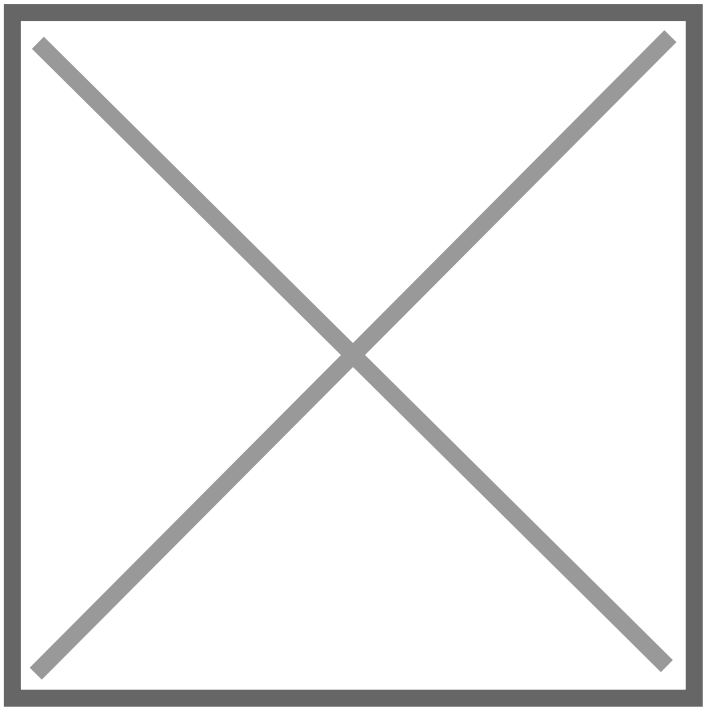


Future of the Indian BioPharma Industry

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The Indian BioPharma industry has been witnessing a double digit growth over the last few years. The focus in the past was on generics, reverse engineering, and exports. The drivers now are domestic markets as well as international markets, contract manufacturing and research to a limited extent.



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While the BioPharma industry is having moderate to good growth depending upon the sub-segments, there is a huge potential in India waiting to be unlocked. Globally, the Indian pharmaceutical industry is ranked fourth in terms of volume. However, it ranks 14th by value. Per capita spend in India on healthcare is $9 and is very low compared to that in other developing economies such as China, Brazil and Russia where the spending is $17, $72 and $59 respectively. These factors further firm up the belief about the potential success story of BioPharma industry in India.

Increase in the size of the domestic market will be a major contributing factor to this growth. There are several factors which would contribute to increase in the size of the market. A key factor would be the rising per capita income, which has and would lead to greater affordability of drugs. The awareness about health insurance in India is on the rise too. This is likely to spur the demand for healthcare infrastructure, drugs, and facilities manifold. Medical tourism is also getting increasingly popular. However, it is still expected that a bulk of need and demand would lie in the semi-urban and rural areas. These would also call for advanced technological and monetary investment in the supply chain networks to provide accessibility to drugs and treatments. Urban areas on the other hand are likely to see greater incidences of chronic and life style diseases, leading to need and demand for effective therapies to treat these diseases.

For catering to this growth and living up to the expectations of economic and social responsibilities, the BioPharma industry will have to take up numerous challenges and responsibilities on its way, many of which could be different and in contrast to the current or past practices.

One of the key factors that would help the sector to live up to the promise it holds and achieve a long-term sustainable growth on a global scale would be innovative research. With several products likely to go off-patent soon, almost all the Big Pharma companies are likely to lose a big chunk of revenues. Not only Pharma but also Biotech companies should learn from the present state of Big Pharma and re-look at the entire strategy for research and new molecule discovery.

In this vogue, newer and emerging areas such as personalized medicines, bio-similars, nanotechnology, gene therapy and regenerative medicine will lead the way. Innovator BioPharma companies should focus on identified therapeutic segments and build portfolios on high margin products that ensure sustainable cash flows. It will be crucial for companies to march forward with high risk but promising profitable products rather than bow down under pressure from short term investors.

The Indian BioPharma industry has some aces up its sleeve-the inherent low cost advantage, a strong talent pool of English-speaking scientists, entrepreneurs willing to take risks and credentials of teaming with MNCs. However, Indian BioPharma companies lack the experience to successfully launch new molecules globally and the funds to make huge investments required for innovative research-strengths of MNCs. As the Ranbaxy-GSK and GVK BIO-Wyeth deals have indicated, success would lie in synergizing the strengths and capabilities.

As Indian contract research players adapt and enhance their innovation capabilities, several forms of partnerships will arise-from the existing ones as pure play research services provider to risk and reward sharing models. Such partnerships will also give enormous learning opportunities for both the Indian scientists and the marketing community. It makes clear business sense for Indian BioPharma companies as well as MNCs to take the co-optition path to synergize the benefits of their differing business models.

Clearly, responsibility for daring the challenges and meeting up expectations cannot solely lie on the shoulders of the industry. On its part, the government must bring in improvements in the regulatory functions without which aggressive growth cannot be achieved. The government has taken a step in this direction with the introduction of the National Biotechnology Development Strategy in 2007. Similar focused and forward looking steps are immediately needed for the Pharma industry as well. Further, increased government funding and progressive policies to attract private equity investments will help the industry.

Besides these, stronger data protection and patent regulations with greater clarity are required. Streamlining the approval process to ensure a faster turnaround is also essential. While scrapping price control measures in totality may not be feasible, certainly the government must rationalize price control regulations to enable companies to follow different pricing strategies, which will ultimately ensure better prices for customers. Increase in investments and favorable regulatory and tax policies would go a long way in upscaling the current healthcare infrastructure in India, specifically in semi-urban and rural areas. Also, companies, government and universities must come together more aggressively to formulate courses imparting practical knowledge and skills. This could be a significant contributor to meet one of the biggest challenges for industry-talent.

The Indian BioPharma industry will be able to consistently grow and outperform other markets only if it can leverage these growth engines to its advantage. The responsibility is on Indian entrepreneurs and MNCs, investors who would shed the desire of short term returns and increase the appetite for long term risks, but sustained returns, and regulators and government who would create simple and effective mechanisms for immediate and sustained growth of the BioPharma industry from an access to consumer perspective.

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