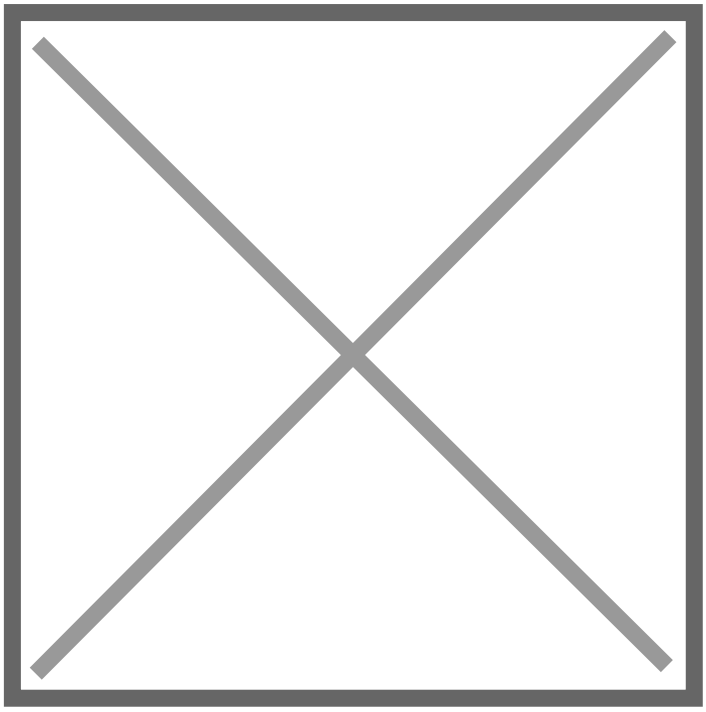
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"Indian CROs have started transforming their business models through focusing on higher value-added services"

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-Utkarsh Palnitkar, partner and industry leader, health sciences practice, Ernst & Young India

In an interview with BioSpectrum, Utkarsh Palnitkar makes his observations on the rapidly growing Indian CRO market, its stand vis-Ã?Â -vis the global market and growth in the near future of the burgeoning market. Excerpts:

Why are Indian CROs going global? Which are the countries or regions offering opportunities for Indian companies?

The CRO industry is global in nature and pushed along by the FDA submission guidelines skewed towards double-blind randomized multi-centric trials to leverage diverse ethnic groups, global footprints (either by alliances or expansion) have become the norm. Typically trials are conducted in North America, Scandinavia, Eastern Europe, India, Australia and China. The point to note is that trial results from all these geographies form a part of final dossier submission. Indian CROs cater to both multinational pharmaceutical companies as well as their Indian counterparts. Going global offers them an extended market reach and access to talent. Moreover, they can offer their services to clients in multiple geographies obviating the need to work with multiple service providers. With funding available to promising players through channels such as private equity, Indian CROs are also exploring acquisition opportunities, especially in Europe and more so in Eastern Europe.

Can you give an outline of some of the business models adopted by Indian CROs while setting up shop abroad?

CROs being service-oriented, the key to their success is talent retention. In terms of expanding geographically, one has seen a blend of acquisitions, strategic alliances and a few greenfield enterprises. Given the nature of the business, the ability to scale up is vital, making greenfield the least preferred option. Locking in the talent that comes with acquisition is critical, which is attempted by means of various incentives such as stock option plans, retention bonus and the like.

What opportunities do emerging markets and the matured markets offer to Indian CROs going global?

Access to markets and talent are the key drivers for expansion. A strategic alliance with an established player provides an extended reach opportunity which is beneficial to both parties to the transaction.

Carrying out trials in Caucasian populations and participating in larger global trials is a necessary avenue that Indian CROs will have to consider if they are to grow in size and reach. It is the ability to provide seamless services to clients across geographies which is the main driver for Indian CROs to look beyond Indian shores.

How have MNC CROs investing in India have changed the face of the Indian CRO market?

MNC CROs investing in India have brought with them global best practices. They compete head-on with domestic CROs and this in turn has provided an impetus to domestic CROs to enhance their service delivery. Moreover, many MNC CROs have extended their offering beyond clinical trials to clinical data management, support for regulatory approvals and the like. The biggest advantage that India is able to offer is speed. Speed is a factor of the patient population that India is able to provide while cost advantages are transient. Moreover, CROs in India are today enhancing their delivery model from trials to data management, reducing the need to work with multiple service providers. There is also an opportunity to grow the talent pool, with a number of training schools emerging in this space. MNC CROs are able to bring the India advantage to their global clients, whilst simultaneously deriving advantage of both talent pools.

On the other hand, Indian CROs have started transforming their business models through focusing on higher value-added services, moving away from reliance on basic clinical development (phase II-IV) service revenues. The demand for R&D enabling technologies such as genomics, high throughput screening and proteomics is sufficient to support a large number of small specialist players. These higher profitability services include preclinical and bioanalytical testing, laboratory services, drug discovery and informatics. MNC CROs are partnering with Indian CROs in these niche sectors in order to offer a broad portfolio of services to innovator companies.

Nayantara Som