

## Biotech speed breakers

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It is time for the reality check for India's biotech industry. After five years of heady growth, the relatively small biotechnology industry (compared to pharma and health care) seems to have hit the speed breakers. The years of 30 percent or more growth came down to 21 percent in 2007-08. The trend continued in 2008-09 with the growth in rupee terms registering a modest 18 percent growth to reach Rs 12,137 crore, according to the 7th BioSpectrum-ABLE Biotech Industry Survey.

The data put together by the BioSpectrum team in the last month indicates some interesting happenings. The industry continues to depend on exports of products and services for growth. And so the foreign exchange rates are critical to the overall numbers. The year 2008-09 recorded an average 17 percent depreciation against the US dollar and this has straightaway boosted the topline of the Top 5 pharma companies who are dependent on exports of vaccines and therapeutic products. This is corroborated by the 18 percent increase in rupee terms.

However, in dollar terms, the growth has remained flat at the previous year's \$2.5 billion. The surge in dollar numbers in 2007-08 has more or less been nullified by the depreciation in rupee.

India's domestic market growth was just about 9 percent, indicating limited demand for products and services. In fact, the biotech industry's growth has mainly come from the popularity of Bt cotton seeds, sold by two dozen seed companies. Despite government mandated reduction in Bt cotton seed prices, collectively BioAgri companies grew by 24 percent touched nearly Rs 1,500 crore in sales. The increasing profile of transgenic seeds companies is reflected in the No.4 and No.5 positions occupied by Rasi Seeds and Nuziveedu Seeds in the BioSpectrum-ABLE Top 20 company rankings.

There are few other interesting trends visible in the performance of the biotech industry in 2008-09. The BioSpectrum-ABLE Top 20 list is now dominated by home-grown companies, with the exception of a few consistent MNC performers like Novo Nordisk, Novozymes, GSK and Eli Lilly. This was not the case in the first five years of the survey which started in 2003.

Pune-based Serum Institute continues to maintain its grip on the No.1 slot for the fifth year in running and has achieved a milestone of crossing the Rs 1,000 crore mark for the first time. Biocon too would have been very close to the top slot but for

its significant mark-to-market losses. The Top 2 are however ready with some interesting initiatives for the next few years. Serum Institute is poised to become a global supplier of the swine flu vaccine and increase the industry profile. Biocon's strong product portfolio has started to make an impact in the domestic and global markets. Two other bellwethers, Shantha Biotech and Bharat Biotech too have had a good growth year, both crossing the Rs 200-crore mark for the first time.

The bioservices market registered over 30 percent growth and continued to be the fastest growing sector. Indian companies like Mumbai-based Siro Clinpharm, Jubilant, and Biocon subsidiary Syngene International today have expanded the bioservices market significantly. Each of them today has revenues of about \$40 million and are inking pacts with several global players and consolidating their service offerings across the value chain of discovery and development and their global positions.

The industry is optimistic that it is on the path to recovery as several things that were concerning the industry like funding, regulatory issues, government support, industry-academia collaborations, and public-private-partnerships are falling in place. The vaccines industry is now buoyant, the pharma sector is gearing to enter the biosimilars space, and the agri sector is looking at responsibly introducing transgenic technologies. The industry is innovating and preparing for the next level of growth.

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