

India

2015 saw an increase of 340% in total value of cross-border M&A transactions, but the overall activity fell 30% to US\$ 3.7bn. Outbound deals contributed US\$ 2bn and inbound deals US\$ 1bn. The reason for a surge in outbound activity was the consolidation in the US generics market. However, this was not enough to offset the effects of decreasing domestic consolidation. Currently, large cap pharma companies in India are trading at an average EV/EBITDA multiple of ~19x and P/E multiple of ~27x.

Most notable transactions in 2015

One of the most remarkable deals seen was when Indian pharma major **Lupin** acquired US based **Gavis Pharmaceuticals** and **Novel Laboratories** for US\$ 880m. This is the largest buyout of a foreign pharma company by an Indian firm. Gavis specializes in niche dermatological and psychiatric segments. The deal value represents an EBITDA multiple of ~16x by CY15 management estimates. The acquisition offers a number of synergies: first US manufacturing plant, controlled substances and derma capabilities. Lupin expects Gavis to contribute ~US\$ 300m in revenues by FY18 as based on estimated ~50 approvals (66 pending ANDAs) in the next 3 years.

Another large Indian generic drug manufacturer, **Cipla**, acquired **InvaGen Pharmaceuticals** and **Exelan Pharmaceuticals**, two US based generic manufacturers, for US\$ 550m. This values the deal at 2.4x TTM June 2015 revenue. With the acquisition of InvaGen, Cipla will gain scale in the US generics market and a complementary product portfolio

in cardiovascular, anti-infective, anti-inflammatory, antidiabetic and anti-depressant therapeutic areas with various dosages. While InvaGen adds US-based manufacturing and a strong near-term revenue potential (given 40 approved/ 30 pipeline ANDAs, with 5 FTFs), Exelan will provide Cipla with access to incremental business channels, including to the US government.

The most prominent inbound deal of 2015 was the acquisition of **Famy Care's** female healthcare business by global generics company **Mylan** for US\$ 750m plus contingent payments of up to US\$ 50m. As a result, Mylan will gain access to a wide range of women's health products and a dedicated hormone manufacturing unit. This will also provide an entry into the Indian female contraceptive and healthcare markets. Famy Care and Mylan had a prior exclusive partnership since 2008, where Famy Care supplied OTC drugs to Mylan for the US and other regulated markets. This deal also complements Mylan's acquisition of

Abbott's women's health products for non-US developed markets.

Outlook

Indian pharma companies, with strong financials and access to additional capital, are in a prime position to evaluate acquisitive growth opportunities in 2016. Indian companies are expected to make further inroads into generic markets by forward-integrating, particularly to the US. They are also expected to expand their presence in other regulated markets through acquisitions, targeting complex generics and niche therapeutic areas. Increased consideration will also be on moving up the value chain and enhancing focus on complex biosimilars, branded portfolio and OTC drug segments.

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JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY **AUGUST** SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Mallinckrodt buys Therakos for US\$ 1.3bn

/ Valeant buys Sprout for US\$ 1bn

/ Shire pockets Foresight for US\$ 300m