BioSpectrum the business of Bio & Health Sciences

Global biotech industry is on mission transformation

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India presence of global biosuppliers increases

The biosuppliers industry is witnessing a 30 percent growth every year

In the last few years, Asia, and more so India, is a high growth market for the global life science suppliers. Almost all the global majors like Agilent Technologies, Bio-Rad, GE Healthcare, Invitrogen, Millipore, Pall, Perkin Elmer, Shimadzu, Thermo Electron, and Waters Corporation have strengthened their presence and market hold in India. These global majors are consolidating their presence in India, adding on their own sales representatives as well as distributors, besides executing a number of other initiatives like setting up various Centers of Excellence (CoEs).

Today, for several of the global vendors, the Asia-Pacific region accounts for almost 15-20 percent of their world-wide sales revenues, and their India business contributes almost 8-10 percent of the Asia-Pacific sales. For example, 16 percent of Millipore's total 2006 global business of $1.2 billion was generated in Asia. The life sciences business of Pall Corporation represents about 40 percent of its global sales of $2.01 billion in 2006 and Asia accounts for 14 percent share of its total life science business of $796.3 million. Bio-Rad's pacific rim sales accounted for 16 percent share of the total business of $1.27 billion in 2006. Dr Kreuzburg, CEO of Sartorius Stedim Biotech, said, "The business in India is growing at a fast rate, making it very appealing. It is certainly appealing for Stedim, which plans to open a new campus in Bangalore by mid 2008."

These global companies are consolidating their presence in India for two prime reasons. One, India is a very attractive and growing market. The other reason is to leverage the skilled manpower in India. Regulatory changes in testing and the growing bioscience and life sciences industry have been some of the major drivers for the growth of the biosuppliers. The demand for all the products-separation, instrumentation, mass spectrometry, surface sciences, lab automation, or general lab equipment-is on the rise. And the demand is coming from the generic drug manufacturers and contract research organizations.

"With all the opportunities prevalent in India, there can be no doubt that India is positioned to become a global player in the biotech Industry by the year 2010. India has built a strong market with the growth of biopharmaceutical companies, CROs and biogenerics" said Gregory Summe, chairman and CEO, PerkinElmer.

The Indian biotech industry in 2006-07 surpassed $2 billion revenues in 2006-07, registering 31 percent growth. And the biosuppliers business too followed the same path of growth of the biotech industry to register total revenues of Rs 2,420 crore ($590 million) in 2006-07, compared to the previous year's revised estimates of Rs 1,831 crore ($407 million). Thermo Electron was the leading life sciences supplier in the country with sales of Rs 246 crore. The top three companies of this year's survey--Thermo Electron, Labindia Instruments, and Waters India--have crossed the $50 million (Rs 200 crore) mark. Interestingly, the Top 10 companies this year have revenues in excess of $25 million (Rs 100 crore). In 2005-06, only seven companies were able to do $25 million in sales, and none had reached the $50 million figure.

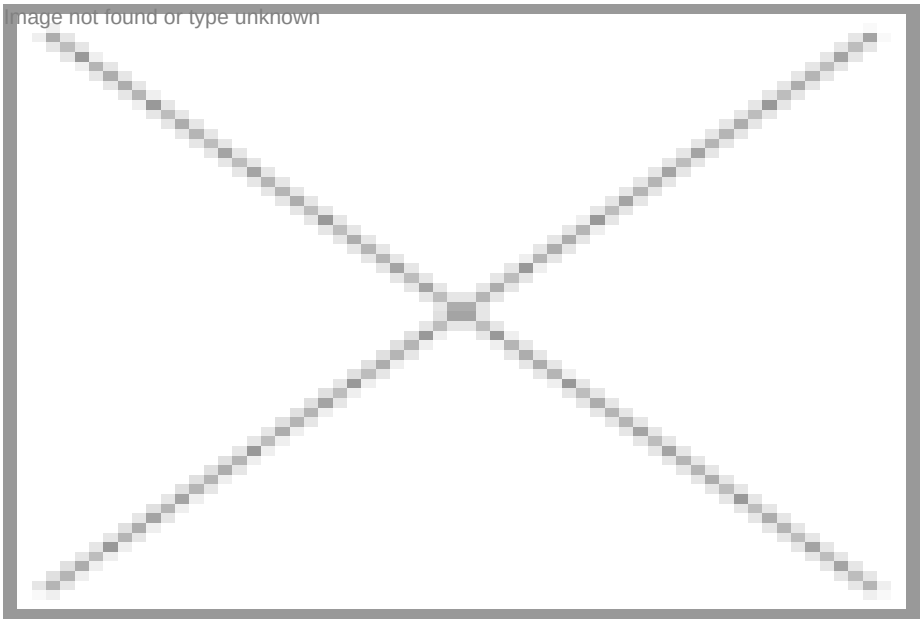
Further, Indian grown companies, which represent several global principals in India, have scaled themselves from being a distributor to offering quality services and solutions. This is one of the reason why we see almost eight Indian companies in the Top 20 BioSuppliers list and the top five Indian companies-Labindia, Spinco Biotech, HiMedia Laboratories, DSS Imagetech, and Genetix Biotech Asia-accounted for close to 26 percent share of the total market of Rs 2,420 crore. Today, almost 85 percent of the total biotech suppliers business is generated by the Top 20 biotech suppliers. According to Art Caputo, president, Waters Division, Waters Corp., "India has built a strong market with the growth of biopharmaceutical companies and food safety and environmental concerns are few of the upcoming trends."

Another important aspect of this business is that no single region accounts for a majority share of the business generated by companies headquartered in that region. This is clearly representative of the fact that the biotech industry is scattered across the country. The industry hopes to register 30 percent growth in 2007-08 too.

Global biotechs transform

The global biotech industry is predicted to touch $100 billion by 2010.

According to G Steven Burrill, CEO, Burrill & Company, a San Francisco-based global company, in life sciences whose principal activities are in venture capital, merchant banking and media, the global biotech industry is "transforming". The industry is moving away from chemistry to biochemistry; from one size fits all drugs to personalized medicine; from aging (just happens) to aging is optional; therapeutics, diagnostics, and devices becoming "theranostics"; the focus is shifting from treating sickness to preventing sickness; and it's no more food for survival, but food for health.



According to Ernst & Young's 2007 Global Biotechnology Report, the biotech industry made historic progress with strong product pipelines and product successes, record-breaking financing totals, unprecedented deal activity and impressive financial results. The global biotech revenues of the public listed companies in 2006 grew to $73.5 billion recording a 14 percent growth over that in 2005 ($64 billion). Further, according to the report, all the leading regions in the world recorded a strong double digit growth, with the US and Europe recording 13 percent growth each and Canada registering 22 percent growth.

"The industry in the US has never been stronger and we're seeing its success story spreading to other parts of the world-particularly Europe," said Glen Giovannetti, Ernst & Young's Global Biotechnology Leader. "Time will determine whether these trends will be sustained, but there's reason for optimism. Innovation is being rewarded with record revenues and unprecedented premiums in M&A transactions."

"The industry is over 30 years old and is generating over $85 billion in revenues. There are 5,000 companies worldwide, 600 of which are public companies. The life sciences sector has a strong performance record, even in difficult economic and political times and has outperformed Dow and NASDAQ. There are over 100 products on the market (many of them are $1 billion drugs). Further, 350 biotech drugs are in late stage clinical trials (strong pipeline). Agbio products are now grown on 200 million acres world wide and it is growing at 20 percent per year. The market cap is going in the right direction with the figure touching $550 billion," said Burrill.

The global transformation is underway not just in technology but also in the industry. With over 5,000 companies, biotech is a global industry now. According to Burrill even the smallest biotech is a global player from Day One. "The global transformation that is a central theme in our book, Biotech 2007, does not just refer to geography. It is occurring pan-industry and across technology and having an impact on the innovation that results," observed Burrill. "We have begun to understand disease 'globally' i.e., from a systems point of view, from gene or SNP to protein to networks to disease. In parallel, and conversely, the notion of 'one size fits all' is being replaced by medicine targeting the individual and the central tenet on which a huge biopharmaceutical industry has been built has to adjust to a new and evolving personalized medicine world."

In fact, the global biotechnology industry showed robust growth in all respects in 2006 according to Ernst & Young report.

Deal values soared with alliances involving US companies totaling $23 billion-an all-time record-while high premiums (the difference between the price per share paid by a buyer and the company's share price before the deal was announced) drove the value of mergers and acquisitions (M&A) to the second-highest level in the industry's history.

Capital raised by the world's biotechnology companies grew by a massive 42 percent, to $27.9 billion. Venture capital (VC) reached $5.4 billion, an all-time high.

Net losses of publicly traded companies fell by 37 percent in Europe and 43 percent in Canada, creating momentum toward profitability. While the US sector saw increased net losses, this was primarily due to large transaction-related charges in a year of unprecedented deal activity; in the absence of these, the US industry would have been profitable in aggregate for the first time, and the global industry would have had its lowest net-loss ever.

The US product approvals increased from 33 in 2005 to 36 in 2006. New drug application (NDA) and biologic license application (BLA) approvals grew from 21 to 25. In Europe, product pipelines of public companies grew significantly.

The US

The US. had another strong year for product approvals with 36, including 25 NDAs and BLAs in 2006. This compares favorably with 2005, when the industry secured 33 approvals, including 21 NDAs and BLAs. Capital raised increased by 38 percent, fueled by some of the largest financings in industry history. The US revenue grew by 13 percent among public and private biotech companies to $59 billion, and the industry made a truly historic move toward profitability. In the absence of over $4 billion in acquired in-process R&D charges related to the year's unprecedented deal activity, the US publicly-traded sector would have shown an aggregate net profit, for the first time in its history. Notably, the largest revenue growth companies in the US included "mid-tier" firms with recent product launches and rapidly growing sales.

"We predicted profitability in the US industry before the end of the decade," said Mike Hildreth, Americas Biotechnology Leader, Ernst & Young. "Only a strong deal year with high charges for in-process research and development kept the industry from reaching that goal this year."

Europe

The European biotech sector sustained the recovery it had begun in 2005, with revenue growth of 13 percent-more then twice the 2005 growth rate of six percent-contributing to revenues (for public and private biotech companies) of $16.6 billion. The year 2006 marks a four-year turnaround, from the 12 percent revenue decline recorded in 2003. Financing increased by a robust 45 percent to reach $5.9 billion. VC financings reached an all-time high of $1.9 billion. The pipelines of publicly traded companies grew an impressive 30 percent, bringing the overall pipeline to almost 700 compounds, plus 27 in registration and awaiting regulatory approval. In addition, Europe's privately held biotechs have nearly 800 compounds in their pipelines, and 12 compounds in registration.

"There was cautious optimism in the European biotech industry-as the sector emerged from a prolonged period of restructuring in 2006," said Siegfried Bialojan, Germany Biotechnology Leader, Ernst & Young. "This year double-digit revenue growth and sustained success across multiple measures prove Europe's biotech sector has bounced back."

Asia-Pacific

In Asia-Pacific, governments and companies are moving aggressively to make the transition from competing on cost to developing homegrown innovative pipelines. Businesses are adopting creative models to overcome capital constraints and other hurdles. Firms are reinvesting revenues from services to develop innovative pipelines, and are entering deals to accelerate commercialization efforts, drive economies of scale and increase global competitiveness. Conglomerates are entering the fray, making investments in the growing sector.

"Asian biotechnology companies face critical challenges in their efforts to accelerate the transition to become enterprises driven by research and development," said Utkarsh Palnitkar, India Biotechnology Leader, Ernst & Young. "Companies are leveraging the Asian advantage in bio-manufacturing and contract services arena and utilizing them to drive the growth story in drug discovery and research."

Coming to the predictions for 2008, Burrill pointed out that there would be heated debate on the healthcare. Further sales of products will continue to increase. The industry will continue to live in the world of stricter regulations, but the products will come. The big pharma and big biotechs will fight to accelerate products. While newer business models will continue to evolve, 30 IPOs were expected during 2007. And geographic clusters will be less important as clusters will be as per diseases.