

## "MNCs will outsource more pharma production to India"

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-Rajesh Jain, Joint Managing Director, Panacea Biotec.

Panacea Biotech, based in New Delhi is India's 3rd largest biotech company, and a major player in pharma generics and vaccines. Joint Managing Director Rajesh Jain outlines how some of the recent government measures like 50 percent reduction in excise duty on manufactured pharma goods will spur the growth of the pharma outsourcing industry in India. Excerpts:

Will the reduction in excise duty on all pharmaceutical products accelerate or slow down the growth of biotech drugs in the overall pharma pool?

I am sure there exists adequate competition in the market, which would ensure that these cuts get passed on to the consumer. I don't think individually any company would benefit. This will lead to more consumption at the consumer level. It is not likely to have any significant impact on the growth of biotech or pharma industry.

Is the excise reduction and hence price reduction the main enabler for export growth? Or are there other factors as well that Indian manufacturers have to contend with?

Excise reduction is not the main enabler for export growth. From the industry's perspective, there are two clear challenges that lie ahead. One is the foreign exchange management with respect to the risk, keeping in mind the fact that majority of our foreign exchange earnings are on account of exports. Declining export growth and steady appreciation of rupee have been badly hitting the pharmaceutical exporters for more than a year now. We want to grow exports but there is no risk coverage for it. We need freedom or protection from the risk of Foreign Currency Fluctuation. The Government should either allow us to undertake Margin Currency trading from EEFC Account in a foreign bank or protect the rupee rate with foreign currency as being done by Malaysia and UAE.

On the other hand, we have a need for new product introduction, especially in a time zone where patent law is fully implemented in India. There is a strong need for new product introduction in the domestic and international markets. India has become fully compliant to the patent law. 'Made in India' label has gained reputation all over the world. What would happen to the manufacturing sector in India when competition from smaller economies like Bangladesh, Sri Lanka, and Taiwan will offer competitive prices against Indian prices? It has now to move quickly in Value Chain from Manufacturing to Innovation.

India has to leapfrog from its current image of low-cost manufacturing base to a quality-oriented innovation. Innovation in New Product Development takes a long time of 7-10 years and requires huge investment. This is where the government must come out with some innovative fiscal schemes. For example, we could be given bonds for 10-15 years with a payable period at US LIBOR rates, equivalent to the money spent on R&D by a company for them to plough it back for Research & Development (R&D) of innovative products.

Panacea Biotech is now fully determined to change its course from "Imitation to Innovation".

Which are the major export markets for Indian companies?

They are mainly the developing countries, EU, and ROW countries.

Will the budget measures boost the CRAMS sector in India?

The CM/CRAMS industry is already booming. Weighted deduction of 125 percent on payments made for outsourcing research services is a welcome offering for the industry as the emphasis on R&D has increased. Due to high quality and low cost advantage, Indian companies are poised to benefit from contract research business. The CRAMS industry has a very bright future, as more and more big pharmaceutical companies, especially MNCs are outsourcing production and research strategically. However, there is a tremendous scope and potential in pre-clinical research and bioinformatics.

Will MNCs set up manufacturing facilities in India for re-export?

It would be more profitable for them to outsource their production to Indian companies, which are compliant to international regulating agencies like USFDA, UKMHRA, ANVISA, and MCCA.

Were products from India non-competitive in price earlier?

Products from India had always been competitive in price. In fact, due to this competition, the prices of drugs are one of the lowest in the world. However, India also needs to come out with Innovative products, but it involves a huge investment, time and risk. Without the willingness and support of the Government, it would be a very difficult task to achieve.

