

## Growing M&As

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### Growing M&As

*Indian companies are increasingly establishing their presence in the US or European markets via acquisitions and consolidating presence in Asian markets inorganically through mergers or acquisitions.*

The industry in the past few years has witnessed a lot of action on globalization, alliances and investments. The biotech industry has recorded \$1.2 billion (Rs 4,937 crore) revenues in exports. Exports accounted for almost 58 percent of the total revenues generated by the biotech industry. This reiterates the fact that India-based companies have concentrated on going global. Further, global alliances and merger and acquisition (M&A) efforts have taken centerstage. For example, Merieux Alliance has strengthened its presence in Asia by acquiring a majority stake in Shantha Biotechnics, which is focused on vaccines, therapeutic proteins and monoclonal antibodies.

Another major development has been the acquisition of Biocon's enzyme business by Novozymes in July 2007. Biocon had sold its enzymes activity to Novozymes, for a total consideration of \$115 million (approximately Rs 470 crore). The purchase price has been agreed to \$102 million, of which \$97 million will be paid upfront, and \$5 million when certain business targets have been met. In addition, \$13 million is related to committed service fees and lease payments to be paid over a period of up to ten years.

Last year RFCL has announced that it has signed a definitive agreement to acquire Wipro BioMed, a leading provider of biomedical solutions. Wipro has reached an understanding with RFCL to transfer its biomed business which includes employees, assets, liabilities, operations, customers and partnerships. The acquisition of Wipro BioMed is a part of RFCL's

multi-pronged inorganic growth strategy to emerge as a globally respected company in the field of life sciences solutions. The business operations of Wipro BioMed will be integrated with RFCL's diagnostics division Diagnova. Wipro BioMed has 20 alliance partners in diagnostics, life sciences and medical systems businesses either as an original equipment manufacturer (OEM) or as a distributor.

Bangalore-based Avesthagen has also announced its acquisition of 100 percent of the US dietary supplement company, Renaissance Herbs Inc. (RHI). RHI is a fully integrated supplier of proprietary nutritional products that are marketed on a global basis through multiple sales channels. The company sources its raw materials in India and South East Asia for processing in its facilities outside of Bangalore. The acquisition supports Avesthagen's bio-nutritional business strategy through vertical integration and access to key markets.

Panacea Biotec, the second largest vaccine producer of India, signed an agreement with PT Bio Farma, Indonesia, to manufacture and market the measles vaccine. As per the terms of agreement, Panacea Biotec will procure the bulk vaccine from PT Bio Farma and formulate it into a finished product. This collaboration will help boost Panacea Biotec's revenues and profits besides widening the product range.

Reliance Life Sciences (RLS), a flagship company of Mukesh Ambani's Reliance Group, will invest to the tune of Rs 279 crore in GeneMedix, a UK-based biopharmaceutical company, to take the latter's biosimilars through to launch in the EU and the US.

Following the trend, Serum Institute of India, the largest manufacturer of vaccines in India, also picked up a 14 percent stake in the UK-based Lipoxen, a biopharmaceutical company specializing in the development of differentiated biologicals, vaccines and oncology drugs. Lipoxen has raised £2.6 million in new funds from the Serum Institute of India through a subscription agreement and associated warrant agreement. Serum also entered into an agreement with Akorn of the US for definitive development and exclusive distribution rights for rabies monoclonal antibody. As part of the agreement, Serum has agreed to appoint Akorn as the exclusive distributor for rabies monoclonal antibody. In exchange for Akorn receiving the exclusive marketing and distribution rights to North, Central, and South America, Akorn has agreed to help fund product development through milestone payments.

Biocon's Syngene entered into a research partnership with Bristol-Myers Squibb to provide R&D services for discovery and early drug development. Bristol-Myers Squibb will also increase the scope of its existing relationship with Syngene to further develop integrated capabilities in India in medicinal chemistry, biology, drug metabolism, and pharmaceutical development. Recently Biocon also announced that it has reached an agreement to acquire a 70 percent stake in German pharmaceutical company, AxiCorp GmbH for a consideration of ₹30 million. This will enable the marketing and distribution of a range of pharmaceutical products in Germany and Europe.

Wockhardt has signed an in-licensing agreement with US-based Advanced Biotechnologies to market Kelocote, a patent protected product to treat scars.

Alembic, a pharmaceutical major in India, has entered into a licensing agreement with Brussels-based UCB for its novel drug delivery platform, Kepra XR (Levetiracetam Extended Release Tablets). UCB is a leading global biopharmaceutical company in the area of central nervous system (CNS) disorders, respiratory diseases, immune and inflammatory disorders and oncology.

Intas Biopharmaceuticals has entered into a strategic R&D agreement with the US-based Virionics Corporation for development of Human Papilloma Virus (HPV-16 & HPV-18) therapeutic vaccine, useful for treatment of cervical cancer. It has also signed a MoU with Viropro Inc. to jointly explore the possibilities of production of an undisclosed molecule. Intas Biopharmaceuticals has also entered into a joint venture with Progenetics LLC, a US-based company that has created transgenic animals producing Factor-IX (a drug used for treatment of Hemophilia-B), in milk. As per the agreement, Intas Biopharmaceuticals would develop drugs from such transgenic animals, carry out clinical trials and launch the drugs in India and in overseas markets.

Nicholas Piramal India Ltd (NPIL) and Eli Lilly and Company have signed a landmark new drug development agreement to develop and, in certain regions, commercialize a select group of Lilly's clinical drug candidates that span multiple therapeutic areas. The NPIL-Lilly alliance seeks to increase productivity in drug development by synergizing the unique strengths of both companies and equitably sharing risk and reward.

Avestha Biotherapeutic and Research Pvt Ltd (ABRPL), a joint venture between Avesthagen and Meditab Specialities Ltd of Cipla group, signed an MoU with Malaysian Biotechnology Corporation to enhance the infrastructure needs with an objective to accelerate its 11 biosimilar product development programs.

This is just a partial list of alliances. The trend in the industry is clearly to consolidate core businesses and grow and one is likely to see more deals during the year.

### Tracking India pharma deals

India is a key outsourcing destination for global pharma companies. Indian contract manufacturing and contract/clinical research organizations are expanding capacities and building capabilities through greenfield expansions or mergers and acquisitions, or both, to cater to the increased CRAMS business coming to India. Similarly, even integrated Indian pharma companies with global aspirations are expanding geographical reach and R&D strengths through the organic as well as inorganic growth route to make their mark in the global market.

Here is a roundup of pharma deals by Indian players for the period of November 2007 to January 2008.

### M&As

Among the drivers for consolidation in the Indian pharma industry are, gaining proximity to clients, developing a niche in a therapeutic area, accessing technologies and expanding geographic presence with the objective of providing a one-stop-shop to clients.

Key M&A deals during the period November 2007-January 2008 include Manipal AcuNova's acquisition of German Ecron. This acquisition will enable Manipal to provide services in phase I-IV clinical trials.

| Acquirer                 | Target                                     | Deal Size and Date        |
|--------------------------|--------------------------------------------|---------------------------|
| Arch Pharmalabs          | Avon Organics (Hyderabad, India)           | Not disclosed yet/ Nov-07 |
| Manipal AcuNova          | Ecron (Frankfurt, Germany)                 | Undisclosed, Nov-07       |
| Plethico Pharmaceuticals | Natrol Inc (California, US)                | \$80 million, Nov-07      |
| Reckitt Benckiser        | Adams Respiratory (Chester New Jersey, US) | \$2.3 billion, Dec-07     |

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|-------------------|-----------------------------------------------|-----------------------|
| Biocon            | Syngene (Bangalore, India)                    | Jan-08                |
| Nicholas Piramal  | Healthline Pvt. Ltd (HLPL) (Bangalore, India) | \$3.8 million/ Jan-08 |
| IPCA Laboratories | Tonira Pharma (Gujarat, India)                | Jan-08                |

## Expansions

Players are expanding capacities to cater to the increasing number of contract deals coming to India. Key expansions during the period November 2007 to January 2008 include the \$50.5 million investment by Advinus Therapeutics to set up a new development center and corporate office in Bangalore. Shasun is setting up a process development facility in North America to cater to its clients there.

| Company                                                        | Location                    | Date   | Details                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------|-----------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ajanta Pharma to upgrade its manufacturing and R&D facilities  |                             |        |                                                                                                                                                                                                                                                                                   |
| Ajanta Pharma                                                  | Paithan, Maharashtra, India | Nov-07 | <p>Ajanta Pharma is investing \$8.8 million in expanding its manufacturing facility and \$6.3 million in upgrading its R&amp;D facility.</p> <p>After the planned expansion, the tablet manufacturing capacity will increase from 10 million in a single shift to 13 million.</p> |
| Actis Biologics to set up new manufacturing facility in Mumbai |                             |        |                                                                                                                                                                                                                                                                                   |

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| Actis Biologics | Mumbai, Maharashtra, India | Nov-07 | <p>Actis Biologics is investing \$4-5 million for setting up a new manufacturing facility. The facility is expected to get completed in one year.</p> <p>The new manufacturing facility will work towards medical device, diagnostic and protein therapy.</p> |
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Plethico to upgrade its two facilities

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| Plethico Pharmaceuticals | Indore, Madhya Pradesh, India |  | An investment of \$2.5 million will be made to upgrade its two facilities to comply with the US FDA norms. |
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Advinus opens a new development center

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| Advinus Therapeutics | Bangalore, Karnataka, India | Nov-07 | <p>An investment of \$50.5 million is made to build up a new corporate office and a new development center. The facility is spread over an area of eight acres and has a total of 210,000 sq ft of built-up area.</p> <p>The facility will provide pre-clinical development capabilities including animal testing and formulation development.</p> |
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Sanofi-Aventis to set up pharmaceutical development center

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| Sanofi-Aventis | Goa, India | Dec-07 | The development center will provide facility for development of pharmaceutical compounds, analytical formulation and will be spread over an area of 2600 sqm. It will have the capacity to develop up to 12 pharmaceutical compounds each year. |
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Bilcare to set up clinical research facility in Wales

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| Bilcare | South Wales, United Kingdom | Dec-07 | <p>Bilcare will invest \$22.6 million in setting up a clinical research facility in South Wales.</p> <p>This investment will enable Bilcare to expand its presence in Wales.</p> |
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Veeda CR to set up new clinical research facility

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| Veeda CR | Ahmedabad, Gujarat, India | Dec-07 | <p>An investment of \$25.2 million will be made towards setting up of new clinical research facility. Company is looking for three more locations to expand its research activities</p> |
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Medicamen Biotech to set up a second unit

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| Medicamen Biotech | Uttaranchal, India | Dec-07 | <p>The company is setting up its second unit and is looking out for a partner to develop products in the domestic market.</p> |
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Siro Clinpharm to expand overseas

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| Siro Clinpharm | Mumbai, Maharashtra, India | Dec-07 | <p>An investment of \$25.3 million will be made for setting up its new oncology manufacturing facility and R&amp;D center.</p> <p>The company has 21 acres of land in Raichur Industrial Growth Center and will start commercial operations by mid 2008.</p> |
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Venus Remedies sets up new R&D centre at Baddi

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| Venus Remedies | Baddi, Solan District, Himachal Pradesh, India | Jan-08 | <p>The company is at the last stage of expansion of its \$63.4 million R&amp;D facility over 40,000 sq ft. It will have a team of 50 people including 25 scientists and staff.</p> <p>The R&amp;D center has seven pilot plants for trial production of injections in specialty segments and eight labs for testing in-house.</p> |
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Shasun Chemicals to set up a development facility

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| Shasun Chemicals & Drugs | Piscataway, New Jersey, USA | Jan-08 | <p>The company is setting up a process development unit to provide development services in Active Pharmaceutical Ingredients directly in North America.</p> <p>The facility will provide services in the pre-clinical and clinical stages and provide backend services to Shasun's CRO service partners in North America.</p> |
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Growing M&As

#### CRAMS Deals

Deals involving sharing of intellectual property and licensing of technologies are increasing in number with not only large global companies, but even mid-sized companies resorting to outsourcing. However, these deals are smaller in size.

Key deals during November 2007 to January 2008 period, include the contract research deals between Nicholas Piramal and Merck, and Jubilant Biosys and Forest Laboratories.

| Primary Company  | Deal Partner           | Deal Date | Deal Details                                                                                                                                                                                                                                                           |
|------------------|------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ajanta Pharma    | Arrow Pharma (Canada)  | Nov-07    | Agreement to market Nimesulide in Brazil                                                                                                                                                                                                                               |
| Nicholas Piramal | Merck (New Jersey, US) | Nov-07    | R&D deal for new drugs for two selected categories. Nicholas Piramal responsible for developing, pre-clinical trials, clinical trials phase I and receive milestone payment of \$175 million per target and also royalties on sale of any of these developed products. |