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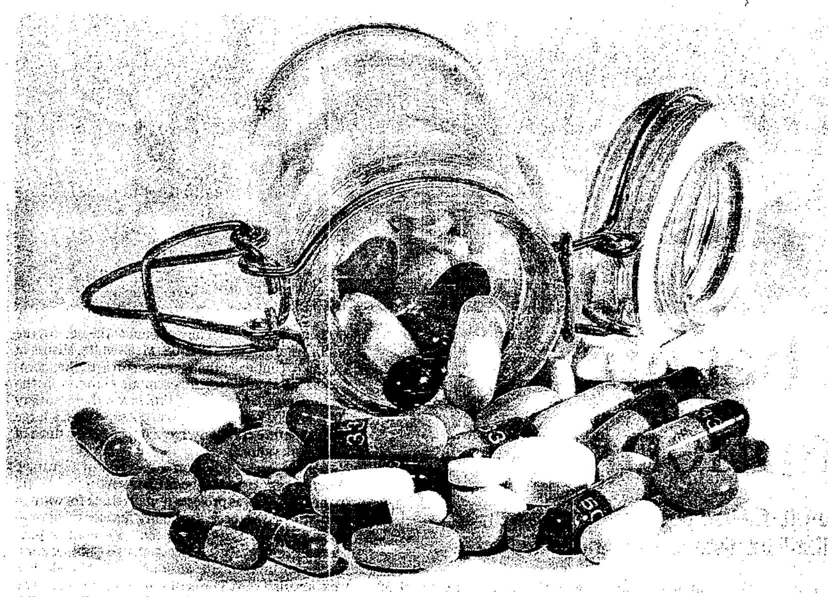
Gujarat pharma SMEs bet on Africa, LatAm for exports

They say developing-country markets yield higher margins, easier to penetrate



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SOHINI DAS
Ahmedabad, 17 December

With an eye on higher margins, Gujarat-based small and medium-sized pharmaceutical manufacturers are focusing on export markets, especially emerging economies such as African and Latin American nations.

While overall exports from pharma SMEs are growing by 12-15 per cent a year, exports to these markets are clocking a compound annual growth rate of 30-35 per cent, say industry insiders.

SMEs based in Gujarat exported pharma products worth ₹400-500 crore in 2011-12. The figure is expected to grow by 15 per cent this year. Of the net exports by SMEs, the share of emerging markets is 50-60 per cent, and it is rising yearly by 30-35 per cent, said a senior official of the Gujarat chapter of the Indian Drug Manufacturers' Association.

Export markets offer better margins than domestic sales, said V Shah of Saga Laboratories, which exports oral dosage forms to countries in Africa, Latin America and the Commonwealth of Independent States. Emerging markets are becoming popular export destinations because they are relatively easier to penetrate.

Mahendra G Patel, managing director, Lincoln Pharmaceuticals, said: "Regulatory documentation work is relatively less in these countries. For small and mid-sized companies which do not have adequate infrastructure to meet the European Union or United States Food and Drugs Administration standards, countries in Africa and Latin America offer good business opportunities. The regulatory authorities are liberal and the organised sector is not well developed."

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While authorities from these countries do conduct site inspections of manufacturing facilities, getting approvals is much easier compared to regulated markets, he said.

The average cost of clinical trials to generate safety-related data required by a particular country for a specific drug is in the range of ₹3-5 crore. This is in addition to the cost of development of the drug, as well as overhead costs.

After tasting success in export markets, Saga Laboratories reduced its focus on domestic sales. "When we had started in 1994, the proportion of domestic sales was 90-95 per cent of our net turnover. Gradually, this share has come down, and exports started rising. At the moment, we are exporting our entire production," Shah explained.

He further added that the domestic market is cost-competitive, and margins are lower. In comparison, while exporters need to make greater investments in plant and machinery to ensure that quality parameters are met, the returns are also higher, he claimed.

Saga Laboratories has already received approval from the Gujarat State Food and Drugs Control Administration to set up a new formulations plant at its Changodar site near Ahmedabad.

Yash Medicare, another Ahmedabad-based firm, which makes generic formulations, and currently supplies countries like Mozambique, Congo, Ghana, Nigeria, Trinidad and Tobago, has registered its products in South East Asian geographies like Vietnam, Sri Lanka and Myanmar recently.

"We are expecting to get our first orders from these new geographies by January-February," said Chirag Doshi, managing director of Yash Medicare.

His company is adding two new lines at its Himmatnagar facility to make pharmaceutical aerosol, a spray-based skin application. "For the new product, we will focus on the export market. We expect this new product range to contribute around ₹1.5 crore towards our turnover. Our turnover is around ₹8.5 crore at present," Doshi explained.

Doshi, who is a senior IDMA official as well, added that there are around 125 units in the state that are World Health Organisation-Good Manufacturing Practices certified.

Industry.