High Growth of the Indian Pharma Market

History

The Indian pharmaceuticals market is the third largest in terms of volume and thirteenth largest in terms of value, as per a report by Equity Master. The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970. The Lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market.

Whilst the multinationals streamed out, Indian companies carved a niche in both the Indian and world markets with their expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken baby steps towards drug innovation, the industry as a whole has been following this business model until the present

Overview

The number of purely Indian pharma companies is fairly low. Indian pharma industry is mainly operated as well as controlled by dominant foreign companies having subsidiaries in India due to availability of cheap labor in India at low cost.

In 2002, over 20,000 registered drug manufacturers in India sold $9 billion worth of formulations and bulk drugs. 85% of these formulations were sold in India while over 60% of the bulk drugs were exported, mostly to the United States and Russia. Most of the players in the market are small-to-medium enterprises; 250 of the largest companies control 70% of the Indian market

Status Quo

India is the largest provider of generic drugs globally with the Indian generics accounting for 20 per cent of global exports in terms of volume. Of late, consolidation has become an important characteristic of the Indian pharmaceutical market as the industry is highly fragmented.

Exports Driven

Exports of pharmaceuticals products from India increased from US$6.23 billion in 2006-07 to US$8.7 billion in 2008-09 a combined annual growth rate of 21.25%.Some of the major pharmaceutical firms include Sun Pharmaceutical, Cadila Healthcare and Piramal Enterprises.

Rank	Country	Value (US$)	Share
1	United States	$3.8 billion	32.9%
2	South Africa	$461.1 million	3.9%
3	Russia	$447.9 million	3.8%
4	United Kingdom	$444.9 million	3.8%
5	Nigeria	$385.4 million	3.3%
6	Kenya	$233.9 million	2%

7	Tanzania	$225.2 million	1.9%
8	Brazil	$212.7 million	1.8%
9	Australia	$182.1 million	1.6%
10	Germany	$178.8 million	1.5%

Indian vaccines are exported to 150 countries. India produces 40-70 per cent of the WHO demand for DPT & BCG and 90 per cent of measles vaccine. Approximately 70 per cent of the patients in developing countries receive Indian medicines through NGOs like The Clinton Foundation, Bill & Melinda Gates Foundation, Doctors Without Borders, the UNCTAD etc.

Presently there are 10,500 manufacturing units and over 3,000 pharma companies in India, growing at an exceptional rate. India has about 1,400 WHO GMP approved manufacturing units. India has been accredited with approximately 1,105 CEPs, more than 950 TGA approvals and 584 sites approved by the USFDA. Globally more than 90 per cent of formulations approvals for Anti-retroviral (ARVs), Anti-tubercular & Anti-malarial (WHO pre-qualified) have been granted to India.Manufacturing costs in India are approximately 35-40 per cent of those in the US due to low installation and manufacturing costs. India ranks amongst the top global generic formulation exporters in volume terms.

Driving Global Growth

The Indian pharma industry, which is expected to grow over 15 per cent per annum between 2015 and 2020, will outperform the global pharma industry, which is set to grow at an annual rate of 5 per cent between the same period! The market is expected to grow to US$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size

The Union Cabinet has given its nod for the amendment of the existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI up to 100 per cent under the automatic route for manufacturing of medical devices subject to certain conditions.

Some major investments include

- ✓ Piramal Enterprises Ltd acquired a portfolio of spasticity and pain management drugs from UK-based specialty biopharmaceutical company Mallinckrodt Pharmaceuticals, in an all-cash deal for Rs1,160 crores (US$ 171 million).

- ✓ Aurobindo Pharma has bought Portugal based Generis Farmaceutica SA, a generic drug company, for EUR 135 million (US$ 144 million).

- ✓ Sun Pharmaceutical Industries Ltd, India's largest drug maker, has entered into an agreement with Switzerland-based Novartis AG, to acquire the latter's branded cancer drug Odomzo for around US$ 175 million.

The Indian pharmaceutical market size is expected to grow to US$ 100 billion by 2025, driven by increasing consumer spending, rapid urbanization, and raising healthcare insurance among others.

Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as such ascardiovascular, anti-diabetes, anti-depressants and anti-cancers that are on the rise.

Sources:

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