

Le Play's Marathon

PROBLEM STATEMENT

Case analysis on diverse keynotes



NOVARTIS INDIA LTD.

Novartis is a world leader in the research and development of products to protect and improve health and well-being. The company has core businesses in pharmaceuticals, vaccines, consumer health, generics, eye care and animal health.

Headquartered in Basel, Switzerland, Novartis employs nearly 115 000 people in over 140 countries worldwide to help save lives and improve the quality of life. The Group is present in India through Novartis India Limited, listed on the Mumbai Stock Exchange and its wholly owned subsidiaries Novartis Healthcare Private Limited, Sandoz Private Limited and Chiron Behring Vaccines Private Limited.

History of the company

Novartis was founded in 1996 through the merger of Ciba-Geigy and Sandoz, two companies with a rich and diverse corporate history. Throughout the years, Novartis and its predecessor companies have discovered and developed many innovative products for patients and consumers worldwide.

Novartis has been in India since 1947. The Group operates in India through four entities namely Novartis India Limited, listed on the Mumbai Stock Exchange, Novartis Healthcare Private Limited, Sandoz Private Limited and Chiron-Behring Vaccine Private Limited. In India Novartis has a presence in pharmaceuticals, generics (pharmaceutical products that are off patent), Vaccines, OTC (over-the-counter medicines), eyecare and Animal Health.

Recent Issue

Indian Drug regulating body National Pharmaceutical Pricing Authority (NPPA) slaps penalty on Swiss based drug company Novartis for overcharging painkiller Voveran.

This issue has taken a toll on Novartis' share price and the value of the company in the market is dropping quickly.

VOVERAN – CHEAP VS EXPENSIVE

Voveran, Novartis' analgesic brand, is based on diclofenac, a component under the government's direct price control.

A strip of 15 Voveran SR/Diclofenac 100 mg tablets normally costs ₹ 102, while Novartis was selling 50 mg tablets for ₹ 74 per tablet, thus creating a profit of ₹ 141.2 per 100mg.

According to IMS Health annual data, Voveran, with annual sales of about ₹ 225 crore, was among the top 10 brands in the domestic drug retail market as of April this year.

Novartis' analgesic brand, Voveran, is based on diclofenac, a component that is under the government's direct price control. Voveran's market share is believed to have dipped since the new pricing regime came into force. The IMS data show the value growth of the drug has fallen 14.5 per cent from last year. Industry analysts say Voveran faced a sharp cut after the new price control order as it was one of the more expensive brands in the segment and had a huge market share.





Notice the sharp decline in the share price on 13th October, 2014, the date on which the show cause notice and fine of 300 crores was issued by the NPPA.

Problem Statement

Provide the detailed analysis of the situation and predict the equity price of Novartis India Ltd for the coming year if the company does suffer financial loss due to the SCN by NPPA. The solution should include detailed financial analysis of the market prices of Novartis, past reference and outcomes of similar cases and close inspection of the behavior pharmaceutical drug market.

Additional links for reference

- Novartis India Website (<http://www.novartis.in/>).
- Interactive Display Charts of the market performance of Novartis India Ltd. (<http://www.moneycontrol.com/india/stockpricequote/pharmaceuticals/novartisindia/NIO1>)
- Article on Business Insider (http://www.business-standard.com/article/companies/nppa-slaps-rs-300-crore-penalty-on-novartis-114101300057_1.html)

