

# INDIAN STAPLE MAKES SENSE HERE, FIND DRUG MNCs

*Branded generics route makes sense, they find, even as they invest in marketing reach*

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Foreign drug companies, expected to stage a comeback in the domestic pharmaceutical business with high-priced innovative medicines, are finding the staple business of local generic drug counterparts more attractive in Indian conditions.

Almost all of them, whether names such as Pfizer, Novartis, GlaxoSmithKline or others, are looking for a share in the home-grown generics' business model — the revenues from sale of low-priced branded generics.

Branded generics are medicines equally effective as the original patented molecules but made through different routes and sold at a much lower cost, under various names.

The Indian model for foreign drug majors is expected to continue for a long time, as experts predict the share of patented medicines to remain abysmally low at two-three per cent in the foreseeable future.

"Patented products form a small portion of the Indian market and even by 2020, will be less than one per cent. Branded generics constitute more than 90 per cent of the Indian pharmaceutical market. We are expanding our branded generics portfolio to therapies relevant to India," said Pfizer India's managing director, Kewal Handa. Pfizer had launched eight branded generic drugs during the past year, he added.

## Size spells opportunity

Emerging markets are expected to achieve a size of \$400 billion by 2020, with the Indian market expected to grow to a size of \$40 bn (₹1.8 lakh crore) by then, an Icria analysis says.

The projection explains the rationale behind the acquisition of Piramal Healthcare's branded generic business by US drug company Abbott, for \$3.7 bn, early this year. It also tells why Japanese drug maker Daiichi Sankyo was eager to acquire

said branded generics would continue to dominate the Indian market and would account for over 90 per cent of domestic drug business even in 2020. Novartis, a long-term player in the domestic drug business as compared to majors such as Daiichi Sankyo or US-based Merck, have been introducing several branded generic products in recent years, he said.

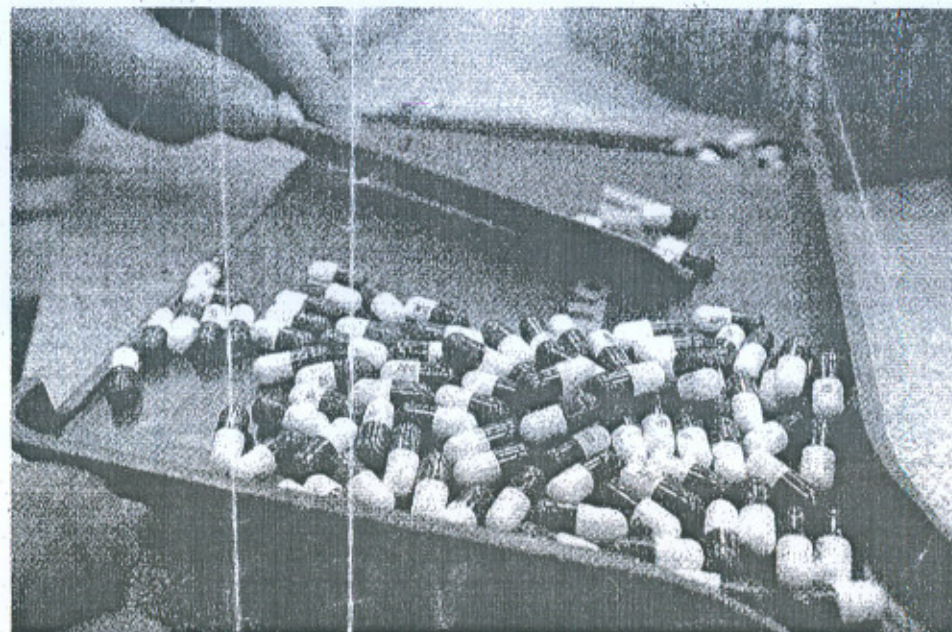
## One of two legs

However, the branded generic focus

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does not mean a reversal of their global strategy. According to the Icria analysis, most of these companies have a two-pronged strategy for India: To target the mass market via product localisation and India-specific pricing, and launch globally patented products in niche segments at a premium. "GlaxoSmithKline, for instance, has launched branded generics like Benitec

A (Olmesartan, in combination with Amlodipine) in the cardiology segment, Meropenem in the antibiotic segment, and Calamine lotion in dermatology. Similarly, Pfizer has come out with 'branded value offerings' (branded generics) like Telmisartan and Rabepazole in the therapeutic segments of cardiovascular management and gastrointestinal, respectively," the study says.



Sujay Shetty of global consultancy firm PricewaterhouseCoopers agrees. "Except for a few companies like Roche, that specialises in a few areas, all other foreign multinationals are looking at India's branded generics market. Branded generics consist of 98 per cent of the current portfolio of drugs sold here. There will be no change in this composition for the next 10 years," he said. He also said all multinational firms operating in the country were strength-

ening their marketing, to spread wide and deep here.

"Leading companies such as GSK, Pfizer and Abbott have invested significantly in expanding their field force to widen the reach of both their current products and the ones in their pipeline. Pfizer added 500 people to its field force in 2009, while Merck Ltd had added 450 in 2008. Some pharma MNCs have also outsourced their sales and marketing function in remote rural areas to third parties,

given that it is not cost-effective for them to have their own field force in such locations," Icria said.

The experts also feel it is too early to predict that the increased presence of foreign drug firms in the same business spectrum is hurting Indian players.

"The market has huge potential. Many parts of semi-urban and rural areas of the country are still left out. There is enough space for all players," Shetty said.