Biotechnology: call for action

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The biotechnology industry in India is at a critical juncture. While the industry has been growing at a double-digit rate over the last five years (CAGR 19.2 percent, 2007-2011), it has concurrently been facing diverse challenges that have prevented the industry from transcending to the next level.

The biopharmaceutical industry constitutes 60 percent of the biotech industry in India. Even within the domestic market, companies have not been able to launch new products at a pace that they would have liked. Dealing with multiple regulatory bodies typically results in serious delays in getting approvals, which in turn leads to tremendous strain on the resources of biopharma companies. To overcome this, the government of India proposed to set up the Biotechnology Regulatory Authority of India (BRAI) through an act of the parliament. However, with opposition from several state governments, there is no clarity on how long it will take to get this cleared in the parliament.

Companies focused on innovation have not been able to make a sizeable impact on the industry either. Many of them are facing funding constraints as the investor community has shied away from investing in early stage ventures. The government, on its part, has introduced several schemes. As an incentive for in house research and development, the government also provides 200 percent weighted tax deduction, which has been extended till 2017 in this year's budget. However, given the large development timelines, cost and risk of biotech research, these funds and incentives are not enough to drive innovative biotech research in the country.

While India has a substantial number of graduates in biotechnology and related fields, they are not optimally trained to cater to industry demand. Companies therefore have to significantly invest in their training and development before they become ready to contribute to the business.

In terms of infrastructure, several biotech parks have been set up in India in the last five years with public private partnerships. The industry, however, believes that most of biotech parks are more congenial to biotech services and diagnostics firms rather than to pure-play biotech manufacturing companies. To support bio-manufacturing activities, the government should evaluate the feasibility of making available land at subsidized rates, uninterrupted power at competitive prices, good quality water supply and effluent treatment facilities to improve the efficiency and productivity of pharmaceutical companies.

India is already facing stiff competition from China, Korea, Singapore, and more recently Malaysia, in terms of attracting investments from MNCs. This has been enabled due to better technological and scientific competence, better infrastructure, tax and duty exemptions, and easier regulatory procedures as compared to India.

Thus, there is strong call for action for the government to act swiftly to carry out regulatory reforms, to develop infrastructure and to provide more incentives to the biotech industry to remain competitive and spur growth in the industry. The industry, on its part, needs to come up with a concerted action plan to utilize the available infrastructure and resources more efficiently and focus on nurturing innovation to take the biotech industry to new heights.

About the author

Since April, 2008 ***Ajit Mahadevan*** *has been leading the life sciences consulting group at Ernst & Young, India, on strategic and operations consulting engagements with Indian and multinational pharma and healthcare companies.*