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BRICKBATS & BOUQUETS If India's largest drug maker by market cap looks beyond generics for new drugs, authors of a controversial report, which alleged that Indian drug makers sell inferior drugs in Africa, feel Indian threat will hurt India more than it hurts them

Sun Dawns on In-licensed Experimental Drugs Now

Move part of broader strategy to go beyond generics post 2018

Our Bureau

New Delhi: Sun Pharmaceutical Industries Ltd., India's largest domestic drug maker by market capitalisation, plans to invest more than \$200 million in the experimental psoriasis drug that it is licensed from US-based Merck Sharp & Dohme (MSD) last month and hopes to commercialise globally by 2018, said industry consultants with direct knowledge of the matter.

This is part of Sun's attempt to invest in a basket of promising innovative products in select therapies to grow beyond generics and add new revenue streams, they said. Sun is the first Indian drug firm to adopt this strategy of in-licensing experimental drugs at a late trial stage for commercialisation. In-licensing involves drug makers tying up with each other to cooperate on various aspects of development and marketing. This sum cited above includes over \$200 million that it may spend in Phase III clinical trials and the \$80 million that it has committed upfront to in-licence the drug but excludes what it may owe to MSD as royalties on achieving milestones related to regulatory approvals and sales.

"This is part of Sun's broader strategy to move beyond generics post 2018 and the company is hunting for more such lucrative branded experimental drug opportunities in select therapies such as CNS (central nervous system), cardiovascular, diabetes, allergy, oncology, ophthalmology and gastroenterology, besides the derma segment," said one of the consultants cited above. He added that this is one way Sun is trying to address a key investor concern on how the company can boost the already high market capitalization that it commands today. A Sun spokesperson refused to comment on the matter.

Thinking Out of the Box

\$280 million INVESTMENT PLANNED IN EXPERIMENTAL PSORIASIS DRUG

Sun is the first Indian drug firm to in-licence experimental drugs at a late trial stage for commercialisation



Sun strategy starts after from Indian generic
Sun's promoter, Dilip Shanghvi, has placed bets in the past on generic drugs in the past and is doing that once again, feel industry veterans

OTC Drug Mkt Likely to Hit \$6.6 b by '16



NEW DELHI: The over-the-counter (OTC) drug market in India is expected to grow to \$6.6 billion by 2016 with pharma companies and chemists increasing their presence in the rural market. OTC drug market in India stood at \$3 billion in 2011 and a "rise to \$6.6 billion is forecast by 2016," according to a sectoral document under the Make in India campaign. Pharma companies have increased spending to tap rural markets and develop better infrastructure. — PTI

Industry experts said that Sun is scripting a shift in strategy for Indian generic companies, which have typically out-licensed drug candidates at an early development stage.

"Acquiring an R&D asset for clinical development is a bold move. Hitherto, all Indian companies would look to license out their R&D pipeline. These companies were comfortable becoming a licensee at an early stage of development," said Sanjay Kaul, managing director, Chry Capital, a private equity firm. Sun Pharma is reversing that process by becoming a licensee, he added.

Late-stage clinical trials require deep pockets and are fraught with risks of failure, among the main reasons why Indian firms have steered clear of this path until now.

"Sun today finds itself at an inflection point where it has to change gears to accelerate into the next orbit. It is moving up the pharma value curve and in the process has paved the way for other cash-rich large pharma companies in India to follow," Kaul said.

Sun's promoter Dilip Shanghvi has placed unorthodox bets in the past and is doing that once again, said other industry veterans.

"Shanghvi had thought out of box by focusing on chronic drugs in the Indian market when all his Indian peers including Ranbaxy (which Sun is in the process of acquiring) were concentrating on anti-infectives. That strategy paid off. Today in another smart move, he is betting on novel drug candidates involving chemical synthesis at a time when all other Indian players are going gung-ho about biosimilars," said Ramesh Adiga, an industry expert and a former executive director with Ranbaxy. DS Bar of Ranbaxy and the late Ajit Reddy of Dr Reddy's were very keen to do in the late nineties what Shanghvi has ultimately done, Kaul said.

"This business comes with success and a cash-rich balance sheet. I hope it is not an isolated case. One needs to have three-four shots at the goalpost for one goal to happen," he added in response to ET's query on Sun looking out for other similar opportunities.

Company