

# Pharma companies are eyeing lucrative biotechnology space

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**L**arge pharmaceutical companies are snapping up niche biotech firms in a bid to diversify their product basket and cash in on emerging opportunities. Biopharmaceuticals are seen as growth drivers in the pharma space, with an expected compound annual growth rate of 10 per cent over the next five years, compared with 4-6 per cent for the whole pharma market.

Biotech drugs, which contribute 12-15 per cent to the \$900-billion global pharma industry, have been growing faster than traditional drugs and represent an attractive opportunity for both branded and generic players.

Patent protection on the first batch of biotech drugs that entered regulated markets in the late 1980s is set to expire. By 2015 biotech drugs worth \$80 billion in global sales are up for grabs, providing a huge opportunity for generic players. Indian companies have made investments in biosimilars and are targeting both semi-regulated and regulated markets.

Indian pharma majors expect to see rising global demand for biosimilar drugs. Biosimilars, which are the generic version of patented biotechnology drugs, are estimated to have a market size of around \$78 billion by 2013, with the market size likely to expand even further as many biopharma products fall off the 'patent cliff' by 2014.

Hoping to cash in on the upcoming opportunity, some global pharma majors are entering into strategic alliances with domestic biotech companies to develop and market their biosimilar drugs worldwide. Recently, pharma major, Pfizer entered into an agreement with Biocon to commercialise globally the latter's four biosimilar products in the insulin segment like recombinant human insulin, glargine, aspart and lispro.

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**Kiran Mazumdar-Shaw**  
CMD, Biocon

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**Vijay Chandru**  
President, Association of  
Biotechnology-Led  
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COO, Biocon

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have a long-gestation period for development, the inorganic route is one of the options before them," said Arun Chandavarkar, chief operating officer at Biocon.

Added Vijay Chandru, president, Association of Biotechnology-Led Enterprises (ABLE): "There is a gradual tilt towards biological therapeutics over small molecule therapeutics in last 10 years. Last year alone, of the 18 new molecules approved by the regulator, 10 are from the biologics space. So, it's natural that pure-play pharma companies would like to have some biologics in their portfolio."

Recently, Bangalore-based Strides Arcolab entered into an agreement to buy 70 per cent stake in Inbiopro. Strides will invest around ₹65 crore in the form of growth capital to develop and commercialise eight products of the acquired entity.

Talking about the rationale behind the purchase, the company said it would give immediate access to a pipeline

of eight products with estimated global sales of over \$28 billion, commercialisation of which is expected from 2013 onwards. "Given our growth plans in the sterile space, this acquisition enhances our specialty portfolio in the complex biopharmaceutical industry," said Arun Kumar, vice-chairman & CEO of Strides Arcolab.

The acquisition gives Strides a three-year head start in the biosimilar segment, which is characterised by specialised expertise in recombinant DNA technology and manufacturing process development within stringent and well-defined regulatory guidelines. This results in long gestation periods for product development.

Not only are pharma companies looking at the acquisition route to gain biotechnology products in their portfolio, but there is also a shakeout taking place in the agri-biotechnology space. Recently, Rallis India, a subsidiary of Tata Chem-

icals, acquired a majority 53.5 per cent stake in Metahelix Life Sciences for 99.5 crore.

"There is an emerging trend in the agri-biotech space to have biotech products as part of the portfolio and we expect this trend to continue in the future," said K K Narayanan, managing director at Metahelix Lifesciences. He also said future scientific innovations would be driven by biotech products.

However, pharma companies must also tread this path carefully. Said Sushant Dalmia, analyst-pharmaceutical at PINC Research: "Unlike traditional drugs, biotech drugs are complex. Hence, it is difficult to establish comparability between generics and innovator drugs. This has posed regulatory hurdles for approval of biosimilars drugs. Once clarity emerges on the regulatory front, especially in the US, biosimilar drugs would provide a huge potential for Indian companies, given the high