

Deal with Novartis to Give Glaxo India a Shot in Arm

As part of swap deal, co to get Novartis' vaccines that will boost its presence here

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GlaxoSmithKline's India operations will benefit from the global business swap deal agreed to by its British parent and Swiss giant Novartis last month, a top executive has told ET. Glaxo will get Novartis' vaccine portfolio, including anti-rabies products such as Rabipur, while transferring its smaller oncology business. The two companies agreed on this swap last month. GSK India's oncology sales were around ₹50-55 crore.

Hasit Joshipura, MD of GSK, said Novartis vaccine products will add muscle to Glaxo's efforts to strengthen its presence in the ₹1,600-crore vaccine market. India has one of the largest numbers of births per year in the world, Joshipura said. "Typically as education and income increase, the obviously one thing Indians will do is spend on their children. It is probably the most exciting vaccine market in world." He estimated that Rabipur alone would be worth about ₹110 crore, according to IMS while the size of the oncology business is estimated at about ₹50 crore.

Glaxo, one of the oldest foreign pharma companies, in the country has recently been hit by price cuts in many of its products. Slowing growth and delays in clinical trials have hampered investment and frustrated many multinational companies. But GSK has gone ahead and announced a new plant in India for about ₹800 crore, its first investment outside the headquarters in the UK in 20 years.

Joshipura says the site has not yet been finalised though the press statement issued by the company in November last year indicated that the lead site is Bangalore. Joshipura said Bangalore is not a done deal though it is the intent. He hinted that Gujarat may be a suitable candidate.

"Location is not guaranteed yet. Bangalore is the intended location. Pharma



POWER DOSE Hasit Joshipura, MD, GSK

plant needs talented labour; Gujarat has a lot of pharma companies manufacturing," he added.

The sale of the oncology business did stump some GSK analysts and industry experts as cancer drugs are perceived to be the future of drug market. Joshipura says it was driven by pragmatism. "Globally, we are the 14th-largest oncology company, so even with the entire visible pipeline that we have, we would have been 10th or something like that. So we have to play to our strengths."

GSK is now expanding its vaccine and respiratory portfolio in India. The private vaccine business in India is estimated to be close to ₹1,600 crore and is growing at around 11%. However, GSK is betting on rising birth rates and income level in the country to make its mark. What is intriguing is the company's optimism towards the Indian market. As global pharma companies lash Indian markets for slow approvals, regulatory confusions and over all slowdown, GSK assures there is nothing to worry.

"We have built a model which is appropriate to this market. We moved manufacturing many years ago to India, then we have pricing which is India-specific,

we got lucky in the early period where we have products specific for India's disease profile," said Joshipura.

This is despite the drug major taking a big hit from the Indian government's pricing policy, which wiped out nearly half of its revenue and profits. It has done away with target-based incentives for its sales representatives and has added a new therapy line of anti-depressants to its existing portfolio.

"We have been selective, we have not carpet bombed. We have not launched 30 products in a year. We have launched where we think we can add value, in areas where we have strengths," explains Joshipura. He further says contrary to the existing opinion about India's slow regulatory process, GSK has received approvals for its buyback in three month's time. The only area where it sees problems are the clinical trial approvals. The company has also strategically stayed away from going for size in the ₹72,000-crore industry. Despite being around in India for 80 years, a late entrant like Abbott has overtaken the company's size in India. GSK says as long as it provides access to its medicines, it doesn't matter how the company is ranked. "I compete with 208 products versus 900 of Abbott, so do I want to be there? I don't think so. We don't think we can operate at 900 products," he says.

Joshipura concludes that GSK's pharma and consumer business combined in India is bigger than its presence in China, which is a validation that despite its restrained growth in the country, it doesn't have any reason to get intimidated by the consolidation in the market. It is sitting with cash of close to ₹1 billion, has a strong range of branded generics and a vaccine portfolio that keeps it away from the mad rush of pharma business in the country.

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