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Pharma rides high

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Government must prise open markets

The Indian pharmaceutical industry can look forward to 2011 with greater optimism than most. This is because it finds itself to be robust both at home and abroad. At home it anticipates healthy demand growth, projected at around 16 per cent. It will be fuelled primarily by rising incomes and private health-care expenditure, which is high in India. To this will hopefully be added higher public health-care expenditure in which India remains a laggard and there is a political consensus to make the Indian story more inclusive. What is more, the Indian industry does not fear import competition as it has a global price advantage which is equalled only by the Chinese in the case of some bulk drugs. It is one industry that does not need protection. A stable and growing domestic market will offer it the best springboard for global assault.

Indian pharma's global thrust is powered by its quality which, combined with its low costs, makes its products about the best value-for-money propositions in the world. The quality is hallmarked by the large number of Indian manufacturing facilities which are approved by some of the most stringent developed country regulators, notably the US Food and Drug Administration (FDA). Bright export prospects walk on two legs. Over the next few years, a large number of best-selling drugs are going to go off patent in the developed countries, offering a golden opportunity for a generics player like India. If the leading Indian players are able to garner even a fraction of the sale of drugs going off patent this year, estimated at $30 billion, then that will be substantial. The other leg is the success that Indian firms have achieved in filing and winning approval for the products which are scheduled to go off patent. They account for a good third of approvals for generics given by the US FDA in the last two years.

To make the best of this situation, the Indian government has to do its bit. It needs to aggressively tailor its trade diplomacy to prise open those markets where Indian pharma exports face non-tariff barriers like the Chinese and Japanese. In the case of China, in particular, this is important as India has not agreed to impose tariff barriers against import of Chinese power equipment despite intensive lobbying by Indian manufacturers. India's pharma story has also been brightened by two recent developments. The new frontier in pharma is biotechnology and India has to replicate there its generics success in conventional chemistry through the launch of approved biosimilars. A big stride has been taken on this front through the deal struck by Biocon with Pfizer which has the potential to go up to $350 million. But Indian firms cannot go on forever copying other people's products and their singular failing till now is the inability to come up with novel drugs. But there is a flicker of hope. After Ranbaxy and Dr Reddy's were unable to live up to earlier expectations, Glenmark has now come up with a likely success through its anti-diarrhoeal product for HIV patients that has cleared phase III trials.