

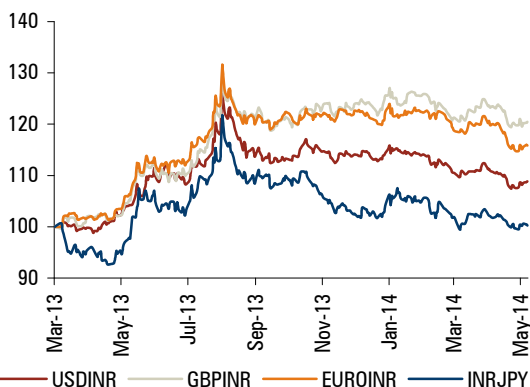
Sector View

Neutral

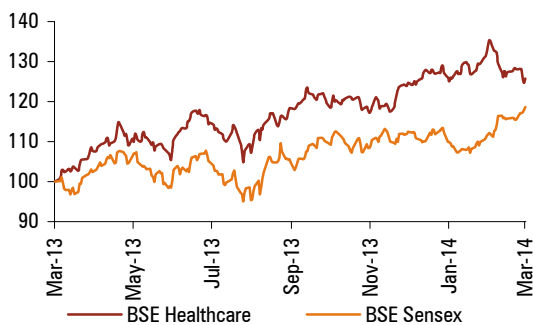
Stocks Performance (Returns as on 31st March 2014)

	1Y	2Y	3Y	5Y	FY15 (YTD)
Aurobindo Pharma	250.8	107.5	37.8	71.3	44.8
Indoco Remedies	141.8	61.2	33.3	48.7	17.1
Ipca Labs.	59.6	59.0	41.3	66.8	3.9
Biocon	55.1	33.3	7.1	24.3	25.1
Torrent Pharma.	50.7	28.9	21.8	50.9	35.4
Lupin	48.7	33.0	31.0	49.1	12.4
Dr Reddy's Labs	45.4	20.7	16.3	39.5	-87.6
Sun Pharma.Inds.	40.4	42.0	37.5	38.9	19.7
Divi's Lab.	38.3	33.5	26.5	24.3	6.8
Cadila Health.	38.0	16.2	9.1	41.4	4.5
Unichem Labs.	32.3	31.6	6.5	27.9	-1.1
BSE Healthcare	25.9	23.4	18.7	28.9	13.7
Glenmark Pharma.	22.2	35.3	26.0	31.3	0.9
BSE Sensex	18.8	13.4	4.8	18.2	13.5
BSE 500	17.1	10.8	3.7	18.7	18.0
Apollo Hospitals	9.2	21.8	29.3	39.1	8.6
Strides Arcolab	2.6	24.0	35.4	74.3	61.5
Cipla	0.8	12.0	6.0	12.4	14.4
Jubilant Life	-7.3	-10.8	-1.2	12.4	30.9

2Y,3Y, 5Y returns are CAGR returns (%); YTD: till 30-June-2014

Currency Movement


Quotes have been indexed to 100 with base as 28 Mar'13

Price movement

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Expect moderation as focus shifts to cyclicals

Continuing with our annual exercise of sector assessment, we have tried to summarise events that influenced stock returns in FY14. We have also tried to find out major events to be watched in FY15 that may influence the returns of each company. The sector maintained its outperformance over the Sensex as well as broader indices for FY14. Robust financial performances from most exporters backed by INR depreciation and incremental product launches (including niche/limited competition products) in the US boosted the performances of most players and, hence, the returns. Investors ignored the subdued domestic formulations growth marred by chaos in NLEM implementation and subsequent trade margin issues.

In a nutshell, the BSE Healthcare (BSEHC) index was up ~26% in FY14, against Sensex and BSE 500 returns of ~19% and 17%, respectively. This marked the third consecutive outperformance vis-à-vis the broader markets, almost entirely driven by exports.

On the financials front, the I-Direct healthcare universe turnover grew ~22% YoY to ₹ 97660 crore whereas the EBITDA and adjusted PAT grew 30% and 36% to ₹ 25905 crore and ₹ 16684 crore, respectively. Overall EBITDA margins stood at 26.5%, improving 160 bps YoY despite higher R&D spend by most players.

US sales, which accounted for ~40% of the universe turnover, grew ~50% YoY in FY14. The growth was driven by niche launches such as gActos* (Anti-diabetic), gDiovan (Anti hypertensive), gTricor (Anti-cholesterol), gCymbalta (CNS), gTriplix (Anti-cholesterol), gPrevacid (GI), gDepakote (CNS), gZymaxid (Ophthalmic), gRapamune (Immunosuppressant), gAvelox (Anti-infective), gCaduet (Anti hypertensive + Anti cholesterol) and gMicardis (Anti hypertensive) etc.

Domestic formulations, which accounted for ~20% of the universe turnover, grew ~13% YoY. Things were even worse at the ground level. As per secondary sales data captured by the AIOCD, IPM as a whole grew just 6.2% in FY14 as the industry struggled to digest the changes in the post NLEM era. While the implementation of the DPCO 2013 and the confusions associated with it, hampered growth initially, issues related to trade margins of wholesalers/retailers, as per the new order, affected growth in the latter part of the year.

Sector outlook

With a clear mandate for the BJP led NDA in the Centre, investors have started factoring in the expectations of reforms into reality. Hence, we are witnessing rejuvenated buying interest in non-defensives such as financials, power, capital goods, auto, metals and materials, etc. We expect this shift (from defensives to cyclicals) to continue for some more time on account of portfolio re-alignment by institutional investors. We expect some more profit booking, going ahead, as growing scepticism on the back of USFDA regulatory issues is likely to get aggravated further. Our top picks in the sector are Lupin and DRL from the large cap space and Torrent Pharma, Ipca Laboratories and Glenmark Pharma from the midcap space. We advocate a stock specific investment philosophy.

*g represents generics

Domestic formulations- DPCO impact, trade margin issues and more...

- **Dismal show continues** - Indian formulations growth continued to languish with the April 2014 monthly data reflecting just 5.2% YoY growth whereas overall MAT (TTM) growth, as on April 2014 stood at 5.9% (March MAT growth 6.2%)
- While the implementation of DPCO 2013 and confusion associated with it, hampered growth initially, issues related to trade margins for wholesalers/retailers, as per the new order, affected growth in the latter part of the year.
- **DPCO 2013 background** - The government had notified the new DPCO 2013 norms with effect from May 15, 2013, replacing the 1995 DPCO order bringing 348 drugs from the National List of Essential Medicines (NLEM 2011) under price control
- The ceiling price is being calculated by taking the simple average of prices of all brands of a drug with a market share of 1% or more. The maximum retail price of a drug factors in a margin of 16% to the chemist. Drug producers will be permitted an annual increase in the retail price in sync with the wholesale price index
- The government will also monitor drugs outside price control to ensure that no manufacturer increases the maximum retail price of a drug more than 10% of maximum retail price during the preceding 12 months. Also, where the increase is beyond 10% of maximum retail price, it will reduce the same to the level of 10% of the maximum retail price for the next 12 months
- **Trade margin issues, tug of war** - As per the new order, margins for NLEM products to be passed on to wholesalers/retailers were fixed at 8% & 16% from 10% & 20%, respectively, earlier. They stiffly resisted these changes while many of them refused to lift the inventory lying in the channel. Most companies like GSK suffered the most on account of this stand-off. Some companies like Indoco and Cipla bowed down to the pressure and reinstated the margins. However, the overall damage was already done.
- **Generic generics making silent inroads?** – Prescription drugs (schedule H) comprise ~86% of the IPM (₹ 90000 crore- AIOCD CY13). Of this, 89% are branded generics, 10% are innovative products while 1% are institutional. The branded generics also include generic generics- drugs that reflect brand names but are sold directly to chemists via MRs without tapping the doctors. These drugs are sold to chemists at very low prices with very high printed MRP as an incentive to substitute brands. On account of the reduction in their margins under DPCO 2013, most chemists may have resorted to dumping brands and pushing for generic generics wherever possible.
- **Everybody's market- competition from smaller players intensifying-** In the last few years, we have seen erstwhile smaller players aggressively penetrating the branded formulations space with aggressive marketing, competitive pricing and offering higher bonus units. Players such as Mankind, Alkem, Macleod's, Aristo and Micro Labs have stormed into the top 20 ranking by applying these strategies. Since the pricing adopted by them is lower than that of established home-grown players and MNCs, the overall market growth has slowed down considerably
- **Going ahead** - Although the first two issues such as DPCO 2013 and trade margin issues are finite and can be addressed in due course, the remaining issues are structural and likely to stay for long. The growth rate for IPM, which used to be in the range of 12-15% per annum, is likely to stabilise in the 8-10% range in the near future. Players with higher proportion of chronic therapies in

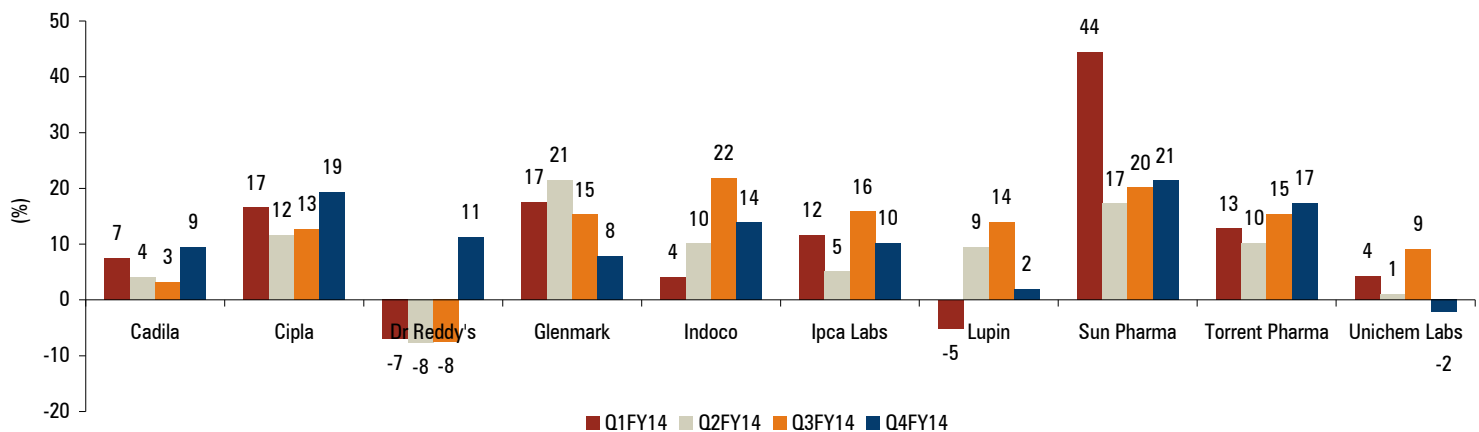
the portfolio, however, are likely to outperform the market due to their superior growth rates

Exhibit 1: Percentage of sales under NLEM and non NLEM (As per MAT March 2014 data)

	% of sales				Growth (%)			
	NLEM		Non-NLEM		NLEM		Non-NLEM	
	Acute	Chronic	Acute	Chronic	Value	Volume	Value	Volume
IPM	8.7	4.0	62.1	25.2	-8.8	-4.4	8.4	-0.1
Sun	1.7	6.3	41.8	50.2	-3.3	3.2	17.9	9.5
Cipla	11.9	6.5	47.3	34.3	-5.7	4.6	9.7	10.4
Cadila	11.1	5.9	58.0	24.9	-7.9	-4.6	11.1	1.2
Lupin	2.9	6.0	51.7	39.4	-3.7	-0.5	13.5	5.8
Glenmark	2.7	0.5	61.4	35.4	7.6	0.9	15.9	5.1
Dr Reddy's	9.6	5.5	59.9	25.0	-9.7	3.9	8.7	-1.0
Torrent	4.3	10.5	33.9	51.3	1.5	8.9	16.5	11.4
Ipca	13.6	4.2	58.8	23.4	5.6	13.3	22.9	11.4
Unichem	2.1	15.1	37.4	45.5	-6.6	-7.1	10.7	3.9
Indoco	8.3	0.6	84.6	6.5	-16.9	-5.0	6.2	-3.6
Biocon	4.1	8.6	27.2	60.1	31.7	31.0	48.5	24.5

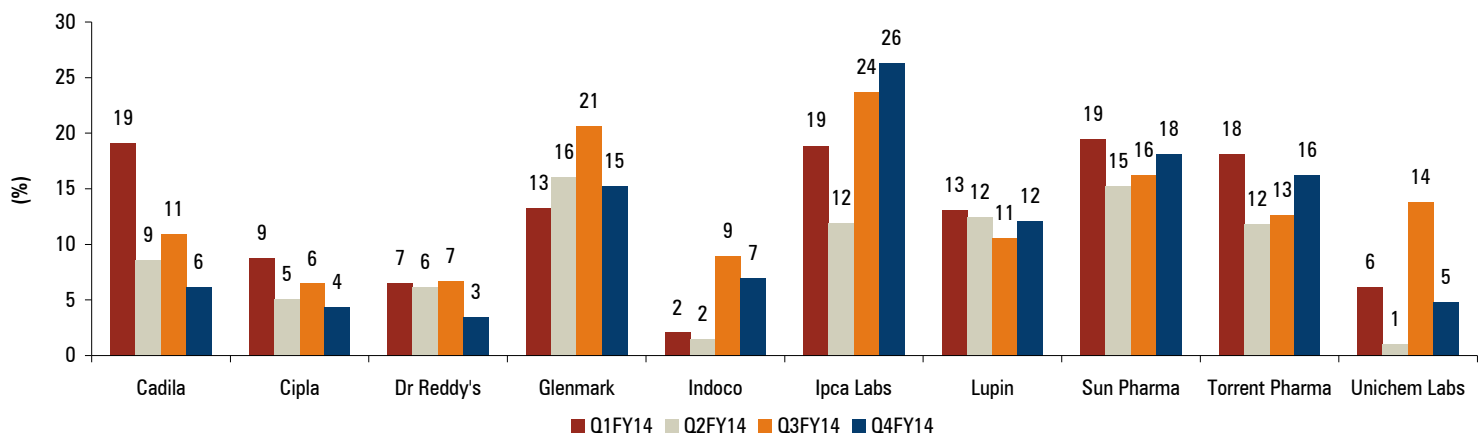
Source: AIOCD data base, ICICIdirect.com Research;

Exhibit 2: Domestic performance (primarily-reported by companies) of I-direct coverage companies quarter wise



Source: Company, ICICIdirect.com Research

Exhibit 3: Domestic performance (Secondary market) of I-direct coverage companies



Source: AIOCD data base, ICICIdirect.com Research

Financial CAGR in FY09-14

	Revenues	EBITDA	Profit
Apollo Hospitals	22.1	24.3	25.3
Aurobindo Pharma	21.4	32.8	63.6
Biocon	12.3	16.0	34.6
Cadila Healthcare	19.8	14.7	21.5
Cipla	14.0	11.0	12.5
Divi's Laboratories	15.9	15.1	13.3
Dr Reddy's Labs	13.7	102.1	LP
Glenmark Pharma	23.5	23.6	22.6
Indoco Remedies	15.5	21.0	13.0
Ipca laboratories	20.5	25.0	36.5
Jubilant	10.4	11.0	-17.4
Lupin	23.9	32.4	29.6
Sun Pharma	30.4	31.0	11.9
Torrent Pharma	20.7	29.8	29.2
Unichem Laboratories	9.0	4.6	4.0

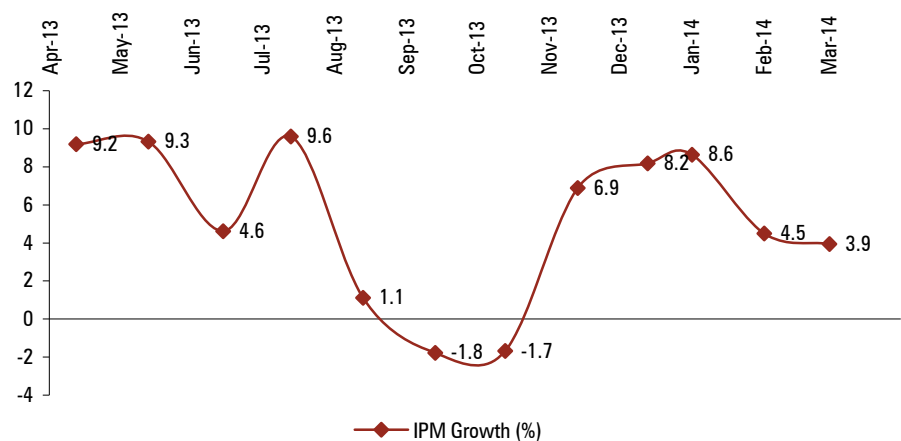
Financial CAGR in FY11-14

	Revenues	EBITDA	Profit
Apollo Hospitals	18.7	17.0	19.6
Aurobindo Pharma	22.5	30.1	27.4
Biocon	1.2	4.6	4.0
Cadila Healthcare	15.8	5.3	4.1
Cipla	16.7	16.3	11.8
Divi's Laboratories	23.7	25.7	21.8
Dr Reddy's Labs	20.7	25.2	24.6
Glenmark Pharma	26.4	29.6	6.1
Indoco Remedies	14.2	18.2	4.2
Ipca laboratories	19.8	28.8	21.9
Jubilant	18.8	21.8	-21.8
Lupin	24.3	35.7	28.3
Sun Pharma	40.6	53.4	20.6
Torrent Pharma	23.1	32.1	34.5
Unichem Laboratories	11.1	5.8	11.4

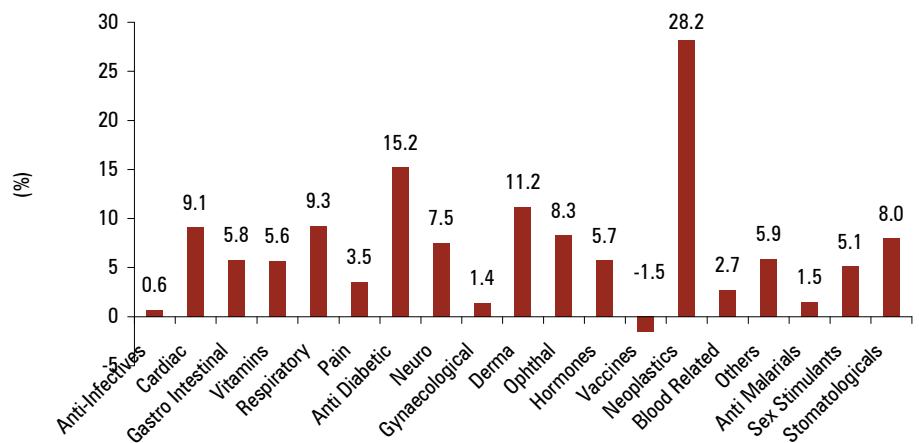
Expected CAGR in FY14-16E

	Revenues	EBITDA	Profit
Apollo Hospitals	16.1	19.9	23.0
Aurobindo Pharma	27.4	6.3	13.2
Biocon	18.3	21.4	21.0
Cadila Healthcare	18.5	28.4	29.9
Cipla	17.1	16.8	13.8
Divi's Laboratories	18.1	17.4	15.2
Dr Reddy's Labs	12.1	8.9	6.2
Glenmark Pharma	16.2	14.6	30.9
Indoco Remedies	19.2	28.9	36.6
Ipca laboratories	15.8	15.4	20.4
Jubilant	12.0	17.2	128.8
Lupin	15.5	13.1	13.1
Sun Pharma	11.5	7.0	1.7
Torrent Pharma	19.0	21.0	12.8
Unichem Laboratories	10.5	18.1	8.7

Source: Company, icicidirect.com Research

Exhibit 4: Growth trends in Indian formulations market in FY14


Source: AIOCD Data base

Exhibit 5: Growth in key therapeutic segments in FY14


Source: AIOCD Data base

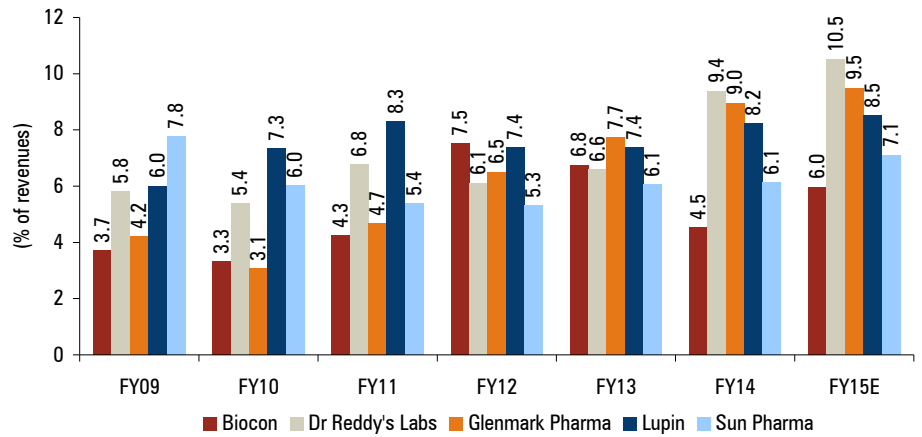
Exhibit 6: Leading brands in Indian formulation market

Brand	Company	API	Therapy	FY14	FY13	Gr.(%)
Augmentin	GSK Pharma	Amoxicillin + Clavulanic Acid	Anti-Infectives	253.6	353.6	-28.3
Corex	Pfizer	Chlorpheniramine + Codeine	Respiratory	226.9	228.2	-0.5
Becosules	Pfizer	Vitamin B + Vitamin C	Vitamins	226.1	169.1	33.7
Clavam	Alkem	Amoxicillin + Clavulanic Acid	Anti-Infectives	189.8	165.0	15.0
Manforce	Mankind	Sildenafil	Sex Stimulants	184.4	175.2	5.3
Pentaxim	Sanofi India	Combinations With Tetanus	Vaccines	180.1	172.7	4.3
Lantus	Sanofi India	Glargine	Anti Diabetic	173.6	152.9	13.5
Calpol	GSK Pharma	Paracetamol	Pain	161.3	187.6	-14.0
Voveran	Novartis India	Diclofenac	Pain	159.4	192.8	-17.3
Aciloc	Cadila Pharma	Ranitidine	Gastro Intestinal	159.0	149.1	6.6
Moxikind CV	Mankind	Amoxicillin + Clavulanic Acid	Anti-Infectives	152.6	142.6	7.0
Taxim O	Alkem	Cefixime	Anti-Infectives	152.6	166.8	-8.5
Taxim	Alkem	Cefotaxime	Anti-Infectives	147.6	152.4	-3.1
Zifi	FDC	Cefixime	Anti-Infectives	147.0	138.1	6.5
Skinlite	Zydus Cadila	Hydroquinone + Mometasone + Tretinoin	Derma	143.7	100.5	43.0
Duphaston	Abbott India	Dydrogesterone	Gynaecological	141.6	131.5	7.7

Source: AIOCD data base, ICICIdirect.com Research

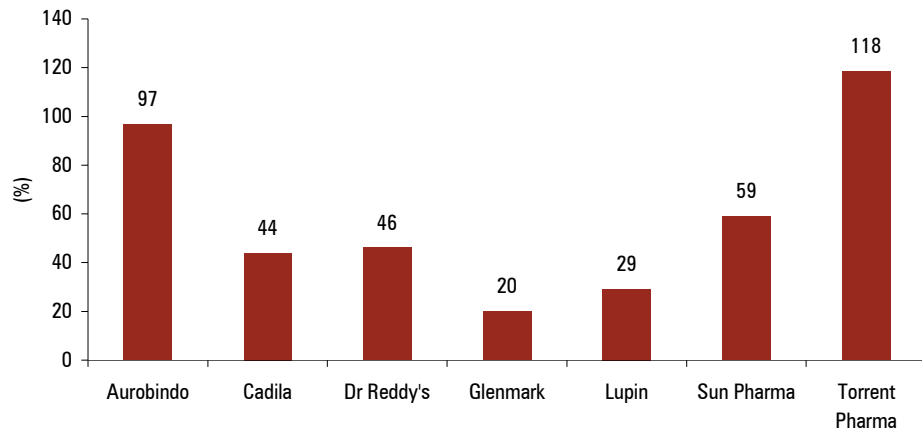
Note: Quotes in all stock performance graphs are indexed to 100 with a base as on March 28, 2013

Exhibit 7: Trends in R&D spend



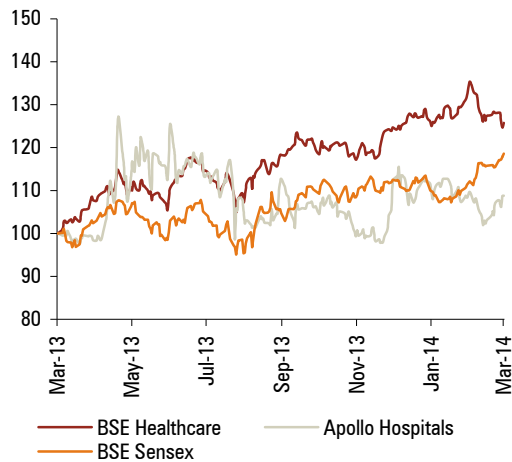
Source: Company, ICICIdirect.com Research

Exhibit 8: US market performance in FY14 (Growth %)



Source: Company, ICICIdirect.com Research

Stock Performance



Apollo Hospitals

Stock weighed down by margin pressure

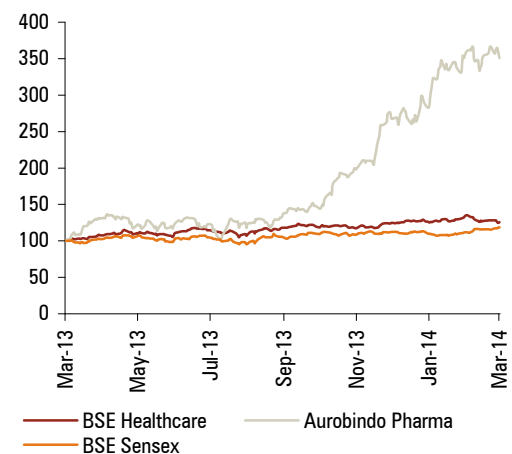
FY13-14 Highlights

- For Apollo, this fiscal was subdued in terms of returns due to persistent pressure on EBITDA margins due to commissioning of new hospitals
- The company has added only 300 beds in FY14 against planned beds addition of 1000. This was due to a delay in construction work and clearances
- The addition of ~500 beds in Q4FY13 and FY14 and commissioning of two birthing centres led the company's margins to decline 80 bps in FY14
- On the positive side, parameters like inpatient average length of stay (4.54 days in FY14 vs. 4.65 days in FY13) and average revenue per occupied bed (₹ 23684 per day vs. ₹ 21724 per day) witnessed an improvement during FY14
- Apollo added 206 stores and closed 77 stores taking the total net addition to 129 stores. As on March 31, 2014, the total stores count was 1632

What to watch

- The company is planning to add 1000 beds in FY15 including among others- Nellore (200 beds), Nashik (125 beds), Lifeline Hospital, Chennai (150 beds) and Vizag (250 beds). However, given the margins scenario, we expect the addition to be restricted to 500-600 beds in FY15
- Hospitals at Trichy (near Chennai) and Vanagaram (near Bangalore) are expected to break even at EBITDA level in FY15
- We expect Apollo to add ~130 standalone pharmacy stores
- We expect a 75-100 bps improvement in pharmacy EBITDA margins due to an increase in the private label mix and improvement in the EBITDA margins of old stores

Stock Performance



Aurobindo Pharma

Stock gallops on the back of stupendous US growth, performance beat

FY13-14 Highlights

- Aurobindo Pharma gave highest return (up 251%) among I-direct healthcare coverage companies in FY14. This was on the back of 1) consistent earnings beat, 2) launch of niche products/high value products like Cymbalta in the US market, 3) re-launch of Cephalosporin products in the US market and 4) pick-up in the injectable business in the US market. Till date, the company has filed 336 ANDAs, received approval for 191 (including tentative approval 26) and is awaiting approvals for 145 ANDAs. Of these, 145 were ANDAs while 45 were injectables
- AstraZeneca Inc has sued Aurobindo Pharma for allegedly violating several patents of blockbuster heartburn drug Nexium. Aurobindo had filed for an ANDA with the USFDA to seek an approval to manufacture the copy cat version of the drug and market the same in the US in October. The complaint was filed in the US District Court for the district of New Jersey. This patent will expire on February 3, 2015
- Aurobindo has entered into an agreement to acquire commercial operations in seven Western European countries from Actavis. The acquisition is likely to bring a pipeline of approximately 1200 products from different segments and an additional pipeline of

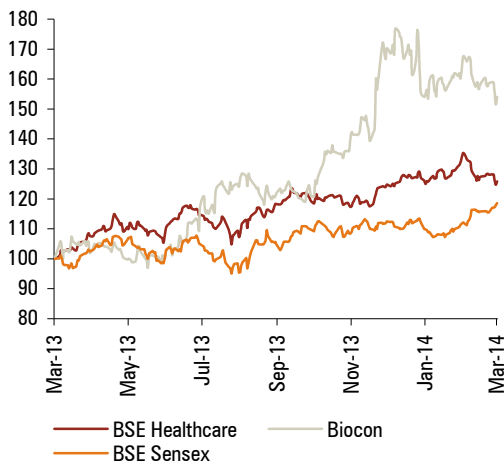
over 200 products under its ambit. The acquisition was completed on April 1, 2014

- It also did two small ticket investments in India - 1) in a company called Celon Laboratories for ₹ 16 crore. The facility is likely to manufacture oncology and hormonal products with 2) another investment (57%) in a company called Silicon Life sciences Pvt Ltd for an undisclosed amount. This company is engaged in the manufacture of non-sterile penems

What to watch

- Around 20-25 products will be launched in the US market. Some key product launches to look for are Nexium (Esomeprazole, GI), Actonel (Risedronate Sodium) and Sustiva (Efavirenz, anti-retroviral), respectively
- The current net debt at the end of FY14 is US\$537 million. The company is aiming to repay US\$100-120 million in FY15
- The business acquired from Actavis is currently making a loss at the EBITDA level with negative margins of ~6-7%, which is expected to improve with the launch of in-house products and shifting of the manufacturing base for some products to India
- Average revenues of injectable products in the US market were ~US\$3.5 million in FY14, which is expected to improve to US\$5 million in FY15
- The hormonal & oncology production units are expected to get commercialised in Q1FY15 and Q4FY15. Aurobindo is planning to file 23 products from this facility

Stock Performance



Biocon

Base business performance lifts stock

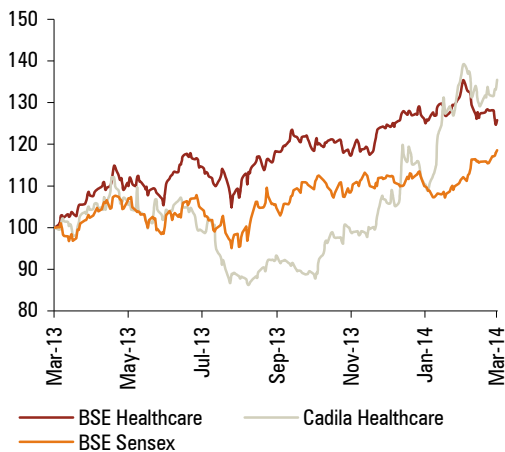
FY13-14 Highlights

- After a somewhat subdued FY13, the company remained in the limelight on the back of the consistent base business performance and niche launches
- Biocon launched its second novel biologic drug Alzumab (Itolizumab) in India. The drug is used to treat chronic plaque psoriasis. The company is in discussions with various global players to develop the molecule for advanced markets including the US and EU
- It also received marketing authorisation from the Drug Controller General of India (DCGI) for its biosimilar Trastuzumab being developed jointly with Mylan, for the treatment of Her 2+ metastatic breast cancer. The biosimilar Trastuzumab will be marketed in India under the brand name of CANMAb
- Biocon and US based Quark Pharmaceuticals entered into a licensing & collaboration agreement for the development of a range of small interfering RNA (siRNA) based novel therapeutics. This collaboration will enable Biocon to co-develop, manufacture and commercialise QPI-1007, a novel siRNA drug candidate for ophthalmic conditions, for India and other key markets

What to watch

- The commissioning of Malaysian facility in the second half of FY15
- Listing of its R&D subsidiary Syngene. Currently, five molecules are in Phase III clinical trials
- The results of Phase I clinical trial data of IN 105
- Forward integration in the small molecules business by filing ANDA with the USFDA for their fermentation derived APIs

Stock Performance



Cadila Healthcare

US growth, NCE launch reignited buying interest

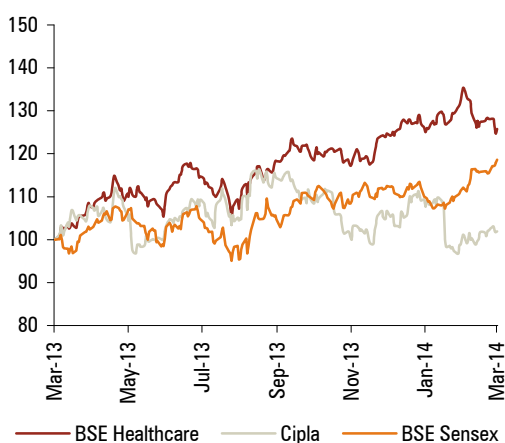
FY13-14 Highlights

- Like Biocon, Cadila also recovered in FY14 after a disappointing FY13, which was marred by persistent margin pressure and de-growth in some segments
- It became the first Indian pharma company to launch a new molecule Saroglitazar in the domestic market under the brand name Lipaglyn. The drug is used to treat diabetic dyslipidaemia, a condition of high lipid and glucose levels in Type-2 diabetic patients
- It has received USFDA approval for initiating Phase I clinical trials of ZYDPLA1, a novel next generation orally active, small molecule DPP-4 inhibitor to treat Type 2 Diabetes. Currently, all available DPP-4 inhibitors are dosed once-daily. ZYDPLA1 with a once-a-week dosing regimen is likely to provide diabetic patients with a more convenient treatment alternative
- It has settled a patent litigation of Asacol HD (Mesalamine) DR tablets with Warner Chilcott. The drug is an anti-inflammatory drug used to treat inflammatory bowel disease, such as ulcerative colitis. Under the terms of the agreement, the company can launch the drug on November 15, 2015 or earlier under certain circumstances
- It filed 50 ANDAs in FY14 taking the total ANDA filing to 227 and received approval for 15 ANDAs including six injectables

What to watch

- Filing of 40 ANDAs with the USFDA and launch of 15-20 products in FY15. Key generic launches for products like Niacin ER, Cymbalta, Clarinex, Astelin, Abilify, etc
- Recovery in domestic formulations. The company witnessed marginal growth of 6.1% in FY14 due to the DPCO impact. We expect domestic sales to grow 15% in FY15
- It is facing a delay in getting product approval from Brazilian Anvisa. It received only one product approval in FY14. However, we expect the situation to improve in FY15

Stock Performance



Cipla

Transformation work in progress

FY13-14 Highlights

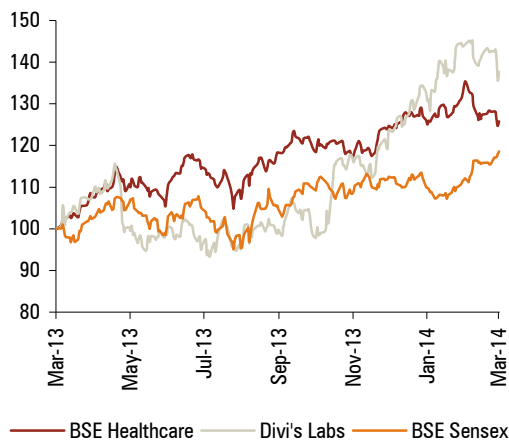
- Cipla struggled in FY14 on account of apparent margin pressure, most of which was self inflicted. The dent on margins was on account of 1) higher R&D spend, 2) higher global level recruitments, 3) expenses related to transformation from back-end model to front-end model and 4) low margins in the South African subsidiary Cipla Medpro
- According to the new strategy of entering the front-end business, Cipla has acquired a 100% stake in its South African marketing partner Cipla Medpro. The company paid ₹ 2707 crore for this acquisition. It also became a major shareholder in Quality Chemical Industries, Uganda by acquiring an additional stake of 14.5% taking the total share shareholding to 51%
- Cipla also acquired Croatia based Celeris d.O.O, distributor of its products in that country. The company expects to use this acquisition as a launching pad for its respiratory launches in Europe

- It filed 16 ANDAs taking the total ANDA filings to 118 at the end of FY14. The company received approval for 84 products and is actively marketing 40 products in the US market

What to watch

- The launch of combinations inhalers in two or three west European markets in the second half of FY15
- Launch of 15-20 products in the next 12-15 months in the US market, which would be through both partners as well as on its own. Re-launching of the products returned from partners in Q4FY15
- R&D cost set to go up to 7% in FY15 as against 5.4% in FY14 as the company is developing 200 products for export markets, which includes 90 products for the US and EU

Stock Performance



Divi's Laboratories

Rupee depreciation comes to the rescue again

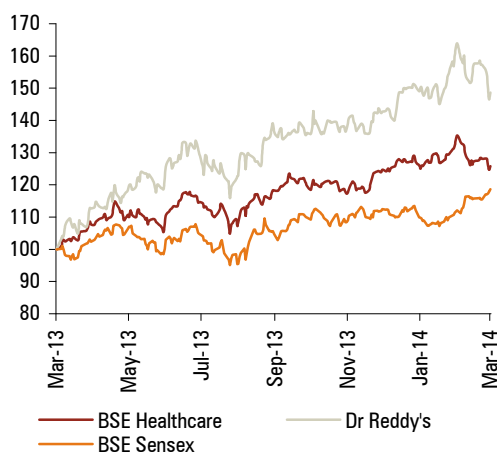
FY13-14 Highlights

- Divi's Labs continued to piggyback on rupee depreciation for the second consecutive year despite rich valuations and two or three performance misses.
- Carotenoids business witnessed robust growth of 51% in FY14
- It filed one DMF with the USFDA during FY14
- The power situation in Andhra Pradesh had improved in H2FY14

What to watch

- The growth in the Carotenoids business is expected to continue as most product approvals are in place
- USFDA inspection for three blocks of DSN (Vizag) facility and approval for the same. Besides, Unit I and Unit II are also due for USFDA inspection in FY15

Stock Performance



Dr Reddy's Laboratories

Solid US growth boosts stock

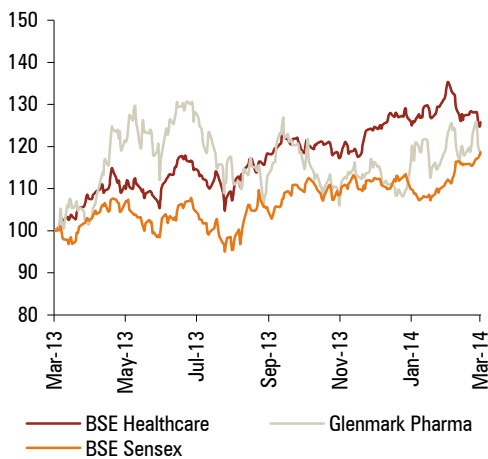
FY13-14 Highlights

- Dr Reddy's Laboratories (DRL) had a good FY14 on the back of superlative US growth overshadowing the dismal pharmaceutical services and active ingredients (PSAI) growth
- It filed 13 ANDAs with the USFDA taking total ANDAs at the end of FY14 to 209. The company launched nine products in FY14. The launches include niche injectables products like Zoledronic Acid, Decitabine, Azacitidine and Sumatriptan auto injector
- DRL has entered into a strategic partnership with US-based Galena Biopharma to develop and commercialise NeuVax vaccine in India. NeuVax is used for preventing the recurrence of breast cancer in patients under remission. Under the terms of the agreement, Galena will license commercial rights of NeuVax to DRL for breast and gastric cancers
- DRL and Japan's Fujifilm Corp have terminated their plan to set up a generic drugs joint venture in Japan. The two companies had signed a memorandum of understanding (MoU) in July 2011 to establish a joint venture for developing and manufacturing generic drugs

What to watch

- The recovery in the PSAI business will be keenly watched as the company witnessed de-growth of 22% in FY14 due to price erosion in some APIs and lack of new product launches
- It plans to file 12-15 ANDAs with the USFDA and the majority of these filings would be complex generics. It is planning to launch eight to 10 products in the US market subject to approval. The generics of key products expected to be launched in FY15 are Nexium, Divon, Cymbalta, Avelox, Namenda, Rapamune and Valcyte
- The data outcome of two biosimilar products is currently being developed by the company for the advanced markets, including the US. The company recently received USFDA approval for conducting clinical trials for Rituximab and Pegfilgrastim
- Improvement in MRs productivity in Indian market. The company's MR productivity is currently around ₹ 35 lakh, which is expected to improve as the company started launching differentiated products in the Indian market

Stock Performance



Glenmark Pharma

Higher R&D spend, weak US growth guidance weigh on stock

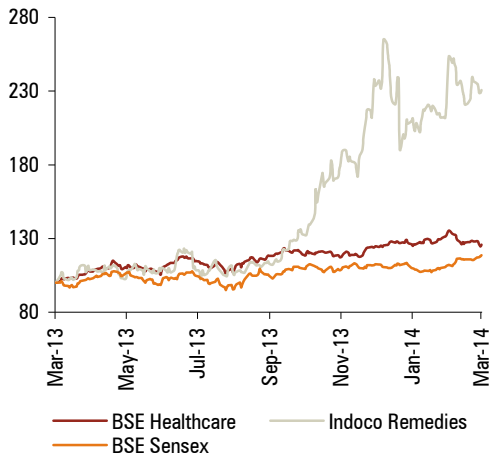
FY13-14 Highlights

- Glenmark underperformed the benchmark BSEHC as margins came under pressure, especially in the second half of FY14. It also provided for higher amortisation
- The company filed 20 ANDAs in FY14 taking total ANDAs filings to 155. It received approval for eight products taking the total to 90 products. The company is awaiting approval for 65 ANDAs, which includes 32 Para IV filings. During the year, the company has launched Hydrocortisone Butyrate cream USP, 0.1% in the US market
- The market share in the dermatology segment witnessed a contraction to 8.05% in FY14 from 8.6% in FY13. The management indicated that the company is taking necessary steps to gain back the market share
- Glenmark received a small research fee payment (US\$9 million) from Forest Laboratories on collaboration for the development of novel mPGES-1 inhibitors to treat chronic inflammatory conditions to support the next phase of work. Forest has an exclusive option to obtain license rights to the programme upon completion of pre-clinical trials
- Sanofi and Glenmark have stopped developing GRCD 15300 molecule as it did not meet the primary endpoint in the Phase II proof of concept for chronic pain
- Sanofi is conducting Phase II clinical trials only for multiple sclerosis and discontinued conducting phase II clinical trials for Crohn's disease

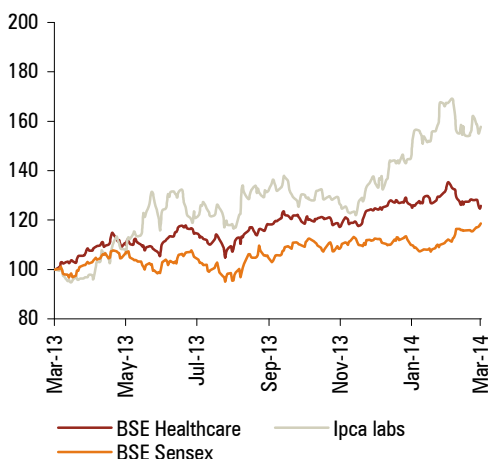
What to watch

- The company is planning to file to 10 ANDAs in FY15 including six complex injectables. It plans to launch 10-12 products in the US market. The launch of generic Lunesta (~US\$850 million; Insomnia) would be the key in FY15
- The data of Phase I studies of mPGES-1 is likely to get completed by January 2015. The novel mPGES-1 molecule is used to treat chronic inflammatory conditions, including pain
- The re-launch of generic Tarka in the US market will happen post the patent expiry i.e. February 2015. The company ultimately lost the patent litigation to Abbott

Stock Performance



Stock Performance



- The improvement in debt to EBITDA will be keenly watched. We expect the debt/EBITDA to come down to 2.0x at the end of FY15 compared to current 2.5x
- Domestic formulations growth was ~16-17% in FY15

Indoco Remedies

US launch lifts sentiments

FY13-14 Highlights

- After a subdued FY13, the company gave supernormal returns (second only to Aurobindo in the I-direct healthcare pack), on the back of first product launch (own product) in the US and strong traction from emerging markets. The returns were despite subdued growth in the domestic formulations business (~60% of the turnover).
- The new pricing policy has brought 16 products under price control
- Indoco's Goa I and Goa II facility were inspected by the USFDA during the year. It received approval for Goa I and awaiting approval for Goa II facility
- It has launched its first product i.e. Glimepride tablets in the US market

What to watch

- At least one or two products launches in the US market under the Actavis deal
- It is facing a delay in product approval from South Africa, Mexico and Venezuela under the Aspen deal. We expect the situation to improve in the second half of FY15.
- API shipments under DSM Pharmaceutical deal to start in H2FY15

Ipca Laboratories

Indore approval, performance consistency cheered by the investors

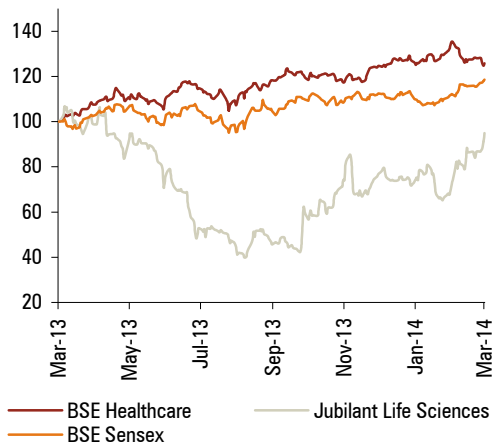
FY13-14 Highlights

- For the second year in a row, Ipca gave handsome returns as investors cheered the Indore facility re-approval by the USFDA besides re-rating on the back of performance consistency
- The Indore facility received USFDA clearance to manufacture oral formulations in September 2013. USFDA had re-inspected the facility in April 2013 after voluntarily declaration by the company to the USFDA regarding few non conformances at its Indore facility in November 2012. The company commissioned the facility in Q4FY14.
- Ipca acquired 50% stake in Avik Pharmaceutical Ltd. Avik is engaged in the development, manufacturing and marketing of APIs. The total acquisition cost is ₹ 6.51 crore
- It commissioned the API facility for ophthalmic products
- The company has filed seven ANDAs during FY15 but not launched any products due to capacity constraints

What to watch

- The company is planning to do site transfer for four products to Indore SEZ. The company plans to file seven to eight ANDAs and launch five or six products in the US market. The improvement of capacity utilisation at the Indore SEZ will be keenly watched
- Domestic formulations business is expected to grow at 15-16%
- The construction work of Artesunate (anti-malaria) injection block is expected to be complete by end of FY15

Stock Performance



Jubilant Life Sciences

Warning letter blues, cascading margins affect sentiments

FY13-14 Highlights

- Jubilant was the only company with negative returns in the I-direct healthcare coverage. Apparent reasons were - 1) declining EBITDA margins especially in the flagship pharma segment due to severe pricing pressure in some of the sub-segments, 2) warning letter to the company's US facility and 3) deteriorating leverage ratios due to unfavourable rupee movement (negatively poised due to huge US\$ denominated debt)
- The company received a warning letter from the USFDA over violation of manufacturing norms at its Jubilant HollisterStier plant, located in Washington state
- On the other hand, it also resolved all cGMP related issues at its Montreal (Canada) facility and accordingly received USFDA clearance for the facility. It had received a warning letter for this facility in February 2013. The resolution happened post the USFDA re-inspection, which took place in September 2013
- China imposed an anti-dumping duty of 24.6% on Pyridine imported from India. The company has requested Chinese authorities to re-consider the imposition as its customer re-exports the same
- The company initiated an 18% hike in the price of Niacinamide and its derivatives at the fag end of FY14
- Jubilant Biosys, a wholly-owned subsidiary of Jubilant Life Sciences has filed an Investigational New Drug (IND) with the USFDA along with partner Endo Pharmaceuticals. Companies are developing a novel molecule targeting prostate cancer. The clinical trials of the molecule would start at the end of 2013. Jubilant and Endo collaborated four year ago to develop oncology drugs
- It sold its hospital business to Narayana Health in Q4FY14. The company operates two hospitals in West Bengal. The business has been transferred on a going concern basis as a slump sale, which enables the company to focus on its core business in the pharmaceuticals and life sciences

What to watch

- Launch of Radio Pharma product RubyFill in the US and Canada market in H2FY15. The manufacturing facility has been approved and the company is awaiting product approval
- The company is currently taking corrective measure in its Spoken (US) facility. The clearance letter from USFDA is expected in H2FY15.
- The company expects to double its production of Symtet to 4000 tonnes in FY15 compare to 2000 tonnes in FY14.
- Probable listing of pharma business outside India

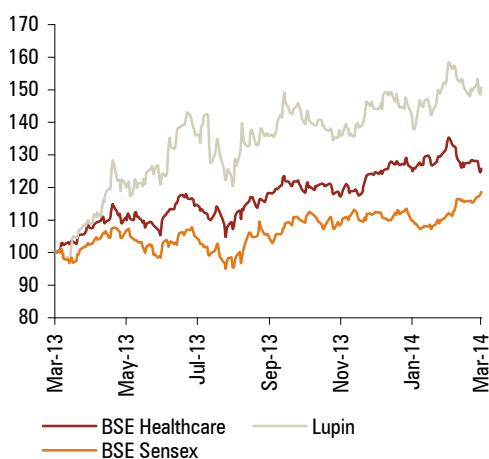
Lupin

Returns in sync with financial performance and margin improvement

FY13-14 Highlights

- Lupin was the one of the star performers from the large-cap pharma pack. The returns were driven by robust US growth and some niche acquisitions besides margins improvement. The US growth and margins were robust despite considerable slowdown in the US branded portfolio.
- Lupin entered into ~ US\$ 14 billion Mexican market by acquiring 100% stake in Mexico based Laboratorios Grin, S.A. De C.V.

Stock Performance



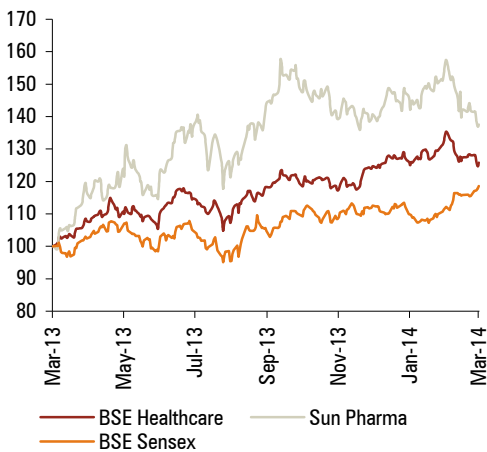
Laboratorios Grin has expertise in development, manufacturing & commercialisation of branded ophthalmic products with a turnover of US\$ 28 million in CY13.

- Lupin, Watson and Sandoz have won a patent litigation case against Bayer AG related its drug Yaz. Lupin's generic Drospirenone and Ethinyl Estradiol tablets (3 mg + 0.02 mg) of Bayer AG's Yaz tablets are indicated for prevention of pregnancy, to treat the symptoms of premenstrual dysphoric disorder (PMDD) for women
- The company acquired Holland based Nanaomi BV, which is present in complex injectable space. Established in 2004, the company is involved in business-to-business partnerships with pharma and biotech companies and has entered into multiple business agreements with leading companies in these fields. It is profitable since inception
- The company signed an agreement with US-based Romark Laboratories under which Romark will grant exclusive rights to Lupin to promote and distribute Alinia (anti-diarrhoea) oral suspension in the US. The drug was approved by the USFDA in 2002 and the patents are set to expire in 2014 and 2017
- Lupin has signed an agreement with US-based Onset Dermatologics LLC under which Onset has granted exclusive rights to promote Onset's Locoid lotion (hydrocortisone butyrate) in the US market
- It has received final approval for its supplemental new drug application (sNDA) for Antara capsules 30 mg and 90 mg strengths from the USFDA. It currently markets Antara Capsules in 43 mg and 130 mg strengths
- Lupin and MSD has signed an agreement under which Lupin will have a non-exclusive license to market, promote and distribute MSD's 23-valent Pneumococcal Polysaccharide Vaccine under a different brand name in India.
- Lupin has settled ongoing patent litigation with Gilead over the generic version of Ranexa. Under the settlement, Lupin would be allowed to launch generic version of Ranexa on February 27, 2019. Annual sales of Ranexa are approximately US\$400 million in the US

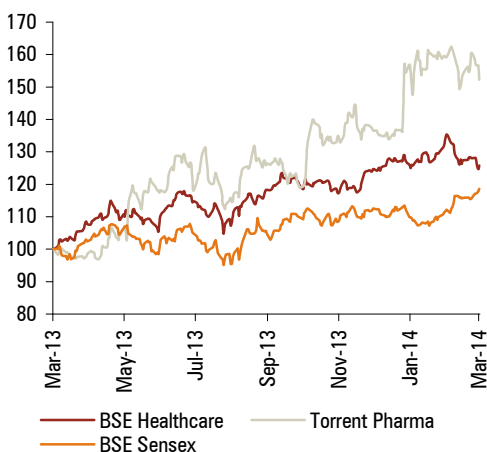
What to watch

- Lupin is currently developing two biosimilars for the Indian market and expects to launch one product in FY15. It has tied up with LG Pharma to market insulin Glargine in the India market
- As of March 31, 2014, it has filed 192 ANDAs with the USFDA, received approval for 99 and launched 72 products. Of the 72 products, it holds market leadership in 29 products. It is planning to file 15-20 ANDAs and expects to launch 15-20 products in FY15. Some key product launches are likely to be gLunesta, gYaz, gLoestrin 24 FE, gNexium and gNamenda
- Despite 13 new product launches, the revenue from Japanese market was impacted in FY14 due to (i) slowdown in CRAMS business of l'rom and (ii) rupee volatility vis-à-vis the Japanese Yen. We expect recovery in the Japanese business.
- Domestic formulations are likely to register growth of ~10-12% in FY15.

Stock Performance



Stock Performance



Sun Pharmaceuticals

The juggernaut keeps on rolling

FY13-14 Highlights

- Sun Pharma maintained the momentum in FY14 as well on the back consistent, estimate-beating quarterly performances throughout the year. The company kept on firing on almost on the cylinders.
- It settled patent infringement litigation pending in the US District Court of New Jersey regarding generic Protonix (Pantoprazole). Under the terms of the litigation settlement between Sun Pharma and Wyeth (now a division of Pfizer) and Altana AG (earlier Nycomed, now Takeda), Sun paid US\$550 million as damages
- It signed a joint venture with US based synthetic biology company Intrexon Corporation to develop controllable gene-based therapies for the treatment of ocular diseases that cause partial or total blindness. Initial targets are dry age-related macular degenerations (AMD), Glaucoma and retinitis pigmentosa. The joint venture will leverage Sun's global capabilities and experience in developing and manufacturing complex dosage forms and specialty pharmaceuticals for niche therapy areas.
- The company received an import alert (subsequent warning letter) from the USFDA to its cephalosporin facility located at Karkhadi, Gujarat in India. The import alert was issued as USFDA found some non-compliance of current good manufacturing practice (cGMP) regulations at the Karkhadi facility
- Sun Pharma and Novartis settled on-going patent litigation related to Imatinib Mesylate tablets. Novartis is currently selling the drug under the brand name of Gleevec, which is used for treatment of chronic myeloid leukaemia. Under the agreement, Sun Pharma may launch its generic version on February 1, 2016 in the US market. The annual sale of Gleevec in the US market is ~ US\$2 billion
- Sun has launched Duloxetine delayed-release capsules in the US market. The drug is a generic version of Eli Lilly's Cymbalta with annual sales ~US\$5.4 billion. The company launched the drug with shared 180 days exclusivity

What to watch

- USFDA clearance for Karkhadi manufacturing facility
- Domestic formulations business to grow at ~18-20% despite slowdown in the industry
- Some price hikes in Taro products
- Total 20-25 ANDA fillings and seven to ten product launches in the US market. Key product launches in the US market such as Eszopiclone (Lunesta, Insomnia), Dospirenone + Ethinyl Estradiol (Yaz, Oral Contraceptive), Fluoxinonide (Vanos, Anti-inflammatory) Paricalcitol (Zemplar, Hyperparathyroidism) and Memantine (Namenda, Alzheimer's)

Torrent Pharma

Stupendous US growth buoyed sentiments

FY13-14 Highlights

- Torrent had a solid FY14, on account of consistent performance beat and launch gCymbalta in the US.
- The company signed an agreement with Elder Pharma to acquire the latter's branded domestic formulations business (India &

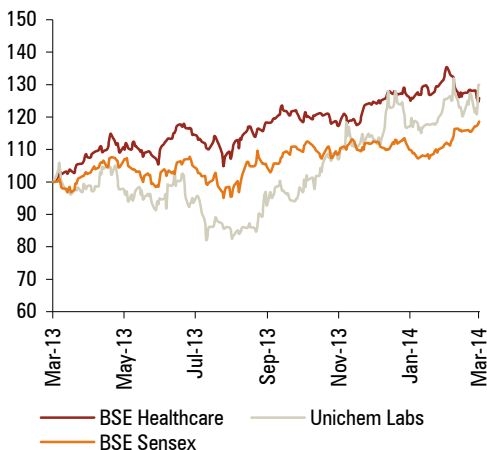
Nepal) for ₹ 2004 crore. The branded domestic formulation business of Elder comprises a portfolio of over 30 brands, which is in therapies such as women’s healthcare/neutraceuticals, pain management and wound care. Under the deal, Torrent will also add a field force of 1100 MRs to its tally of 3400 MRs.

- It has launched gCymbalta with shared 180 days exclusivity. It also launched limited competition product Hydrochlorothiazide/ Telmisartan in the US market. The drug is the generic version of Boehringer Ingelheim’s Micardis Plus.
- The company witnessed marginal growth of 4% in the Brazilian market due to delay in the product approvals for both generics and branded products.
- At the end of FY14, the company filed 67 ANDAs, received final approvals for 40 ANDAs from USFDA and launched 38 products in the US market.

What to watch

- The completion of Elder Pharma’s branded products acquisition
- The improvement in product approvals for both generics and branded products in Brazil
- It is planning to file 10 ANDAs and launch eight to 10 products in the US market. The key product launches would be Moxifloxacin (Avelox, Anti-infective), Esomeprazole (Nexium, GI) and Valsartan HCT (Divon HCT, CVS).

Stock Performance



Unichem Laboratories

Exports growth saves the blushes

FY13-14 Highlights

- Despite some poor financial performances, the company had a relatively good FY14. This was on the back of a late recovery in domestic formulations besides growth in export formulations.
- Mylan has completed the acquisition of Unichem’s Indore SEZ for ₹ 160 crore
- The company acquired the API manufacturing facility in Maharashtra for ₹ 20 crore.
- As of March 31 2014, the company filed 31 ANDA with the USFDA and received approval for 17 products including two tentative approvals and launched 10 products

What to watch

- It is planning to launch three products in FY15 subjective to approval.
- To enhance API production capacity, the company is expanding Pithampur (Indore) facility. The facility is expected to commence production in FY15.
- It is planning to launch one product in the Brazilian market in FY15.

Exhibit 9: Patent litigation - Indian companies vs. innovators

Month	Innovator	ANDA Filer	Brand Name	API	Used for
Apr-13	Purdue Pharma	Dr Reddy's Labs	Intermezzo	Zolpidem Tartrate	Insomnia
Apr-13	Helsinn Healthcare & Roche	Aurobindo Pharma	Aloxi	Palonosetron Hydrochloride	Nausea and vomiting
May-13	Fresenius Kabi USA LLC	Dr Reddy's Labs	Diprivan	Propofol	Anti-epilepticus
Jun-13	Pfizer	Dr Reddy's Labs	Pristiq	Desvenlafaxine	Anti-Depression
Jun-13	AbbVie Inc	Dr Reddy's Labs	Zemplar	Paracalcitol	Anti-thyroid
Jun-13	Novartis	Sun Pharma	Gleevec	Imatinib mesylate	Leukemia
Jun-13	Janssen Products	Lupin	Prezista	Darunavir	Anti-Retroviral
Jun-13	MSD & BMS	Cipla	Sustiva	Efavirenz	Anti-Retroviral
Jun-13	UCB	Cadila Healthcare	Vimpat	Lacosamide	Epilepsy
Jun-13	Alpex Pharma	Cadila Healthcare	Suprenza	Phentermine	Weight Loss
Jun-13	Pfizer & UCB	Lupin	Toviaz	Fesoterodine	Overactive bladder
Jun-13	Pfizer & UCB	Cadila Healthcare	Toviaz	Fesoterodine	Overactive bladder
Jul-13	UCB	Sun Pharma	Vimpat	Lacosamide	Epilepsy
Jul-13	UCB	Glenmark Pharma	Vimpat	Lacosamide	Epilepsy
Jul-13	UCB	Aurobindo Pharma	Vimpat	Lacosamide	Epilepsy
Jul-13	UCB	Alembic Pharma	Vimpat	Lacosamide	Epilepsy
Jul-13	Alcon Pharma	Lupin	Moxeza	Moxifloxacin hydrochloride	Bacterial conjunctivitis
Aug-13	Genzyme	Dr Reddy's Labs	Mozobil	Plerixafor	Non-Hodgkin's lymphoma
Sep-13	Eli Lilly	Sun Pharma	Alimta	Pemetrexed	Lung Cancer
Sep-13	Merck, Sharp & Dohme	Aurobindo Pharma	Sustiva	Efavirenz	Anti-Retroviral
Sep-13	Forest Labs	Lupin	Savella	Milnacipran	Fibromyalgia
Oct-13	Teijin	Dr Reddy's Labs	Uloric	Febuxostat	Hyperuricemia
Dec-13	Cephalan	Dr Reddy's Labs	Treanda	Bendamustine hydrochloride	Oncology
Dec-13	Cephalan	Sun Pharma	Treanda	Bendamustine hydrochloride	Oncology
Dec-13	Cephalan	Glenmark Pharma	Treanda	Bendamustine hydrochloride	Oncology
Jan-14	Lyne Laboratories	Lupin	Phoslyra	Calcium Acetate	Renal disease
Jan-14	Eli Lilly & Co	Glenmark Pharma	Alimta	Pemetrexed Disodium	Anti-Cancer
Jan-14	Alcon Research	Cipla	Pataday	Oloparadine Hydrochloric	Inflammatory eye conditions
Jan-14	Forest Labs	Sun Pharma	Namenda	Memantine HCl	CNS
Jan-14	Senju Pharmaceuticals	Lupin	Prolensa	Bromfenac	Eye inflammation
Feb-14	Novartis	Dr Reddy's Labs	Gleevec	Imatinib Mesylate	Fibromyalgia
Feb-14	Forest Labs	Glenmark Pharma	Savella	Milnacipran HCl	Leukemia
Feb-14	Teijin	Lupin	Uloric	Febuxostat	Gout
Feb-14	Forest Labs	Cadila Healthcare	Namenda	Memantine HCl	CNS
Feb-14	AbbVie	Aurobindo Pharma	Zemplar	Paricalcitol	Hyperparathyroidism
Feb-14	Sanofi	Glenmark Pharma	Multaq	Dronedaron HCl	CVS
Mar-14	Sanofi	Sun Pharma	Multaq	Dronedaron HCl	CVS
Mar-14	Eli Lilly & Co & Daiichi Sankyo	Aurobindo Pharma	Effient	Prasugrel	CVS
Mar-14	Eli Lilly & Co & Daiichi Sankyo	Dr Reddy's Labs	Effient	Prasugrel	CVS
Mar-14	Eli Lilly & Co & Daiichi Sankyo	Glenmark Pharma	Effient	Prasugrel	CVS
Mar-14	Eli Lilly & Co & Daiichi Sankyo	Sun Pharma	Effient	Prasugrel	CVS
Mar-14	Eli Lilly & Co & Daiichi Sankyo	Cadila Healthcare	Effient	Prasugrel	CVS
Mar-14	Pfizer	Torrent Pharma	Viagra	Sildenafil Citrate	Impotency
Mar-14	ViiV Healthcare	Lupin	Epzicom	Zidovudine	CVS
Mar-14	Otsuka Pharma	Wockhardt	Abilify	Aripiprazole	Schizophrenia

Source: Bloomberg, ICICIdirect.com Research

Exhibit 10: USFDA approvals for companies under I-direct coverage in FY14

Date	Company	Drug Name	Therapeutic Area	Innovator company	Generic Version of	Market Size
Oct-13	Aurobindo Pharma	Acyclovir Sodium Injection	Anti-Viral	GSK Pharma	Zovirax	NA
Nov-13	Aurobindo Pharma	Finasteride tablets	Prostate	Merck	Proscar	US\$ 210 million
Nov-13	Aurobindo Pharma	Bupivacaine Hydrochloride injection	Anaesthetic	App Pharms	Sensorcaine	US\$ 29 million
Jan-14	Aurobindo Pharma	Repaglinide tablets	Anti-diabetic	Novo Nordisk	Prandin	US\$ 200 million
Mar-14	Aurobindo Pharma	Moxifloxacin Hydrochloride tablets	Anti-Infective	Bayer	Avelox	US\$ 195 million
Mar-14	Aurobindo Pharma	Tramadol Hydrochloride tablets	Pain Management	Ortho McNeil Janseen	Ultram	NA
Dec-13	Aurobindo Pharma	Duloxetine Hydrochloride DR Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Jul-13	Aurobindo Pharma	Rizatriptan Benzoate OD tablet	CNS	Merck & Co	Maxalt-MLT ODT	US\$ 270 million
Jul-13	Aurobindo Pharma	Acetaminophen; Oxycodone Hydrochloride tablet	Pain	Endo Pharma	Percocet	NA
July'13	Aurobindo Pharma	Dextroamphetamine Sulfate tablet	CNS	Shire	Dextrostat	NA
May-13	Cadila Healthcare	Zolmitriptan tablets	CNS	IPR Pharmaceuticals	Zomig	US\$ 41 million
Aug-13	Cadila Healthcare	Lansoprazole DR capsules	Anti-Ulcerant	Novartis	Prevacid	US\$ 500 million
Jan-14	Cadila Healthcare	Etodolac ER Tablets	Arthritis	Pfizer	Lodine	NA
Jan-14	Cadila Healthcare	Bupropion Hydrochloride ER Tablets	Anti-Depressants	GSK Pharma	Wellbutrin XL	US\$ 255 million
Jan-14	Cadila Healthcare	Sirolimus (0.5 mg) tablets	Immunosuppressant	Pfizer	Rapamune	US\$ 11.5 million
Jan-14	Cadila Healthcare	Duloxetine Hydrochloride Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Feb-14	Cadila Healthcare	Buspirone Hydrochloride tablets	Anxiety	Bristol Myers Squibb	Buspar	NA
Feb-14	Cadila Healthcare	Clonidine Hydrochloride injection	Analgesic	Mylan	Duraclon	NA
Aug-13	Caraco Pharma*	Nitrofurantoin oral suspension	Anti-Bacterial	Shionogi	Furadantin	US\$ 40 million
Nov-13	Caraco Pharma*	Methylphenidate Hydrochloride tablets	CNS	J & J	Concerta	NA
Jul-13	Caraco Pharma*	Repaglinide tablet	Anti-diabetic	Novo Nordisk	Prandin	US\$ 200 million
Dec-14	Cipla	Levalbuterol Hydrochloride inhalation solution	Respiratory	Sunovion	Xopenex	US\$ 315 million
Jul-13	Cipla	Cetirizine Hydrochloride tablet	Anti- Allergic	Mcneil consumer	Zyrtec Allergic	US\$ 146 million
Jan-14	Dr Reddy's Labs	Sumatriptan Succinate injection	Anti-Migraine	GSK Pharma	Imitrex	US\$ 16.2 million
Mar-14	Dr Reddy's Labs	Moxifloxacin Hydrochloride tablets	Anti-Infective	Bayer	Avelox	US\$ 195 million
Mar-14	Dr Reddy's Labs	Amlodipine Besylate; Atorvastatin Calcium tablets	CVS	Pfizer	Caduet	US\$ 340 million
May-13	Dr Reddy's Labs	Gemcitabine Hydrochloride injection	Anti-Cancer	Eli Lilly	Gemzar	US\$ 700 million
Jun-13	Dr Reddy's Labs	Lamotrigine ER tablets	Anti-convulsant	GSK Pharma	Lamictal XR	US\$ 300 million
Jun-13	Dr Reddy's Labs	Candesartan Cilexetil and HCT oral tablets	Anti-Hypertension	AstraZeneca	Atacand	US\$ 56.3 million
Sep-13	Dr Reddy's Labs	Vinorelbine Tartrate Injection	Anti-Cancer	Pierre Fabre	Navelbine	NA
Sep-13	Dr Reddy's Labs	Azacitidine injection	Anti-Cancer	Celgene	Vidaza	US\$ 380 million
Sep-13	Dr Reddy's Labs	Esomeprazole Magnesium; Naproxen Dr tablets	Anti-inflammatory	AstraZeneca	Vimovo	US\$ 25 million
Dec-13	Dr Reddy's Labs	Duloxetine Hydrochloride DR Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Nov-13	Dr Reddy's Labs	Rabeprazole Sodium tablets	Anti-ulcerant	J&J	Aciphex	US\$ 1.1 billion
Jul-13	Dr Reddy's Labs	Decitabine Injectable	Anti-Cancer	Eisai Inc	Dacogen	US\$ 260 million
Jul-13	Dr Reddy's Labs	Donepezil Hydrochloride tablets	CNS	Eisai Inc	Aricept	US\$ 92.6 million
Sep-13	Glenmark Pharma	Desoximetasone Ointment	Dermatology	Taro	Topicort	US\$ 50 million
Sep-13	Glenmark Pharma	Hydrocortisone Butyrate Cream	Dermatology	Triax Pharma	Locoid	US\$ 34 million
Jun-13	Glenmark Pharma	Riluzole Tablets	CNS	Sanofi Aventis	Rilutek	US\$ 64 million
Apr-14	Glenmark Pharma	Eszopiclone tablets	Insomnia	Sepracor	Lunesta	US \$ 787 million
Jul-13	Glenmark Pharma	Rizatriptan Benzoate OD tablets	CNS	Merck & Co	Maxalt-MLT ODT	US\$ 270 million
Jul-13	Glenmark Pharma	Acamprosate Calcium tablet	Alcohol abstinence	Forest Laboratories	Campral	US\$ 21 million
May-13	Glenmark Pharma	Zolmitriptan tablets	CNS	IPR Pharmaceuticals	Zomig	US\$ 41 million
Jun-13	Ipca Labs	Warfarin Sodium oral tablets	Anti-coagulant	Bristol Myers	Coumadin	NA
Jan-14	Ipca Labs	Ondansetron Hydrochloride tablets	Anti-nauseatic	GSK	Zofran	US\$ 49 million
Mar-14	Ipca Labs	Cetirizine Hydrochloride tablets	Anti Allergic	J & J	Zyrtec	US\$ 100 million

Source: USFDA website, ICICIdirect.com Research; * Subsidiary of Sun Pharma

Exhibit 11: USFDA approvals for companies under I-direct coverage in FY14

Date	Company	Drug Name	Therapeutic Area	Innovator company	Generic Version of	Market Size
Oct-13	Jubilant Life	Bupropion Hydrochloride Tablets	Anti-Depressant	GSK Pharma	Wellbutrin	US\$ 518 million
Oct-13	Jubilant Life	Bupropion Hydrochloride Tablets	Anti-Smoking	GSK Pharma	Zyban	US\$ 518 million
Nov-13	Jubilant Life	Quetiapine Fumarate tablets	CNS	AstraZeneca	Seroquel	US\$ 59 million
Nov-13	Lupin	Rabeprazole Sodium tablets	Anti-ulcerant	J&J	Aciphex	US\$ 1.1 billion
Jan-14	Lupin	Amlodipine Besylate; Telmisartan tablets	CNS	Boehringer Ingelheim	Twynsta	NA
Feb-14	Lupin	Rifabutin	Anti-Retroviral	Pfizer	Mycobutin	US\$ 19 million
Mar-14	Lupin	Ciprofloxacin tablets	Anti-Infective	Bayer	Cipro	US\$ 9 million
Mar-14	Lupin	Doxycycline Capsules	Anti-Infective	Aqua Pharma	Monodox	US\$ 181 million
Mar-14	Lupin	Niacin tablets	CVS	Abbvie	Niaspan	US\$ 1.2 billion
Apr-13	Lupin	Pioglitazone Hydrochloride	Anti-Diabetic	Takeda	Actos	US\$ 3 billion
Sep-13	Lupin	Topiramate tablets	CNS	Ortho-McNeil	Topamax	NA
Sep-13	Lupin	Zolpidem Tartrate ER tablets	Insomnia	Sanofi Aventis	Ambien	US\$ 366million
Sep-13	Lupin	Ethinyl Estradiol; Norethindrone tablets	Oral Contraceptive	Warner Chilcot	Ovcon	US\$ 22 million
Dec-13	Lupin	Abacavir Sulfate; Lamivudine; Zidovudine tablets	Anti-Retroviral	ViiV Healthcare	Trizivir	US\$ 110 million
Dec-13	Lupin	Duloxetine Hydrochloride DR Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Jul-13	Lupin	Metformin Hydrochloride tablet	Anti-diabetic	Santaruz	Glumetza	US\$ 144 million
Aug-13	Lupin	Gatifloxacin Ophthalmic solution	Anti-infective	Allergan	Zymaxid	US\$ 50 million
Aug-13	Lupin	Rifampin capsules	Anti-TB	Sanofi Aventis	Rifadin	US\$ 18.5 million
Jul-14	Natco Pharma	Rizatriptan Benzoate tablet	CNS	Merck & Co	Maxalt-MLT ODT	US\$ 270 million
May-13	Strides Arcolab	Hydralazine Hydrochloride tablets	CVS	Novartis	Apresoline	US\$ 50 million
Jan-14	Sun Pharma	Desvenlafaxine Fumarate tablets	CNS	Teva	Desvenlafaxine	NA
Jan-14	Sun Pharma	Decitabine	Anti-Cancer	Eisai Inc	Dacogen	US\$ 260 million
Jun-13	Sun Pharma	Riluzole Tablets	CNS	Sanofi Aventis	Rilutek	US\$ 64 million
Jun-13	Sun Pharma	Testosterone Cypionate injection	Hormone	Pfizer	Depo-Testosterone	US\$ 130 million
Sep-13	Sun Pharma	Levetiracetam ER Tablets	Anti-epileptic	UCB Inc	Keppra XR	US\$ 1.2 billion
Sep-13	Sun Pharma	Lansoprazole DR capsules	Anti-Ulcerent	Novartis	Prevacid	US\$ 430 million
Dec-13	Sun Pharma	Duloxetine Hydrochloride DR Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Dec-13	Sun Pharma	Desmopressin Acetate solutions	Anti-diuretic	Sanofi Aventis	DDAVP	NA
May-13	Sun Pharma	Hydrocodone Bitartrate; Ibuprofen tablets	Pain management	Abbott	Vicoprofen	NA
Jul-13	Sun Pharma	Finasteride tablet	Hair loss	Merck	Proscar & Propecia	US\$ 641 million
Feb-14	SunPharma	Morphine Sulfate oral solution	Analgesic	Roxane Laboratories	Roxanol	NA
Feb-14	SunPharma	Temozolomide Capsules	Anti-cancer	MSD Corporation	Temodar	US\$ 400 million
Feb-14	SunPharma	Ibandronate Sodium Injection	Gynecology	Hoffmann-La Roche	Boniva	US\$ 70 million
Aug-13	Taro Pharma*	Gabapentin capsules	CNS	Pfizer	Neurontin	US\$ 235 million
Jul-13	Taro Pharma*	Gabapentin Solution	CNS	Pfizer	Neurontin	US\$ 235 million
Jan-14	Torrent Pharma	Amlodipine Besylate; Telmisartan tablets	CNS	Boehringer Ingelheim	Twynsta	NA
Nov-13	Torrent Pharma	Rabeprazole Sodium tablets	Anti-ulcerant	J&J	Aciphex	US\$ 1.1 billion
Nov-13	Torrent Pharma	Trazodone Hydrochloride tablets	Anti-depressant	Apothecon	Desyrel	NA
Feb-14	Torrent Pharma	Hydrochlorothiazide; Telmisartan	Hypertension	Boehringer ingelheim	Micardis Plus	NA
Dec-13	Torrent Pharma	Lamotrigine ER tablets	CNS	GSK Pharma	Lamictal XR	US\$ 300 million
Dec-13	Torrent Pharms	Duloxetine Hydrochloride DR Capsules	CNS	Eli Lilly	Cymbalta	US\$ 5.5 billion
Jan-14	Unichem Labs	Metronidazole tablets	Anti-Infective	GD Searle	Flagyl	US\$ 100 million
Oct-13	Unichem Labs	Amlodipine Besylate tablets	CVS	Pfizer	Norvasc	US\$ 40 million
Dec-13	Wockhardt	Amoxicillin; Clavulanate Potassium	Anti-infective	GSK Pharma	Augmentin	NA

Source: USFDA, ICICIdirect.com Research; * subsidiaries of Sun Pharma

Exhibit 12: Tentative approvals received by companies under I-direct universe

Date	Company	Drug Name	Therapeutic Area	Innovator company	Generic Version of	Market Size
Jun-13	Aurobindo Pharma	Efavirenz, Lamivudine and Tenofovir Disoproxil Fumarate tablets	Anti-Retroviral	NA	NA	USDS 120 million
Oct-13	Aurobindo Pharma	Lamivudine; Tenofovir Disoproxil Fumarate; Nevirapine tablets	Anti-Retroviral	NA	NA	NA
Jan-14	Aurobindo Pharma	Atazanavir Sulfate tablets	Anti-Retroviral	BMS	Reyataz	NA
Mar-14	Aurobindo Pharma	Memantine Hydrochloride	CNS	Forest Labs	Nameda	NA
Feb-14	Cipla	Emtricitabine; Tenofovir Disoproxil Fumarate	Anti-Retroviral	Gilead	Truvada	US\$ 2.4 billion
Dec-13	Cipla	Efavirenz; Lamivudine; Tenofovir Disoproxil Fumarate tablets	Anti-Retroviral	NA	NA	NA
May-13	Dr Reddy's Labs	Sirolimus tablets	Immunosuppressant	Pfizer	Rapamune	US\$ 200 million
Dec-13	Glenmark Pharma	Desmopressin Acetate tablets	Anti-diuretic	Sanofi Aventis	DDAVP	NA
Apr-14	Jubilant Life	Memantine Hydrochloride tablets	CNS	Forest Labs	Nameda	NA
Jun-13	Lupin	Pregabalin Capsules	CNS	C P Pharma	Lyrica	US\$ 1.8 billion
Jul-13	Lupin	Gatifloxacin Solutions	Ophthalmic	Allergan	Zymaxid	US\$ 50 million
Jul-13	Lupin	Armodafinil tablet	Anti-Insomnia	Cephalon Inc	Nuvigil	US\$ 420 million
Jul-13	Lupin	Doxycycline Capsule	Anti-Inflammatory	Golderma Labs	Oracea	US\$ 319 million
May-13	Lupin	Amlodipine; Valsartan; HCT tablets	Anti-Hypertension	Novartis	Exforge HCT	US\$ 320 million
May-13	Lupin	Telmisartan; Amlodipine tablets	Anti-Hypertension	Boehringer Ingelheim	Twynsta	NA
Mar-14	Natco	Oseltamivir Phosphate capsules	Anti-Infective	Tamiflu	Roche	US\$ 240 million
Jul-13	Strides Arcolab	Emtricitabine; Tenofovir Disoproxil Fumarate tablets	Anti Retroviral	Gilead Sciences	Truvada	US\$ 2 billion

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Pharma & Hospitals)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)			PE(x)			EV/EBITDA (x)			RoCE (%)			RoNW (%)		
						FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E
Apollo Hospitals	APOHOS	989	896	HOLD	13,763	22.8	25.4	34.5	43.5	39.0	28.7	21.9	18.6	14.2	11.6	12.2	14.8	10.6	11.0	13.5
Aurobindo Pharma	AURPHA	732	619	HOLD	21,340	47.3	39.9	51.6	15.5	18.4	14.2	11.6	12.1	9.8	24.6	21.0	23.1	31.3	24.1	24.1
Biocon	BIOCON	524	454	HOLD	10,479	20.7	25.5	30.3	25.3	20.6	17.3	15.5	13.2	10.5	13.5	15.2	16.9	13.7	15.3	16.1
Cadila Healthcare	CADHEA	1059	1059	HOLD	21,691	39.2	51.1	66.2	27.0	20.7	16.0	19.7	14.9	11.5	16.4	19.8	22.5	23.4	24.7	25.4
Cipla	CIPLA	437	403	HOLD	35,108	17.3	17.8	22.4	25.3	24.6	19.5	16.9	15.3	12.1	15.4	15.3	17.9	13.8	12.6	13.9
Divi's Laboratories	DIVLAB	1470	1425	HOLD	19,512	59.6	63.8	79.2	24.6	23.0	18.6	18.6	16.0	13.9	30.4	28.8	29.5	26.1	23.6	24.4
Dr Reddy's Labs	DRREDD	2615	2857	HOLD	5,370	126.7	120.4	142.8	20.6	21.7	18.3	1.6	1.6	1.4	19.2	17.7	19.2	23.7	19.0	19.0
Glenmark Pharma	GLEPHA	571	616	HOLD	15,487	20.0	28.1	34.2	28.6	20.3	16.7	13.7	11.8	9.0	15.9	20.9	22.9	18.3	21.8	22.4
Indoco Remedies	INDREM	162	150	HOLD	1,495	6.3	9.5	11.7	25.8	17.0	13.8	13.1	10.1	7.6	16.1	19.3	23.6	12.7	16.5	17.3
Ipca Laboratories	IPCLAB	867	879	HOLD	10,938	37.9	45.3	55.0	22.8	19.1	15.8	14.0	12.7	12.2	28.8	26.0	26.7	24.4	23.3	22.7
Jubilant Life Sciences	VAMORG	206	202	HOLD	3,288	6.8	24.5	35.8	30.2	8.4	5.8	7.1	5.7	4.4	10.1	11.9	14.9	4.2	13.3	16.9
Lupin	LUPIN	1050	1048	HOLD	47,076	41.0	44.1	52.4	25.6	23.8	20.0	15.5	14.2	12.3	36.3	33.6	33.3	26.5	23.5	22.9
Sun Pharma	SUNPHA	679	686	HOLD	140,684	15.5	26.0	28.6	43.9	26.1	23.8	17.5	17.2	15.4	34.3	33.0	30.0	17.0	24.9	22.3
Torrent Pharma	TORPHA	712	748	BUY	12,052	39.2	43.1	49.9	18.2	16.5	14.3	12.7	10.8	9.5	30.3	26.4	27.7	34.9	30.2	28.0
Unichem Laboratories	UNILAB	226	206	HOLD	2,050	18.7	14.3	17.2	12.1	15.8	13.2	11.4	9.8	8.2	15.7	17.4	19.3	20.7	14.7	16.1

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Sector view:

Over weight compared to index

Equal weight compared to index

Under weight compared to index

Index here refers to BSE 500

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