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Abbott launched 40 drugs in India in last 2 years

From P1

India harbours an army of companies driving prices down with copies of off-patent drugs. It also has a government imposing wide-ranging price reductions and a legal system with a history of disallowing patent protection. Perturbed, global drug-makers are solidifying on.

Abbott, India's No. 1 since buying Piramal Healthcare for \$3.7 billion in 2010, has launched 40 drugs in India in the last two years and will open a new factory for nutritional products later this year, said Bhasker Iyer, head of its India operations.

Other drugmakers may raise stakes in local units made cheaper by a rupee that has fallen 12 per cent in value over the past year compared with the US dollar, said Aditya Khemka of brokerage Ambit Capital.

AstraZeneca has said it hoped to take full control of AstraZeneca Pharma India, at a cost of more than \$100 million, to give it greater flexibility in India. Khemka

believes Sanofi, which has said emerging markets are important for growth, could well be the next to raise its stake in Sanofi India. A Sanofi spokesman declined to comment.

Even Novartis, whose cancer drug Glivec was refused a patent by the Supreme Court last April, is launching new drugs.

India stunned the industry in 2012 by overriding a valid patent on cancer drug Nexavar from Bayer and issuing a so-called compulsory licence to Natco Pharma, allowing the local firm to sell a copy for a fraction of the price.

The threat of more such licences has since been hanging over the sector like a Sword of Damocles, said Ranjit Shahani, head of Novartis' India unit. Yet, the long-term prospects of the Indian market have not deterred Shahani from launching new patented drugs.

"Based on activities on the ground, multinational companies are actually taking larger bets on India," said Sujay Shetty, pharma-

Market outlook

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centicals leader for PricewaterhouseCoopers in India.

"Of course, there is dissatisfaction — but if you really analyse the problems, many of them are working their way out of the system. From a regulatory shock point of view, pretty much everything the government could do to mess up, it has messed up. So this is the worst you're going to see."

The market's growth fell below 10 per cent last year, largely due to government-imposed price cuts on many basic drugs, while even high-end biotech specialist Roche Holding agreed to voluntary price cuts for some cancer drugs to improve market access.

Pricing pressure was a

factor in researcher IMS Health projecting India will be the world's 11th biggest pharmaceutical market by 2017, from 13th in 2012, rather than eighth by 2016 as forecast less than two years ago.

"Nevertheless, growth should return to double digits in 2014 and stay there for years to come," said Hasit Joshipura, the head of GSK's local subsidiary.

GSK is working within the low-price environment by chasing volume. In some cases, the company charges just 10 per cent of international prices. "On a volume basis, 20 per cent of what I make globally is sold in India, so it is a massive business," said GSK's Connor. Yet that makes up only around 3 per cent of revenue.

The strategy's success depends on an efficient supply chain, in a country where local companies such as Ranbaxy Laboratories have been banned from exporting drugs or drug ingredients to the US because of quality concerns. "You can be ab-

solutely successful in India from a quality and safety perspective," said Connor.

GSK not only makes medicines in the country, but also buys ingredients from local suppliers, which are audited by GSK staff. The US regulator last month called on its Indian counterpart for more collaboration on drug safety.

In the meantime, Indian officials have tightened rules surrounding clinical trials to the extent that local firms Biocron and Lupin have moved studies offshore. Uncertainty over patent security and obstacles to clinical trials are discouraging western companies from conducting drug research in India, though that was not enough to deter Novartis from recently launching patented drugs such as Tasigna and Jakavi for cancer and Galvus for diabetes.

"While we certainly would be cautious in our investments in innovation, we do consider India to be an important market," said Novartis' Shahani. "You have to bet on demographics."

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