

## The Economic Times, Delhi

Monday, 20th December 2010, Page: 25

Width: 33.32 cms Height: 21.89 cms, Ref: pmi 1.2010-12-20.31.117



the exception for generic players. Patent challenges, if successful, offer an attractive first-to-file opportunity resulting in a 180-day exclusivity

markets. However, the overseas play comes with its own set of risk-return profile. The US, the largest pharma market, is also one of the Overseas Acquisitions: In a bid to grow fast, crack. The European market, which was largesignificant changing into an unbranded one, resulting m y a branded generic inarket, is steadily Most competitive and litigious markets to price erosion for generic players. period enjoyed by the generic company during which period no other generic can be launched of the parented drug. With little downside risk and huge upside. most large Indian companies. Jike Ranbaxy. Sun Pharma and DRL.

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**Operating** Parameters

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Dr Reddy's Labs DRL) acquiritig German com-pany Betapharm or a smaller player like Dishman Pharma's buyout of Swiss drugmaker companies, which go in for overseas the inorganic acquisitions, take a bit when the buyouts turn many Indian pharma companies have adopted iour. One of the prominent examples has been route to expand. However,

Increased Competition: With ordinary gains during the go for patent challenges to win the first-to-file opportunities. Once exclusivity period.

Indian companies expanding their presence abroad in search of growth, the competition in their

enter the generi- unsuress Since their drug-pipelines are drying up and macro factors turn in favouri of the generics industry, companies with financial in usele have become more own backyard his ilicreased. Global pharma giants have beer scouting for buyouts in india. Japanese major i salicht Sankyo acquired Ranbázy Labs ar d US-based Abbot bought the compete with m tin-national companies when aggressive, raising the level of competition for Indian companies. Indian drugmakers have to it comes to grow h in the domestic market others, had anne unced their intentions to companies, including Pfizer, Novartis and domestic marke . Besides, top ( Healthcare, domestic formulations business of Piranial Besides increased volatility, there have been becoming the largest player in the globai innovator

Contract Research And Manufacturing Services (CRAM 3): Pharma was traditionally a quotient of the sector. pharma sector which have increased the risk

many new devel apments impacting the

product-orientes, sector. But with many companies gettir § this contract manufacturing and research services during the past couple of years, the indust y profile has also broadened creasing, the con fact manufacturing story was billed to be a gait c-changer for the industry. However, with the financial crisis butting the directly expose themselves to global economic risks. As compan es found their order books in from overseas pharma companies, they these players lar; ely secure their contracts turing and reseat th for other companies. Since have got into the business of contract manufac-Healthcare, Divi' Labs and Dishman Pharma such as Jubilant' ifesciences, Piramai to include service - oriented players. Companies US and Europeau markets, contract

China Factor: Over the years. China has rable: A Notch Hi ther)

order books dryit g up. These companies are still a long way if yn complete recovery. (See manufacturing companies have seen their

**A NOTCH HIGHER** Quarterly Performance 1455.3 . 1552

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facing competition from low-cost Chinese sup pliers, especially in unregulated markets. The manufacturing raw materials in India are panies across the globe. Its pharmaceutica medium-sized pharma companies industry is one of the fast-growing. Small and and active pharmaceutical ingredients) to com commodity-based bulk drugs (intermediates China factor, thus, cannot be ignored.

emerged as one of the cheapest exporters of

Increased Regulatory Compliance With US EDA: The US Food and Drug Administration (US PDA) has become stringent in regulating drugmakers selling drugs in US. Many Indian firms have received warnings and faced

FDA in June 2009. sites in September 2008. Similarly, Sun Pharm<del>us US subsidiary Caraco is yet to resum</del> production after facing a clamp down by the manufacturing from its two plants in India even since US PDA banned 30 products from its two product recalls and product bans from the FDA. Ranbaxy Labs is yet to start

expenses of companies. contribute a significant pertion of other companies. While companies do not separate ly report the legal costs earned by them, they Increased Legal Costs: Patent challenges, out-of-court settlement, cross-border countries incréase the legal costs of pharma with various regulatory bodies across buyouts, liaising with US PDA and compliance

ball game with a long gestation period does require heavy investment in the development, there are a handful of them R&D does not bear immediate fruits although it undertaking novel drug discovery. Innovative companies undertake research and Innovative Research: While all pharma mmediate offing. It is high-nsk high return

the sector has lost its investment appeal. Given some of its strengths, it is still an investment Rationale: Though the sector is no onger truly defensive, it does not mean that all ractive sector to invest in. However, mestors should not put their money blindly in any pharma stock expecting that have risky business models due to their exposure to developed markets Labs and Opto Circuits have relatively safer business models. There are also stocks like Cadila Healthcare and Giaxo like Cipla, Aurobindo Pharma, Ipca steady returns with low risk. Riskrisk appeute can consider companies like Sun Pharma, Lupin and Dr Reddy'i selecting the right stocks. Companies averse investors have to be cautious in their industry peers. Investors with a Pharma that hold a lower beta than

and patent challenges in the US kiran.sontvanshi@timesgr5up.coi

Note; Data for Divi's Laboratories, xub lant Lifesciences, and Dishman Pharmaceuticals