

## **Zydus Cadila acquires Brazilian company Nikkho**

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Ahmedabad, June 25, 2007

Announcing its second overseas acquisition this year, Zydus Cadila signed an agreement to acquire 100% stake in Quimica e Farmaceutica Nikkho do Brasil Ltda. (Nikkho), a mid-sized, privately held company in Brazil. The Company is profit making and had posted sales of US\$ 26 mn for the Calendar Year 2006. The consideration paid represents sales multiple of around 1.

With the group already present in the pure generics market, this strategic acquisition brings in an added advantage of making a foray in the 'branded generics' business in Brazil. The Brazilian pharma market is the largest of the Latin American markets estimated at \$ 8 bn. The acquisition is being made through Zydus Healthcare Brasil Limitada, the step-down wholly-owned subsidiary of Cadila Healthcare Ltd. An agreement signed today will come into effect after the satisfaction of closing conditions.

Headquartered in Rio de Janeiro, Nikkho is a growing and profitable pharmaceutical company with a manufacturing facility. In existence for over four decades, the company caters exclusively to the Brazilian prescription drugs market.

With a strong marketing network, Nikkho's sales force of 125 people covers all the major markets in Brazil, and enjoys a good rapport with 60,000 medical practitioners. The company's product basket comprises therapies across a wide range of therapeutic segments such as general medicine, pediatrics, gynecology, neurology, gastroenterology, otolaryngology, respiratory, dermatology, and others.

The company's plant located at Rio De Janeiro has a total production capacity of 4.99 million ampoules/annually of both injectable and oral liquids and 96 million units/annually of solids (tablets). The company currently markets 22 products under 13 different brands. It also has nearly 50 registered brands which are yet to be launched.

Elaborating on the reasons why Nikkho presents a high degree of fit, the Chairman and Managing Director of Zydus Cadila, Mr. Pankaj R. Patel said, "We have been looking at acquisitions that can add value to operations in our key, focussed markets. The Brazilian market is reasonably large and is growing rapidly. With Nikkho, we gain a company with a heritage. It stands for high quality therapeutic products and has a strong equity with the doctors. This gives us an opportunity to build our presence further in a growth-driven environment. We now see ourselves adding value to our global expansion strategy by successfully penetrating the branded generics market in Brazil."

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Nikkho's well entrenched presence will help Zydus Cadila in launching 'Branded specialty' products aggressively across Brazil. It will also enable Zydus to step up the registration process of several molecules. The foray in the branded generics segment is expected to fetch better margins and earnings.

Dr. Ganesh Nayak, Executive Director of Zydus Cadila said, "This provides us with a great opportunity to practice what we know best, that is brand promotion to Doctors. Also, with brand building we can generate not only profitable but also sustainable business. This definitely will open the doors to the Latam region which is a emerging pharmaceutical market in the world".

The acquisition will also boost Zydus' existing generic business in Brazil by providing enhanced reach and distribution. Zydus Cadila which had set up its Brazilian subsidiary in 2002 has already registered 13 products which are being marketed as generics. Nikkho's ready manufacturing facility will benefit Zydus in the long term as the changing regulatory landscape in Brazil could make it mandatory for pharma companies to have a manufacturing base in the country. With Zydus Cadila already having its own QC lab in Brazil, the acquisition makes the company's operations a full fledged one.

With a turnover of more than Rs. 1800 crore, Zydus Cadila has been expanding its global operations. On a path of accelerated growth, the group has been looking at long term revenue growth through both organic and inorganic route. Consolidating its operations, the group acquired Recon Healthcare in 2000, German Remedies Ltd., a listed MNC in 2001, Banyan Chemicals Ltd., a company with an USFDA approved API plant in 2002, Alparma France, the French affiliate of one of the world's largest generic companies in 2003, Liva Healthcare a mid-sized derma player in India and Nippon Universal Pharmaceuticals Ltd. of Japan, in 2007. The group employs over 6000 employees and has business operations in more than 50 countries worldwide.

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