

Global drug makers making strong comeback in India

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Armed with a product patent regime and a string of large acquisitions, multinational drug companies are making a strong comeback in India.

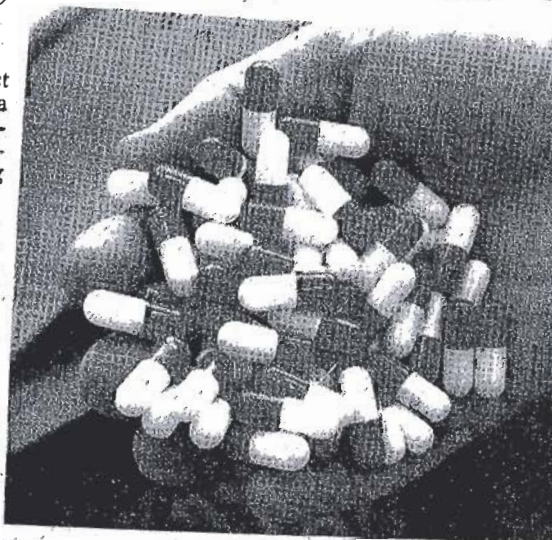
Ten multinational companies (MNCs) — Daiichi Sankyo-controlled Ranbaxy, Glaxo-SmithKline (GSK), Abbott which owns Piramal's domestic formulation business, Pfizer, Abbott and Solvay combine, sanofi-aventis, Novartis, Merck & Co, MSD and AstraZeneca — accounted for 25.4 per cent, or ₹11,840 crore, of the ₹47,690-crore domestic pharmaceutical market in 2010 calendar year, according to IMS India.

Five years back, their share was less than 15 per cent. Industry experts predict their share should exceed 35 per cent by 2015, like before 1971.

India's decision to adopt a process patent regime in 1971 catapulted the growth of domestic pharmaceutical companies. The regime legalised copying of original drugs invented by big pharma and this allowed domestic companies, like Ranbaxy and Dr Reddy's, to develop cheaper versions of patented drugs. To comply with World Trade Organisation norms, India decided to enforce a product patent regime in 2005, which banned copying and selling of patented drugs launched after 1995.

"Now, the MNCs are willing to pay attractive money for suitable targets and this will trigger more acquisitions in the domestic market. That will create a situation by which the multinational drug majors will dominate the Indian drug market within a few years from now," said Ranjit Kapadia, vice-president, equity research of HDFC Securities.

His prediction may soon become a reality, considering the growth of big pharma companies in India. Most are growing above the average industry



PHARMA MNCs IN INDIA

TOP-5 DRUG BRANDS IN DOMESTIC MARKET

| Rank | Company | Brand | Sales (₹ cr) | Growth (%) |
|------|------------|------------|--------------|------------|
| 1 | Pfizer | Corex | 205 | 11.7 |
| 2 | Abbott | Huminsulin | 184 | 37.8 |
| 3 | Novartis | Voveran | 182 | 6.4 |
| 4 | Abbott | Phensedyl | 173 | 8.5 |
| 5 | GSK Pharma | Augmentin | 171 | 23.4 |

(Data IMS India (Jan-Dec 2010))

MAJOR ACQUISITIONS BY BIG PHARMA IN INDIA

| Year | Acquirer | Target | Price |
|------|-------------------|------------------------------|--------------------------------------|
| 2007 | Mylan | Matrix | \$736 million |
| 2008 | Fresenius Kabi | Dabur Pharma | \$342.6 billion |
| 2008 | Daiichi-Sankyo | Ranbaxy | \$4.6 billion |
| 2009 | Sanofi Aventis | Shantha Biotech | \$786 million |
| 2009 | Hospira | Orchid's injectable business | \$400 million |
| 2010 | Abbott | Piramal health | \$3.7 billion (formulation business) |
| 2011 | Reckitt Benckiser | Paras Pharma | \$724 million |

while sanofi-aventis grew 20.4 per cent. Pfizer, Merck & Co and Novartis grew 20.7 per cent, 20 per cent and 17.7 per cent, respectively.

"The growth of multinational drug companies in India is good for the country, since that will help Indian patients quickly access the latest effective quality

to even rural villages. The propaganda on dominance of multinational drug makers may cause drugs unaffordable to many is wrong, since prices of majority of essential drugs in India are regulated by the government and competition determines prices of unregulated drugs," said Mehernosh Kapa-

the Indian pharmaceutical market to grow to \$55 billion by 2020 from \$12.6 billion in 2009.

Last year, not a single brand of home-grown companies could make to the list of top-selling drug brands in the domestic market. With sales of ₹205 crore and growth of 11.7 per cent, Pfizer's cough and cold drug Corex was the largest-selling drug brand in 2010. It was followed by Abbott's insulin brand Huminsulin. It reported sales of ₹184 crore and growth of 37.8 per cent. Novartis' pain killer Voveran stood third, with sales of ₹182 crore and growth of 6.4 per cent. Abbott-owned cough and cold drug Phensedyl (formerly with Piramal Healthcare) was ranked fourth, with ₹173-crore sales (-8.5 per cent growth), followed by GSK's bacterial infection drug Augmentin (sales of ₹171 crore and growth of 23.4 per cent).

"Abbott estimates the growth of its Indian pharmaceutical business will exceed the broader 12-16 per cent growth and expects its pharmaceutical sales in India to exceed \$2.5 billion by 2020," Mike Warmuth, senior vice-president of established products at Abbott, had said in a recent interaction. Abbott had sales of less than \$250 million in India till the Piramal acquisition a year ago, but now, the US-based multinational is the largest player in India's domestic market.

"We hope to maintain the same level of about 15 per cent growth organically during 2011," said Kapadia of GSK.

The financial health of most multinational drug companies operating in India is robust and most are debt free. This will be handy for them to buy brands and companies in near future to boost business in India, without relying on the purse of their overseas parents, noted Ranjit Kapadia.

For example, GSK Pharmaceuticals is sitting on a cash pile of ₹1,900 crore and same is the case with the Indian arms