

Astellas forays into Indian market

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Having consolidated its position in the Japanese market, Astellas Pharma is gearing up to tap the Indian pharmaceutical market.

Asurge of Japanese companies are gradually making inroads into the \$8 billion (about Rs 38,535 crore) Indian pharmaceutical market, the first being Eisai Co.Ltd., in 2005, followed by the much-hyped Daiichi Sankyo-Ranbaxy deal last year. There were talks of Takeda Pharmaceuticals entering the market with a possible buyout of Torrent Pharmaceuticals, which was later known to be shelved.

A recent example is the establishment of the Indian subsidiary by one of Japan's top drug maker, Astellas Pharma. Astellas, which started its operations in India (with a liaison office) back in 2007, will now have a business model of importing and marketing pharmaceuticals products. "Astellas Pharma India aims at establishing a business base in Indian market by developing sales and marketing activities of in-house products, especially, in immunology and urology, where Astellas has strong franchise globally," says Teruo Yasufuku, managing director, Astellas Pharma India.

Listed on the Tokyo Stock Exchange and the Osaka Stock Exchange, Astellas was established in Japan in April 2005, by the merger of Yamanouchi Pharmaceutical and Fujisawa Pharmaceutical. According to recent IMS report, the company incurred a global sales revenue of \$5.3 billion (about Rs 25,522 crore) (MAT Dec 07) and \$6.2 billion (about Rs 29,858 crore) (MAT Dec 08), while in Japan, it clocked sales of \$2.2 billion (about Rs 10,594 crore) (MAT Dec 07) and \$2.6 billion (about Rs 12,522 crore) (MAT Dec 08). Apart from its revenue-churning markets like the US and Europe, the company has marketing subsidiaries in seven Asian countries, which includes China, Korea, Taiwan, Hong Kong, the Philippines, Thailand and

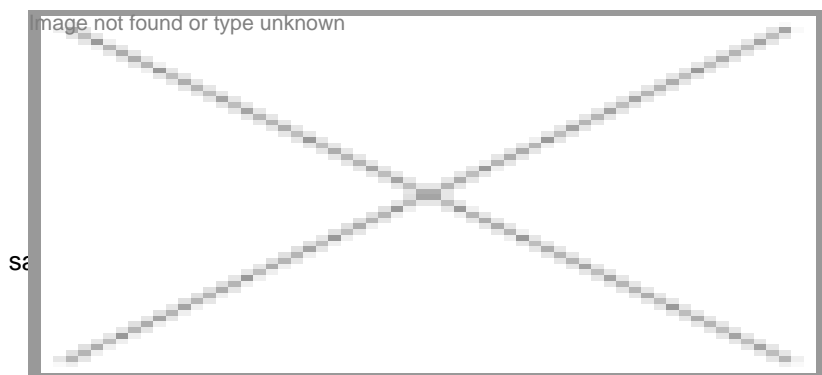
Indonesia.

The establishment of its Indian subsidiary is a part of the company's overall business plan to further expand and consolidate its businesses in the Asian markets, with India and China being its top priorities.

Mission India

Double digit growth of the Indian pharma market proved to be a significant catalyst towards its entry into the region. "India is one country where we decided to enter by ourselves. The obvious reason was that the pharma market is growing in double digits. Within Asia, we are targeting China and India because markets like the US, Europe and Japan are stagnating in growth and price fluctuations have cost us heavy. We have promising products in our pipeline, to fulfill this purpose, a long term investment of \$3.5 million (Rs 16 crore) was pumped in," says Himanshu Dave, director- sales and marketing, Astellas Pharma India.

"India is one of the fastest-growing pharmaceutical markets in the world. Driven by huge patient base, increasing incomes and strong penetration of health insurance, the pharma market is expected to more than double its size in the next five years," adds Dave.



As step one, the company intends to tap the transplantation market in India with the launch of its flagship product, Prograf. "India is the fifth largest transplant market globally. With a huge population suffering from chronic kidney failure and liver failure along with a lesser number of cadaver organ donation, we expect the government to strengthen cadaver organ donation programs,"

"We are into other areas like urology and the anti-bacterial segment, but in India, we first want to focus on the transplantation market. In India, kidney transplants constitute 90 percent of the the

total transplantation market, while the remaining 10 percent is liver transplant market. According to our compiled data, we have estimated that around 4,000-4,200 kidney transplants and 400 liver transplants happen every year."

Other prominent companies that have already forayed into the transplantation market includes Swiss major, Novartis; Roche and Panacea Biotec. Globally, Astellas works on an in-license and out-license model apart from their own subsidiaries' business. Earlier, GlaxoSmithKline (GSK) Pharma signed a collaboration agreement with Astellas Pharma for exclusive rights for the latter's injectible anti-fungal agent, micafungin (brand name Mycamine) in the Indian market.

Last year saw MNC companies setting up sales offices in India with a long term plan to make India its R&D hub. Dave claims that Astellas India has no such plans on the cards. "We are only looking at sales operations in India. As of now, we understand the potentialities that the country has to offer and are in the process of understanding the market for the next five years," he adds.

Beyond Indian shores

Globally, a major part of the Astellas' turnover comes from its mainstay products namely immunosuppressants, Prograf and Vesicare, used in overactive bladder treatment. Other products contributing to its all time growth in global sales include Harnal, Mycamin and Protopic. Other major products which the company markets include Lipitor, Micardis and Gaster. Overseas revenues contributes to 48.7 percent of its revenues with Asia contributing less than three percent. In 2008, its R&D spending was about Rs 8,431 crore (JPY 159 billion) 16.5 percent of the net sales.

Commenting on the Japanese market which is recently opening up, Yasufuku says, "The market in Japan is tough. Most of the generic MNC companies from Europe and the US are present there in addition to over 2,000 Japanese companies. So it is a very competitive market for us." Japanese market is opening up to generics, but a large portion of the population is covered by insurance, hence, cost consciousness is not a consideration there. "Now, around 15-20 percent of the market consists of generics and this will be economical for the government that is why Indian companies are eyeing Japanese market," he adds.

Looking ahead

Throwing light on its future strategy in India, Yasufuku mentions that they are exploring possibilities and strategies to further expand in markets, such as, urology and anti-infective. "Astellas is a research-driven company, and surely will look at a robust data and patent protection system for our future research product line," he claims.

The company has already got the go ahead from the Drug Controller General of India (DCGI) for the launch of Prograf in India, which should be out within fiscal 2009-10. Though the company has been working with certain hospitals, however, no concrete plans are on the cards to ink any alliances with them.

While many domestic and MNC pharma companies are now aggressively looking at rural markets for accelerated growth, Astellas prefers to concentrate on the urban markets. "Transplantation happens in the metro cities so we will be targeting

only those areas unless the government starts some initiatives in the rural areas. Transplantations are promoted because that is a better way of living rather than opting for dialysis," says Yasufuku. Astellas is now looking at India and China as the major markets of growth. Its marketing subsidiary in China, incurred a sales revenue of \$100 million (about Rs 481 crore). Its flagship product, Prograf, boasts around 50 percent share in the calcineurin inhibitor market

"The Chinese pharma market size is said to be \$20 billion (about Rs 96,320 crore) whereas the India pharma market size is \$8 billion (about Rs 38,524 crore). Both markets are promising, and we see a huge growth potentials for Astellas products in both these countries," adds Yasufuku.

"It is quite encouraging to see a strong growing Indian economy even during the financial meltdown. The growth in the pharma sector projected for the next five years is in double digit. Insurance penetration also has been improving on a rapid pace indicating better health care environment. We are confident to start the business by this financial year," concludes Yasufuku in a positive note.

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