

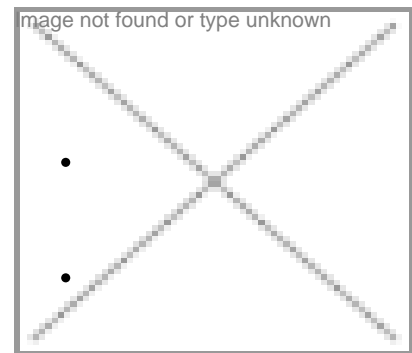
Chidambaram's Bio-Budget Thrills Industry

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More importantly, "biotechnology" finds mention repeatedly in the budget speech, signaling the mind space it has begun to capture among the policy makers.

Here is what he said about biotech during the budget:

" Pharmaceuticals and biotechnology are sunrise sectors. I propose to reduce the customs duty on nine specified machinery used in these sectors to five percent."

" Our human resource base gives us an exceptional advantage in pharmaceuticals and biotechnology. The Indian pharmaceutical industry has declared its preparedness to produce drugs under the new patent regime. The

government has already set up a

Rs 150-crore research and development corpus fund for the industry. The corpus deserves to be increased and I propose to do so in phases beginning next year. India has the potential to become an attractive destination for outsourcing in drug discovery and clinical research and for co-development of drugs and manufacturing."

- "In biotechnology, the industry has the potential to be a global leader supplying novel technologies and products to the

health and agriculture sectors. The government will provide a stable policy environment and necessary incentives to help the two industries become world leaders."

- "Agriculture research has a vital role to play in the strategy for reviving and encouraging diversification. Our agricultural universities and research institutions have done good work in the past and now need to be strengthened and modernized. A Task Force headed by Dr M S Swaminathan has recommended the creation of a National Fund for Strategic Agricultural Research. I am happy to announce an initial provision of Rs 50 crore for operationalizing this Fund."
- "What we need are world class universities, and we must make a beginning with one institution. We must have a university that will be ranked alongside Oxford and Cambridge or Harvard and Stanford. I am happy to inform the House that we have selected the Indian Institute of Science (IISc), Bangalore, which enjoys a high reputation as a center of excellence in research and development. We shall work to make IISc, in a few years, a world-class university. I propose to provide an additional sum of Rs 100 crore as a grant for this purpose."
- "Small Industries and Development Bank of India (SIDBI) has established this year a SME Growth Fund with a corpus of Rs 500 crore. Small and medium units in knowledge-based industries such as pharma, biotech, and IT will be provided equity support through this Fund."

Biotech Industry Demand	What the Budget Proposes
Pre-VC funding mechanism for startups with a) A Rs 50-crore Innovation Development Fund to be disbursed as grants to scientists at academic institutions to develop concepts in to licensable technologies b) A Rs 200-crore Product Development Fund to be disbursed as soft loans to SMEs to develop products upto "proof of concept"	a) IISc., Bangalore, singled out for Rs 100 crore to boost facilities. Opens the avenue for similar funds to other R&D institutions b) A Rs 50-crore Fund for Strategic Research in agriculture announced c) The Rs 500-crore SIDBI Growth Fund to provide equity support to biotech Companies. d) The Rs 150-cr R&D Fund for pharma and biotech to be enhanced
150 percent weighted average tax deduction to include international patenting costs. Also to be extended to 2010.	Yes. But extension only for two years, up to March 31, 2007. No specific mention of patenting costs
Harmonization of duties levied on imported diagnostics and life saving drugs with components and raw materials used by indigenous manufacturers of same products. Also a duty drawback provision for such raw materials	Customs duty on nine specified machinery used on biotech research reduced to five percent More details likely in future notifications
Five-year exemption from export obligations for biotech companies located in biotech parks/special economic zones	No specific mention

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Industry Reactions:

" This year's budget is very 'pro-bio' and ' very positive' and promises a favorable fiscal and regulatory policy environment and necessary incentives for the biotechnology sector. The overall macroeconomic indicators continue to show improvement and the budget has clearly reinforced the strong image that India will attain on the world economic stage. There is an increased allocation of resources to address infrastructure, health, education and scientific research, which are going to be key drivers in building India as a global economic power,"

-Kiran Mazumdar-Shaw

, president, ABLE and CMD, Biocon Ltd.

"The Finance Minister has talked about pharmaceuticals as a sunrise sector, pointed out the readiness of Indian companies to face global competition in the post-patent regime. To encourage R&D, he has granted weighted tax deductions of 150 percent for two more years. It is a balanced budget."

- Dr Swati Piramal, director- Strategic Alliances & Communications, Nicholas Piramal India Ltd.

"Overall this is an excellent budget for all sectors of the economy. The focus on agriculture, irrigation and rural health are welcome, as these would have a long-term impact on the weaker sections of the society. The announcement of a stable policy regime in the medium term for pharma and biotech sector will allow companies to plan for the future."

-Dr DB Gupta, chairman, Lupin Ltd

"I was hoping the FM would seize the moment and convert the cyclical boom in the pharma industry into a structural one which has not been done and therefore overall, from the pharma industry and healthcare point of view, the budget is disappointing."

-Ranjit Shahani, president, Organization of Pharmaceutical Producers of India (OPPI).

"Unfortunately, there is no bold initiative to promote pharmaceutical R&D in this budget except for the welcome continuance of existing benefits. The government intends to increase the Rs 150-crore corpus for R&D beginning next year, but there have been few takers for this fund because of the cumbersome procedure. I find it odd that a government that can give excise relief to imitation jewellery and mosaic tiles could not cut duties on medicines and hospital equipment to make healthcare more affordable."

- Habil Khorakiwala, chairman of Wockhardt Ltd & President of Indian Pharmaceutical Alliance (IPA).

"As regards the pharmaceutical industry, no major sops have been given."

-Daara B Patel, secretary-general, Indian Drug Manufacturers' Association (IDMA).

"It is heartening to note that pharma and biotech have once again made their way into the FM's speech. One measure that could have given fillip to discovery would have been to exempt substantially the revenue generated from IP generating activities."

-Utkarsh Palnitkar, Industry Leader - Health Sciences, Ernst & Young

"The announcement of creating a stable policy environment for the biotech sector in the budget is a significant one. We are delighted that the government has accepted our various recommendations."

-Nitin Deshmukh, director, ABLE.

"The budget has reiterated the importance of pharmaceuticals and biotechnology."

- Alok Gupta, country head, Life Sciences & Biotechnology, Yes Bank Ltd.

"Instead of a stable policy environment, as promised by the government, the industry would look forward to a more ambitious and growth oriented policy environment,"

-CII, New Delhi

"The budget is very encouraging. There is an increased allocation of Rs 2,000 crore to the S&T departments. This amount will be equally distributed amongst all sectors and biotechnology will get its due share. Now the onus is on the various agencies like DBT, DST, CSIR, ICAR and ICMR to get adequate budget allocations to the biotech sector through them. ."

-Dr Arvinder M Singh, general manager, Life Sciences, PerkinElmer (India)