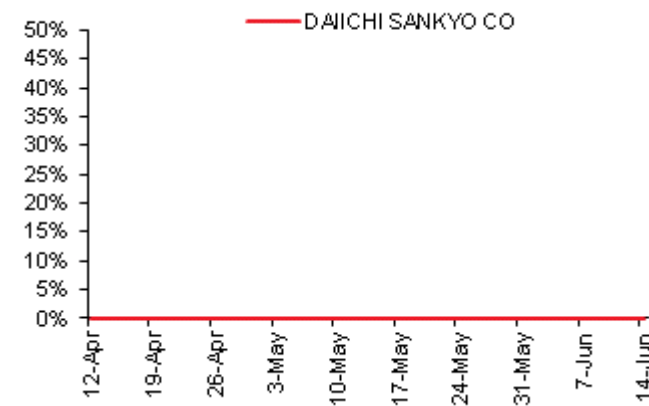
Sun has 17% share in Comtan; Wockhardt at 71%.



Source: IMS, Nomura research

Fig. 30: Pristiq market share data

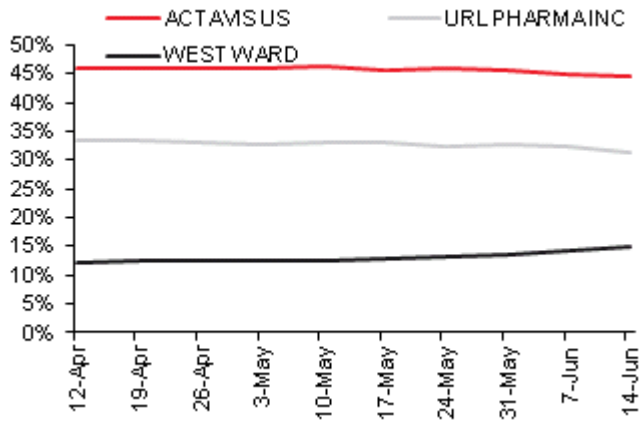
Ranbaxy yet to get material market share.



Source: IMS, Nomura research

Fig. 31: Doxycycline market share data

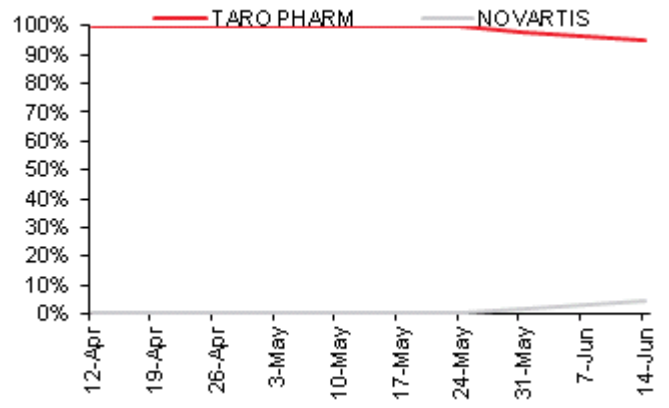
Sun has 32% share; Actavis leads.



Source: IMS, Nomura research

Fig. 32: Nystatin / Triam cream market share data

Sandoz gaining share, now at 5%; Taro dominates.



Source: IMS, Nomura research

Fig. 33: Price performances

Company	Ticker	CMP*	Absolute Price Performance (%)		
			1 week	1 month	1 year
Dr. Reddy's	DRRD IN	2,121	(1.2)	2.7	33.9
Ranbaxy Labs	RBXY IN	349	(4.5)	(10.4)	(28.5)
Sun Pharma	SUNP IN	949	(2.5)	(2.1)	55.9
Cipla	CIPLA IN	381	0.3	(6.7)	21.5
Lupin	LPC IN	787	(0.2)	2.3	49.3
Glenmark	GNP IN	545	(4.4)	(1.1)	51.6
Cadila Healthcare	CDH IN	775	3.1	(2.7)	(1.2)
GlaxoSmithKline	GLXO IN	2,485	1.4	9.3	23.4
Jubilant Lifesciences	JOL IN	142	(6.7)	(2.7)	(19.9)
Apollo Hospitals	APHS IN	972	(2.0)	8.0	56.1
Fortis Healthcare	FORH IN	88	(4.0)	(3.2)	(12.2)
Aurobindo	ARBP IN	171	(5.7)	(0.3)	56.3
IPCA	IPCA IN	680	1.5	18.7	94.6
Torrent	TRP IN	838	2.6	15.2	40.2
Divis Labs	DIVI IN	981	1.4	(0.8)	2.9
BSE Healthcare	BSETHC Index	8,657	(1.2)	(0.8)	29.0
BSE Sensex	SENSEX Index	18,774	(2.9)	(4.7)	10.6
Teva	TEVA US	35.0	(1.5)	(1.5)	(8.0)
Mylan	MYL US	27.2	(2.9)	(1.8)	28.2
Actavis	ACT US	127.2	(2.7)	(4.5)	79.0

*Notes: Current market price (CMP) in USD per share for Teva, Mylan and Actavis. All others in INR per share. Index values are absolute. Pricing as of 21 June 2013.

Source: Bloomberg, Nomura research

Trading multiples and recommendations

Fig. 34: Valuation multiples

Company	Recommendation	CMP (INR/share)*	Current trading multiples - Actual											
			P/E			EV/EBITDA			EV/Sales			RoE (Return on Equity) (%)		
			FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
Sun Pharma	NEUTRAL	949	33.7	23.4	20.9	19.1	15.8	14.4	8.5	6.8	5.9	21.9	26.1	23.9
Cipla	NEUTRAL	381	19.0	18.0	15.5	13.7	12.9	11.2	3.6	3.1	2.7	19.6	17.2	17.2
Ranbaxy	BUY	349	16.2	8.9	4.6	7.9	7.6	4.4	1.2	1.5	1.2	27.7	37.9	49.7
Dr. Reddy's	BUY	2,121	22.2	18.2	16.1	13.9	11.6	10.1	3.3	2.8	2.4	25.3	25.0	22.9
GlaxoSmithKline	REDUCE	2,485	31.8	34.9	33.3	22.8	25.1	23.4	7.2	6.9	6.1	29.7	30.5	35.2
Lupin	BUY	787	28.5	23.5	19.0	17.0	14.1	11.6	3.9	3.4	2.9	27.4	26.4	26.1
Glenmark	BUY	545	23.9	19.9	16.9	16.9	13.9	11.8	3.4	2.9	2.5	22.3	23.3	21.5
Cadila Healthcare	NEUTRAL	775	28.9	18.6	16.0	15.5	12.0	10.5	2.9	2.4	2.2	20.0	26.3	25.1
Apollo Hospitals	NEUTRAL	972	45.6	37.2	31.4	23.7	19.9	16.9	3.8	3.2	2.7	11.3	12.7	13.7
Fortis Healthcare	BUY	88	(29.1)	63.6	28.6	13.8	14.1	11.6	1.6	1.2	1.1	11.1	11.9	12.4
Jubilant Lifesciences	BUY	142	5.9	4.8	4.1	5.5	4.3	3.7	1.1	0.9	0.7	17.8	17.8	21.0

Target price and recommendations				
Company	Recommendation	Target price (INR/share)	CMP	% upside
Sun Pharma	NEUTRAL	842	949	-11%
Cipla	NEUTRAL	400	381	5%
Ranbaxy	BUY	475	349	36%
Dr. Reddy's	BUY	2,238	2,121	5%
GlaxoSmithKline	REDUCE	2,236	2,485	-10%
Lupin	BUY	790	787	0%
Glenmark	BUY	578	545	6%
Cadila Healthcare	NEUTRAL	871	775	12%
Apollo Hospitals	NEUTRAL	933	972	-4%
Fortis Healthcare	BUY	124	88	41%
Jubilant Lifesciences	BUY	333	142	135%

*Note: Pricing as of 21 June 2013. Ratings and price targets are as of the date of the most recently published report (<http://www.Nomura.com>) rather than the date of this document. We are reviewing our TPs for Sun Pharma, Lupin, Glenmark and Dr Reddy's.

Source: Bloomberg, Nomura estimates

Appendix A-1

Analyst Certification

We, Saion Mukherjee and Aditya Khemka, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Previous rating	Date of change	Sector rating
Apollo Hospitals	APHS IN	INR 970	24-Jun-2013	Neutral	Buy	22-May-2013	Not rated
Cadila Healthcare	CDH IN	INR 767	24-Jun-2013	Neutral	Buy	11-Feb-2013	Not rated
Cipla	CIPLA IN	INR 380	24-Jun-2013	Neutral	Reduce	17-Mar-2011	Not rated
Dr Reddy's Laboratories	DRRD IN	INR 2103	24-Jun-2013	Buy	Not Rated	11-Dec-2008	Not rated
Fortis Healthcare	FORH IN	INR 87	24-Jun-2013	Buy	Neutral	03-May-2013	Not rated
GlaxoSmithKline Pharmaceuticals	GLXO IN	INR 2425	24-Jun-2013	Reduce	Neutral	07-Jun-2013	Not rated
Glenmark Pharmaceuticals	GNP IN	INR 551	24-Jun-2013	Buy	Not Rated	16-Dec-2008	Not rated
Jubilant Lifesciences	JOL IN	INR 139	24-Jun-2013	Buy	Not Rated	04-Feb-2010	Not rated
Lupin	LPC IN	INR 797	24-Jun-2013	Buy	Not Rated	30-Jan-2009	Not rated
Ranbaxy Laboratories	RBXY IN	INR 326	24-Jun-2013	Buy	Neutral	11-Mar-2013	Not rated
Sun Pharmaceutical Industries	SUNP IN	INR 947	24-Jun-2013	Neutral	Reduce	28-May-2010	Not rated

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11% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 23% of companies with this rating are investment banking clients of the Nomura Group*.

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STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States/Europe**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

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A '**Bullish**' stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A '**Neutral**' stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A '**Bearish**' stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A '**Buy**' recommendation indicates that potential upside is 15% or more. A '**Neutral**' recommendation indicates that potential upside is less than 15% or downside is less than 5%. A '**Reduce**' recommendation indicates that potential downside is 5% or more. A rating of '**Suspended**' indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

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Target Price

A Target Price, if discussed, reflects in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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