

Cipla's drug pipeline turns it into \$10-bn target

BLOOMBERG
Byline

Indian drugmaker Cipla may be the industry's next target in a record run of takeovers.

Cipla, a maker of generic HIV, cancer and respiratory medications, has almost doubled the number of treatments under development in the past year and analysts project its revenue will surge 60 per cent by 2017. Drawn by demand for the \$5.7-billion company's medicines internationally and factories across India, Teva Pharmaceutical Industries or Mylan may be suitors, said IHL Holdings.

After Mumbai-based Cipla bought its South African distributor and raised its stake in a Ugandan manufacturer to gain more control of exports, buyers may have to offer at least \$9.7 billion to convince the

founders to sell, said Angel Broking Ltd. Any deal would follow about \$190 billion of global drug and medical-products takeovers this quarter, according to data compiled by Bloomberg.

Cipla is "in investment mode," Prakash Agarwal, an analyst at CIBC Securities India in Mumbai, said by phone. "They are preparing the bridge and everybody's out shopping." Shares of Cipla today rose as much as 7.3 per cent in Mumbai before trading up 3.2 per cent at \$426.30. A spokeswoman for Cipla declined to comment on any potential takeover, founded in 1985 by scientist Khwaja Abdul Hamid. Cipla is India's fourth-largest pharmaceutical company by market value. The Hamid family still owns about 37 per cent of the shares, according to Cipla's most recent results.



Cipla, which is led by T K Hamid (pictured), is India's fourth-largest pharmaceutical company by market value.

HIV treatments
The company made its name in 2001 by slashing the price of a multi-drug HIV treatment to about \$1 a day. Africa, home to most of the world's HIV-infected population, now accounts for 25 per cent of

Cipla's sales. The company also makes generic treatments for heart disease, arthritis and diabetes.

"The company is a world-class company with quality products," Ranjit Kapadia, a Mumbai-based analyst at Centrium Broking, said by phone. "They are entering new markets in the Middle East and Africa." Shares of Cipla had climbed 7.9 per cent through Tuesday since May 8, when India's *Mint* newspaper reported that Petach TLV, Israel-based Teva, the world's largest generic drugmaker, is pursuing Cipla with a takeover offer of as much as \$6 billion. According to the report, Cipla had rejected Teva twice since 2012.

Considering deals
Last week, Teva Chief Financial Officer Eyal Dreshah told participants at a Goldman Sachs Group Inc. global health-care conference that the drugmaker, which was created through a series of mergers and acquisitions, would consider more deals given the right opportunity. This month, it agreed to buy Labrys Biologics, a US maker of migraine treatments.

While Dreshah said Teva has slowed its pace of doing deals in recent years, that doesn't exclude the company considering a "large and transformative" acquisition as a way to create value. Teva had \$901 million in cash and equivalents at the end of March, data compiled by Bloomberg show.

India's pharmaceutical market, grew 9.5 per cent to about \$12 billion last year, according to PricewaterhouseCoopers.

Company