

Stocks	Close	Change
BSE Sensex	17145.52	Closed
S&P CNX Nifty	5220.45	Closed
Nifty Futures (Mar 12)	5258.70	Closed
Nifty Futures (May 12)	5323.25	Closed

Global Indices	Close	Change
Nasdaq	2935.69	25.37 ↑
Dow (DJIA)	12837.33	78.18 ↑
FTSE 100	5791.41	25.61 ↑
Nikkei 225	9768.96	192.90 ↑

DNA Money

DAILY NEWS & ANALYSIS MUMBAI | FRIDAY, MARCH 9, 2012

Money & Forex	Rate/yield	Change
8.79% 2021 g-sec	8.24	Closed
Inter-bank call	8.85	Closed
US \$	50.29	Closed
Euro	66.06	Closed

Commodities	Close	Change
Gold (2/10gm)	27600.00	Closed
Silver (2/1 kg)	57520.00	Closed
Brent crude (\$/bbl)	124.11	1.36 ↑
LME copper (\$/tn)	8295.00	5.50 ↑

Tamilnad Mercantile Bank Ltd. 10.25% deposit rate. 100% Deposits 10% interest.

Copies of patented cancer drugs ahead?

Patent office decision on compulsory licence for generic Nexavar likely soon

Prityaia Gollkeri ■ MUMBAI

Hope flares for liver and kidney cancer patients who find the available patented medication unaffordable, out of reach. The Mumbai Patent Office will shortly decide whether or not to allow production of the generic versions of Nexavar, or sunitinib, to be sold in the country.

The drug is sold by German drugmaker Bayer at a whopping ₹280,428 a month. Granted a patent in 2008, it is the only brand of sunitinib legally allowed for sale in the country.

However, two years ago, Mumbai-based Cipla (founded in 1965) generic manufacturer for ₹23,000 for

a month's treatment, following which Bayer filed an infringement suit against it.

An at-risk launch is when a generic manufacturer challenges the validity of an existing patent.

Meanwhile, Hyderabad-based Nanco Pharma requested Bayer for a licence to manufacture the generic version and sell at an unaffordable ₹8,800 per month.

But the German firm turned down the request, and Nanco applied for a compulsory licence last August in the Patent Office.

With the hearing getting postponed at the Patent Office last week, a decision is expected shortly.

If granted, the compulsory li-

Harm's way

Medicine	Indication	Price
Dasatinib	Chronic myeloid leukaemia	₹2,761 per 50mg tablet
Sunitinib	Kidney cancer	₹4,357 per 50mg capsule
Trastuzumab	Breast cancer	₹50,432 per injection

Country of origin of the drugs under compulsory licence

Country	Medicine	Patent on work granted
Israel	Neovial's V vaccine	Oct 1988
Italy	Innoscience (Genfit) Ltd	Jan 2008
Italy	Somatropin succinate (Mylan)	Feb 2006
Denmark	Osimertinib (Tosunov)	July 2009
Israel	Etanercept (Amgen) Ltd	May 2007
Thailand	Sunitinib, Docetaxel (Amgen) Ltd	Jan 2008

ence would allow Nanco to legally sell the generic of already manufactured and marketed approval from the drugs controller, while paying royalties on sale to Bayer.

According to experts, compulsory licensing is a flexibility provided in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement of the World Trade Organisation, of which In-

dia is a signatory, and can be applied when the patented drug is unaffordable or unavailable.

"₹280,428 per month is an unaffordable amount for most Indians. And the medication has to be taken lifelong. This makes it a dire case for compulsory licensing, as the drug is unaffordable," said a healthcare and patent law expert.

Estimates suggest liver and kidney cancers affect around 30,000 Indians every year, with 24,000 succumbing to them every year. Over 1 lakh Indians suffer from the two cancers.

The patent expert said that since 2005, when the product patent regime rolled out, several important drugs with expensive prices have been granted patents (see table).

"Generic versions are needed to bring prices down," he said.

According to the expert, compulsory licensing has been granted in the past by not just four countries like Cameroon, Mozambique, Zimbabwe and Ghana, but also by several developed and developing countries (see table).

However, the Organisation of Pharmaceutical Patent Owners of India, the lobby of MNC drugmakers, fears that for innovation to flourish, the ability to reap the value of their products through patents is vital if they have to continue research and development.

"The TRIPS agreement was as much about gaining a compulsory licence doesn't strip away the patent, as the patent owner still has rights and gets royalties on sale.

STRAWNS IN THE WIND

Most Greek bondholders agree to debt swap

Greece moved closer to sealing the biggest sovereign restructuring in history, as investors indicated they'll participate in the nation's debt swap. Holders of about 80% of the Greek bonds eligible for the deal, including Greece's largest banks, most of the country's pension funds and more than 30 European banks and insurers including BNP Paribas SA and Commerzbank AG, have agreed to the offer so far. That brings the total to about 124 billion. The goal of the exchange is to reduce the 206 billion of privately held Greek debt by 50% and turn the face against the debt crisis that has roiled Europe for more than two years. The swap "will go through" and markets won't be jarred should a majority fall short of the targeted amount, Peter Bofinger, an economic adviser to the German government, said. While Greece would prefer a voluntary deal, the government has said it will use collective action clauses to force holders of Greek tax bonds into the swap if the private sector involvement falls short and it gets sufficient approval from investors to change the bonds' terms.

India infoline to shut Singapore unit

India infoline, a brokerage backed by Carlyle Group, is shutting its securities operations in Singapore and cutting about 11 positions, according to two people with direct knowledge of the matter. The brokerage, based in Mumbai, plans to keep its wealth and asset management operations in Singapore, the people said, outlining to be identified as the parties in confidential. India infoline has decided to apply for a suspension of its trading activities on the Singapore exchange, the people said, citing a letter sent to the affected employees. Poorani Sarangi, a Mumbai-based spokeswoman at India infoline, shuttled calls in response to an e-mail seeking comment on a public holiday in India on Thursday. A call to the brokerage's head-line in Singapore wasn't answered.

Satyam, Fuelquest ally for oil & gas play

In a joint strategy, IT solutions provider Satyam Computer Solutions and Fuelquest, the US-based solutions provider to the oil and gas sector, are planning to tap opportunities in the Indian oil and gas market. Through this initiative, the companies would provide various on-stand IT solutions to oil and gas companies. "We are keenly evaluating the opportunity and we understand that the potential in the Indian market is huge," Matt Tommelles, president and CEO of Fuelquest, told DNA Money. Automation is increasingly becoming an integral part of oil and gas companies across the world primarily due to the value of the product, he added. Fuelquest provides solutions primarily to the downstream market, including retailers, the managing inventory and tracking and factoring of checking the pipeline and contamination. "While inventory management is an extremely important part of oil and gas retailing, Satyam is emerging as an important component. A large portion of fuel price has the tax component and any error in calculating the tax and finding it would result in significant financial impact on the fuel companies. For instance, last year we tracked 7,500 tax rate changes in the markets we are present," he explained.

ECB keeps rates unchanged

The European Central Bank held interest rates at 1% for the third month running on Thursday, passing by the impact of a dramatic sweep of measures that has unsettled some at the bank. Attention now shifts to ECB president Mario Draghi's next conference, at which he will present updated ECB economic forecasts that indicate whether a recent 70% rise in oil prices is reigniting inflation concerns.

NOBODY'S BUSINESS



The new government-friendly management has decided to pay me in cash to save taxes.



Private ports are running away with the loads

Aggressive strategies leading to a double-digit growth, major ports simply languish

Anirutha Pillay ■ MUMBAI

Clearly, private ports are winning this race and down. The facts are there for all to see. In April-December 2011, the smaller ports touched up a double-digit growth in volume compared to the 12 major ones are nowhere near the picture as they struggled to churn out a dismal 0.3%.

This mismatch in growth figures between private and major ports continues to get accentuated with every passing quarter. The assessment of the Indian Ports Association (IPA) is equally grim and scary – volumes at these major ports had a one-point over suffered a drop.

It may easily tempt you to put it down to the slowing economy and the spiralling fuel prices which have so far managed to buck the trend.

According to data available for the past two financial years, four minor ports – Ennore Ports, Mundra, Gujarat Pipavav and Karaikal – are way ahead in performance parameters compared with their public sector peers.

Let's start with Adani-controlled Mundra Port in Gujarat, whose volume grew 33% to 166 million tons in the December quarter from 12.5 million tons in April-June 2011. Considering that this base is considerably larger than Pipavav's, the showing is truly impressive.

Similarly, Mumbai port handled 57.2 million tons for April-March 2011 with the total volume handled in April-December 2011 at 454 million tons, the port is most likely to

post its last year's numbers by a large margin.

NM Terminal-controlled Gujarat Pipavav is crushing 100. In the last two years, container volumes have climbed a total handling 90%. The total container volume handled in 2011 was 8,10,743 twenty-foot equivalent units (TEU), up from 7,21,000 TEU in 2009. On the tank front, Hombly Bypass's growth has been marginally lower.

Down south, volumes for the Tamil-Nadu-based Karaikal port have almost doubled. The specifics are not available in the public domain, but analysts revealed that the increase has been a staggering 97%. The port handled 157 million tonnes in terms of volumes in the fiscal year ended March 2010 and 4.75 million tonnes last fiscal.

The corresponding figures for Ennore just are not available for comparison, but by all accounts, the private venture looks poised for a solid growth this fiscal. The total volume handled was 39.55 million tonnes last financial year and for April-December 2011, the number came in at around 30.87 million tonnes.

Major ports just pale in comparison. Last fiscal, the growth rate in total volumes at all 12 major ports stood at a meagre 1.5%. Year-to-year (Y-o-Y) IPA data showed that the volume growth for April-February 2012 has been negative at -4.74%.

To make things worse, individual performance of two main ports in the country is far from satisfactory. Mumbai's Jawaharal Nehru Port Trust (JNT), the busiest container port in the country, grew 5.82% o-y-o volume last fiscal.

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After UK, JLR lines up engine plant in India

Yogya Choudhury ■ MUMBAI

Jaguar Land Rover (JLR) is going the extra mile to cut its dependence on Ford for engines.

The British automobility group, which is setting up an engine plant in the UK, is also working with Tata Motors for setting up an engine plant in India that can meet the requirements of both the companies.

Rajiv Spathi, CEO, JLR, confirmed the move, but did not divulge the timeline.

JLR sources 100% of its engine requirements from Ford, manufactured in Mexico.

However, it has earlier indicated a strategy to supply engines from Ford and would like to reduce its dependence on that company with the opening engine plant in the UK.

"We have very good relationship with Ford, but we also have certain challenges to overcome. In principle, there might be certain limitations, but we will fulfill the contract with Ford... The requirements will come down after the new plant is up. But if the percentage comes down, it does not mean that the absolute number will come down," said Spathi.

JLR would be investing ₹355 million on the UK facility. It would be looking at engines of different sizes, and from premium to lower ends, Spathi said, adding "There are many opportunities on the engine side, like smaller



engine, bigger engines, hybrid, etc."

The company is starting a design centre for engines this week. In addition to the engineers already working in the UK, it has a team of 600 other engineers working on building technology for the new engines. "We have started with a hi-tech engine programme, wherein we will set up a plant in the UK. Step two would be to go to India and then to India set up another facility with similar advanced technology in terms of lower specification of the plant that also delivering lower specification engines for the Indian market," said Spathi.

Engines manufactured in India could be considered for use in Tata Motors, he said.

The company is also expanding its product range. It showcased Escapade overtable and XF Sportbrake at the Geneva Motor Show and plans to launch 40 new products in the next five years.

Tata Chemicals grounds 2 unviable pilot projects

Promit Mukherjee ■ MUMBAI

Salt and soda ash maker Tata Chemicals might see two of its pilot projects bite the dust as they have proved unviable.

The company had diversified into biofuels and farm produce distribution last year as a forward and backward integration of its core activities, respectively.

However, it has not been able to take the initiatives forward because of cost implications and now needs to write off the investments.

Among the projects was a 30,000 litre per day bio-ethanol plant at Nanded at an investment of ₹50 crore, which was to use sweet sorghum as feedstock and sweet sorghum bagasse as fuel for generating power. But ensuring smooth flow of feedstock was a problem.

"We have taken a write-off on the civil structure and may move it to where feedstock is not a constraint," said R

the diversification into farm produce distribution – the company wanted to use its robust retail network to source farm produce directly from the farmers and sell them in the market under the brand 'Khet Se'. In fact, in February 2007, it had set up a joint venture with Europe's leading fresh produce company, Total Produce, to set up a state-of-the-art distribution network for fresh fruits and vegetables.

However, at a recent press conference, PK Ghose, chief financial officer, said the company has made a "provision for impairment of investment in Khet-Se of ₹12 crore, post suspension of operations."

Sagaraj Bariya, managing partner of Equitorial, an independent research firm, said the company decided to stop making further investments in the project as the idea did not find favour in the market. "However, that doesn't put a question mark on the company or its execution skills,"



Mukundan, managing director, TCL.

Though the company has not decided what to do with the plant, it is looking at options such as leasing it out, selling or relocating it outside the country, said Mukundan.

Analysts feel this won't be a major hit for the company. "TCL has been quite a successful company in terms of diversification and has presence in four continents the world over," a director of a leading rating agency pointed out.

The other failed project is

700 MHz auction to spur 4G rollout, bring down tariffs

Beryl Menozes & Praveena Sharma ■ MUMBAI (DNA) 28.12.11

Spectrum in the 700 MHz band will be up for grabs in the second round of broadband wireless access, or BWA, auctions.

Spectrum in this band, held by state-owned players like MTNL and BSNL, besides some 30 MHz of spectrum held in the same band by the defence forces, is not being utilised, the Telecom Regulatory Authority of India has said in its consultation paper on auction of spectrum dated March 7.

The regulator's view echoes a plea that has been on the lips of incumbent private operators for years.

It is not difficult to see why this band of spectrum – known to be used elsewhere in the world as the standardised band for 4G and LTE – is so much in demand. It is seen as a way of getting closer

to next-generation telecom services.

What's more for incumbent operators which did not win in the BWA auctions last year it could mean a second chance to acquire some very valuable spectrum they could use to improve their existing voice and data networks.

"How many players are allowed to bid or how much bandwidth will be up for auction are questions which still need to be answered by the government. For further clarity on other matters," said Rajni Mathews, director of the GSM body Cellular Operators Association of India.

4G is known to be more efficient, has wider range and better indoor connectivity, and is thus a high growth driver for wireless broadband. However, since 7G, which was announced in 2007, is yet to take off in the country, does it really make sense for incumbent operators, which have had to pay a bomb for 3G spectrum, to go in for yet another



huge investment? More importantly, will they afford it?

Experts, however, see takers galore.

"Despite numerous lack of funds, operators will somehow arrange funds to participate in the auction, as this is a very attractive band of spectrum to

have," said Rupal Bajaj, partner in telecom firm Analytys Mason.

"4G will benefit the most, and has an all-4G strategy and definitely more cash than the other players. However, it has a disadvantage in terms of revenues and business case. Still, being known for big bets and bold moves, it has a more advantageous position than the other players and since other players have already invested in 3G also," said Bajaj.

Interestingly, some request broadband tariffs to come down with the emergence of 4G, though this will depend on the reserve price, auction costs, as well as spectrum rollout costs for the operators, which are known to pass on the costs to their subscribers, as in the case of 3G.

"4G won't be more expensive than the market can bear," said Mahesh Upad, director, Com First (India).

Bajaj of Analytys Mason also feels competition and efficiency will bring

down tariffs – if operator costs come down, tariffs will reduce.

Additionally, if there is a one-time cost of spectrum, it won't affect tariffs.

According to an industry expert, the network costs will be at least 50% cheaper, whether one talks about opening expenses or capital expenditure.

"4G will continue to be used for voice, as there is 25% voice penetration in the country as of now, with scope to grow further. 3G and 4G will, on the other hand, be used for high speed data services. This will definitely herald the beginning of the era of data overtaking voice. In addition, since the 700 MHz band is more efficient, there will be lower equipment and network costs for operators and this move will definitely drive positive infrastructure developments. Fewer towers are needed," said Mathews.

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