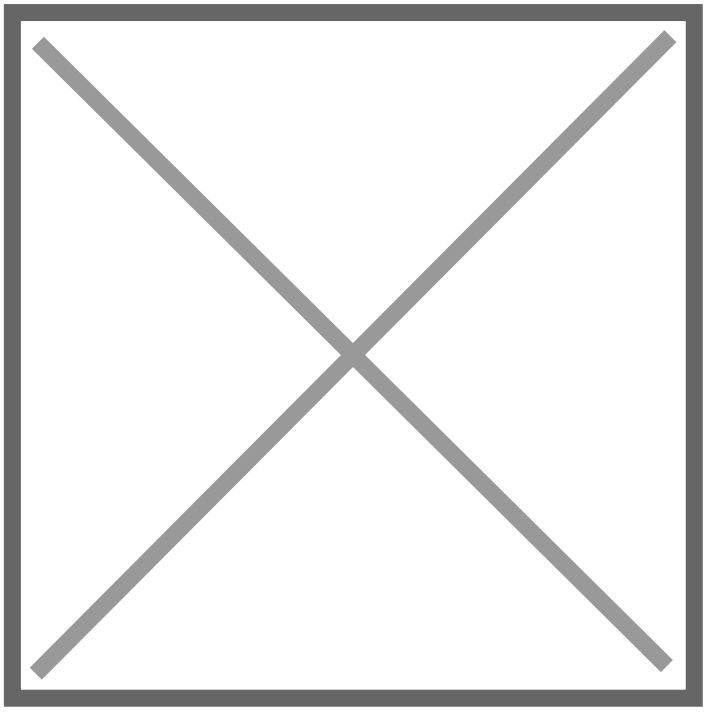


Expert Opinion - B V Ravi Kumar

26 June 2012 | News



DIAGNOSTICS

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Radical changes

Diagnostics is a big industry now and India can lead the way in new-age diagnostics.

Diagnostic industry has long played Cinderella to the pharmaceutical step sisters and has been highly disorganised, trader or distributor driven, and neglected by regulatory authorities and thus by investors. In the last four to five years, there have been three radical changes in this sector. Diagnostic services have grown to become a huge industry and received good valuation of their enterprises.

- Enterprises focused on diagnostic manufacture have asserted their leadership position thus sidelining the distributors and fly-by-night operators. Tulip, J Mitra, Span Diagnostics and Bhat Biotech are good examples of this.
- New start ups such as Achira Labs with novel diagnostic platform technologies and multi-disciplinary approach (integrating biology with engineering) have come up and more importantly got noticed by international community. Bigtec Labs and ReaMetrix are the other labs who are building new diagnostic equipment.
- International PE funds have taken notice of Indian inventions rather than market or manufacturing innovations - recently Fidelity has invested in XCyton's new molecular diagnostic platform SES.

Current drivers are huge government procurements under various programs and patronage from international funds. This has fuelled the growth of a generic industry around diagnostic reagents of blood grouping agents, HIV, HCV, HBV and pregnancy. Indian manufacturers have brought down the prices of diagnostics in the country. In case of all biochemistry, microbiology and immunology tests, the healthcare delivery (and in case of private hospitals) account for 95 percent of the total cost of a diagnostic. Bringing down manufacturer's margin has not made any difference to the total spend of the nation on diagnostics. But still the pressure is on the manufacturers to reduce their costs.

There is also this notion that diagnostics should cost only a small fraction of the total cost of patient management. This notion has never been openly subjected to a rational debate because such a debate is

viewed as politically incorrect. But this debate is a necessary prerequisite for all healthcare reforms being planned.

However, there are many unmet medical needs for which diagnostics are required. Biomarkers are required not only to diagnose early but also to determine the course of therapy and end points of medication for many critical infections, cancers and metabolic disorders or chronic lifestyle diseases. These indications open up a $5-10 billion market in India alone. Instead of despairing about the hurdles, we need to leverage the enablers in our ecosystem to take the lead. Let us form partnerships between industry and academia, manufacturers and marketers and clinicians and researchers. We have all the elements necessary to become global leaders in the new age diagnostics. Let us not falter or delay!

- Dr B V Ravi Kumar, chairman and managing director, XCyton Diagnostics