

Indian Pharma Industry and Its Future

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Objectives

- To Understand the Importance, Strengths, Weaknesses and Potential of Indian Pharma Industry
- To understand the threats and Challenges to Pharma Industry under WTO driven IPR regime
- To look at Global and local Pharma Industry in Indian perspective

Power of Multi-nationals

**Sales of Top 10
MNCs**



**Combined GNP of the
100 smallest countries**

**300 largest
MNCs**



**25% of the World's
productive assets.**

- **2/3rd of World's trade by MNCs (\$ 6 Trillion)**
- **The total compensation package of the Top 10 Pharma MNCs is more than twice the R&D spend of the Indian Pharma Industry.**
- **But, Indian Pharma Industry beat them squarely. The share of MNC Pharma in Indian market, in 1971 was 75 per cent. Now, it's 35 per cent.**

The Big grow Bigger

Ciba-Geigy-Sandoz (Novartis)
Marion-Merrill-Dow-Hoechst Roussel-Rhone
Poulenc- Rorer (Aventis)
Richardson-Merrell-Proctor & Gamble
Astra-Zeneca
Bayer-Sterling
Glaxo-Burroughs Wellcome- SKB
BASF-Knoll-Boots
Roche-Syntex
Pfizer – AHP

- ü The rules of Pharma game being changed by the MNCs to suit their strengths and disadvantages of other potential players like India – like higher GMP norms etc.
- ü Merger and Acquisition is the route to become bigger and bigger

Indian Pharma In the Global Context

- ∅ **Global Value of Pharma Market - \$ 340 Bn.
Indian Share – 1.3% in value - ~ 8% in volume.**
- ∅ **Indian share of Global Population – 16.6%**
- ∅ **During 2000-2005 Drugs worth \$ 35 Bn lost
patent protection, compared to \$ 17 Bn in the 90s.**
- ∅ **R&D Investment Globally > \$ 40 Bn.**
- ∅ **Worldwide clinical research costs ~ \$ 14 Bn.
Costs in India would be one tenth.**
- ∅ **10% of Scientists working in the Pharma
Research Labs in U.S.A. are of Indian Origin.**

Indian Pharma... Contours

- § **Value of Production : about Rs. 18,000 Crores**
(1.1 % of Global Value) : 13th Rank
- § **Volume of Production : 8% of Global volume : 5 fifth largest**
in the world after the US, Japan, Europe and China
- § **No. Of Units : Around 20,000; the top 25 account for**
70 % of total production.... the top ten account for 30%.
- § **Capital Invested : Rs 2760 Crores**
- § **Production of Bulk Drugs : Rs 4200 Crores**
- § **Exports: Rs 7330 Crores**
- § **Direct employment estimated at 4,60,000 and indirect**
employment estimated at 24,00,000.

Pharma Industry's Growth rate always higher than National GDP growth rate

	Pharma	GDP
1984-85	4%	4%
1987-88	10%	4%
1988-89	32%	6%
1992-93	25%	5%
1994-95	15%	7%
1999-2000	15%	5%

Indian Pharma A self-analysis

✓ STRENGTHS

- ✓ Mature Industry with strong manufacturing base
- ✓ Strong in chemistry and Chemical Process Engineering
- ✓ Abundance of highly skilled talent pool
- ✓ Entrepreneurial spirit of Indians
- ✓ Possibility of networking with Indian Scientific Diaspora abroad.
- ✓ Well-formed Legal and Financial frame-work
- ✓ Strong Information Tech base

• Weaknesses

- Inadequate resource base
- Poor R&D efforts
- Inadequate clinical and regulatory network.
- Low profitability of industry due to high competition
- Development as a Commodity player at global level, rather than brand player
- Lack of International marketing efforts

Need to Globalise through WTO Mechanism

- West has to globalise the world especially, the Asian countries, which had 60% of world's population- to create newer markets
- West's own Markets saturated
- Business is war - Globalised business means war between nations, not merely between companies
- In this business war, WTO is a tool and one of the weapons is Intellectual Property Rights regime or Patent Regime

AGREEMENTS UNDER WTO

• **Main Agreements:**

- General Agreement on Trade and Tariff -GATT
- General Agreement on Trade in Services- GATS
- Trade Related Intellectual Properties-TRIPS
- Trade Related Investment Measures-TRIMS
- Agreement on Agriculture
- Agreement on Textiles and Clothing - ATC

• **Associate agreements on:**

- Subsidies and Countervailing measures
- Sanitary and Phyto-sanitary measures
- Safe-Guards
- Anti-Dumping
- Rules of Origin
- Customs Valuation
- Import Licensing procedures
- Pre-shipment Inspection
- Dispute Settlement Mechanism

The weak link

- q **20,000 units with only 1% of them in the Organised sector- the rest are SMEs**
- q **Non-availability of proper data on the unorganised sector - capital employed, product portfolio, market presence, growth strategies etc.**
- q **SMEs lack critical mass to survive in the R&D intensive Pharma industry.**
- q **Banks do not finance SSIs Properly at cost-effective interest rates**
- q **Compliance with GMP standards could be a problem for many SSI units.**
- q **SSIs have little marketing muscle to establish brand equity.**

New Patent Raj

Patent Ordinance 2004

- ∅ **Life** of patent for 20 years
- ∅ **Product-based** patents
- ∅ Exclusive market rights(EMR) for 5 years for patents in any other country
- ∅ **Prices of drugs will increase multifold**,beyond the reach of common man

Patent Act 1970

- ∅ **Life** only 7 years
- ∅ **Process-based** patents
- ∅ Enabled Pharma companies to manufacture and supply medicine at affordable cost

What can Pharma Industry do?

- The opportunity to consolidate the growth of the industry that happened in the last 20 years should not be lost for lack of vision
- Rise of Pharma industry at the global level, like Indian IT industry, is better for the country in all respects
- Strategise for the future with global vision

Strategy for Future of Pharma Industry

Large and SMEs to strategise their growth:

- Compete where they can and collaborate where you cannot win on own strengths
- Principle of Co-opetition- Build Win-Win relationships within the industry
- Establish Industry-Educational Institution alliances, to make R&D cheaper, effective and latest-Use the talents available better
- Make pro-active suggestions to Govt instead of being re-active only to govt policies. You know the business better than IAS officers.
- Lead... and not be led.

Thank You

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