

Generics market becomes international as M&A activity intensifies

By AMANDA BALTAZAR

There's a paradox in the drug industry; as more generic drugs appear on the market, there are fewer generic companies manufacturing them.

The last few years have seen a spate of consolidations and acquisitions, and the biggest merger news in the generics industry this year surely is Teva's proposed purchase of U.S. giant Barr Pharmaceuticals, which the Israeli company expected to complete by the end of the year.

Barr Pharmaceuticals is the fourth-largest generic drug company in the world, with a portfolio that offers generic versions of Zolofit depression drug and ADHD medication Adderall.

The combined company will operate in more than 60 countries and employ approximately 37,000 people worldwide.

It will have more than 500 currently marketed products; more than 200 ANDAs pending, with annual brand

sales of greater than \$120 billion, including approximately 70 first-to-file Paragraph IV challenges; and approximately 3,700 product registrations pending worldwide.

On a pro forma basis, 2007 revenues of the combined company would have been approximately \$11.9 billion.

The acquisition not only will boost Teva's product lineup, especially its specialty pharmaceutical platform with Barr's extensive women's health portfolio, but will also aid its Paragraph IV and first-to-file opportunities.

"This transaction will enable Teva to capitalize on Barr's portfolio of unique generic and proprietary products, benefit from our capabilities in biologics and expand its presence in important Central and Eastern European markets," said Bruce Downey, chairman and chief executive officer of Barr.

India also is seeing a spate of merger and acquisition activity, but this is only

the beginning, according to Glenmark chief executive officer, Glenn Saldanha, who believes that consolidation will continue as generic companies seek a broader array of drugs.

The increasing regulations the FDA puts into place also are making it more difficult for smaller companies to comply, he added.

For its part, Glenmark is planning to make acquisitions in the United States, as well as in Brazil, Russia, India and China.

Sun Pharma is one of the Indian companies looking at acquisition opportunities on American shores, although it may be hampered by its current litigious acquisition of Israeli company Taro.

According to Sun Pharma's chairman and managing director, Dilip Shanghvi, the company would look at businesses that would create additional value, but he gave no details on the size of these businesses.

Meanwhile, India's generic companies aren't just doing the acquiring.

Last month, Japan's third-largest drug company, Daiichi Sankyo, purchased 20 percent of Ranbaxy for \$4.1 billion. The purchase likely will be completed by the end of the year.

Daiichi Sankyo's goal is to enter the generic drug market to take advantage of growing sales and demand, said chief executive officer Takashi Shoda.

There will be considerable advantages to Ranbaxy, too.

"We expect to assimilate the available synergies of both partners to exponentially enhance the overall scope, scale and effectiveness of the business," said Malvinder Singh, chief executive officer.

"The substantial cash being infused by Daiichi Sankyo at this stage will be used to expand our business aggressively through the organic and inorganic routes while significantly strengthening our balance sheet, making it leveragable for newer initiatives."