

DOUBLE DOSE

2 generics give pharma sector \$400 mn boost

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MUMBAI

Foreign pharmaceutical companies may continue to fret over drugs going off-patent, but drug makers in India are not only raking in profits selling generic versions of such drugs but are also pushing up the growth rates of India's pharma exports.

Exports of the generic versions of Pfizer Inc.'s Lipitor and Eli Lilly and Co.'s Zyprexa alone by Ranbaxy Laboratories Ltd and Dr Reddy's Laboratories Ltd, respectively, boosted the growth rate of India's pharma exports by 4% in the third quarter of this fiscal year.

Generic Lipitor recorded sales of \$300 million for Ranbaxy and Dr Reddy's generic drug, called Olanzapine, brought in \$99 million in the third quarter ended 31 December, according to Ranjith Kapadia, senior vice-president of Centrum Broking Pvt. Ltd.

The average quarterly exports growth rate for the pharma sector is 15-16%. But the launch of these two generic drugs boosted the growth rate of India's \$12 billion pharmaceutical exports market to 20% during the third quarter. The momentum is expected to continue in the fourth quarter, said analysts.

Ranbaxy launched the generic Lipitor (chemical name is "Atorvastatin") on 1 December in the US after getting approval to manufacture it from its US facility.

Being the first to challenge the drug's patent in the US, the firm secured a 180-day exclusivity, in line with the US Food and Drug

Launch of Lipitor, Olanzapine in the third quarter boosted sectoral growth to 20%

Administration's (FDA) practice.

Ranbaxy had almost lost the opportunity to exclusively market Lipitor, the world's largest-selling drug. In 2008, FDA placed an export ban on two of the company's India facilities that were to manufacture the drug.

But the day after the patent expired (30 November), Ranbaxy got approval to manufacture the drug from its facility in the US.

Watson Pharmaceuticals is the only other firm that can sell an authorized generic—Pfizer has given it the right to sell a copy version in return for a share of revenue—during the 180-day exclusivity period.

Dr Reddy's has a 180-day exclusivity for the schizophrenia drug it launched in October.

The company, in a statement, attributed its 88% quarter-on-quarter jump in profit for the third quarter to the sale of the drug. The firm's chief financial officer Umang Vohra in the statement said Dr Reddy's will benefit from Olanzapine's exclusivity in the fourth quarter as well.

Ranbaxy declined to comment, while Dr Reddy's did not respond to an email sent on Thursday.

A sharply depreciating rupee

also played a role in boosting profits from these sales, said analysts. The rupee depreciated 15.75% during the third quarter, according to Bloomberg.

Although sales from these drugs will allow these firms and the exports market to end the year on a good note, the next year may not see similar gains, with both firms losing exclusivity.

"Once these drugs lose exclusivity, there will be a decline in their prices, with competitors entering the market. The prices may fall 85-90%," said Kapadia, adding that though there are a number of drugs going off-patent in the coming years, "none of them will be as big as Lipitor".

Surajith Pal, sector analyst at Elara Capital (India) Pvt. Ltd, said Indian firms have been actively pursuing first-to-files—that would give them the 180-day exclusivity to sell generic versions of off-patent drugs—and so will have an impact on the market in the coming years.

Lupin Ltd, the fifth largest generic drug maker in the US market, said it expects 21 first-to-file opportunities to kick in over the next few years. "While these opportunities are important and demand that pharma companies be well-prepared, both in terms of manufacturing and marketing capabilities, relying on them solely might not bode well in the long run," said a Lupin spokesperson, adding that due to "severe competition that enters the space after the exclusivity period, it was important to mitigate risk by spreading your drug portfolio across different segments".

"Till 2015, there are going to be a number of big opportunities for generic players," said Elara Capital's Pal, adding, "If you look into the long-term strategy of the companies, on how they are planning to grow beyond the periods of market exclusivity, then you can separate the boys from the men."

Industry