

INDIAN PHARMACEUTICAL MARKET IN A NEW PARADIGM

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- ❖ Pharmaceutical Industry – a snapshot
- ❖ Policy and Regulatory Framework
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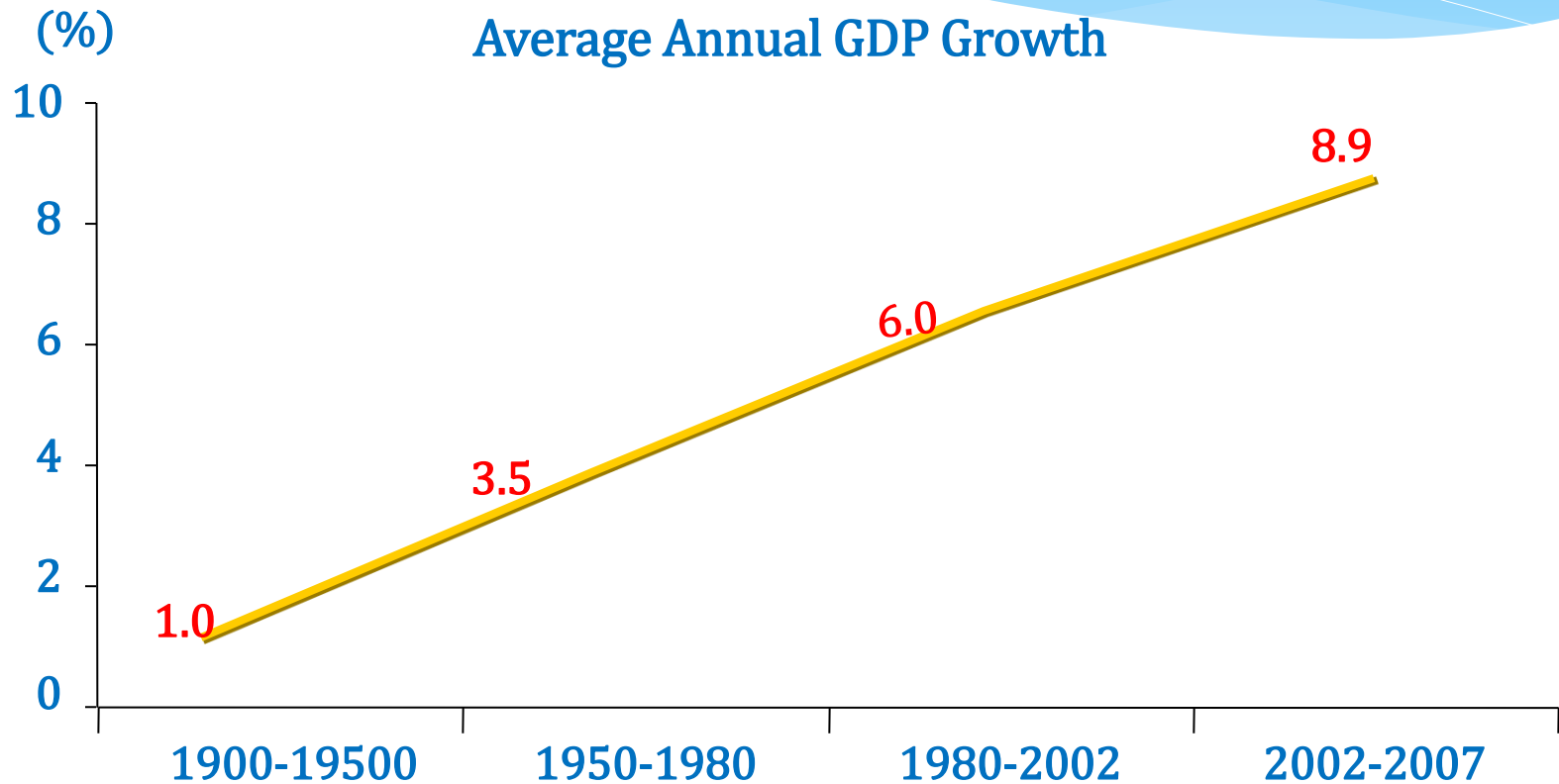


India Today



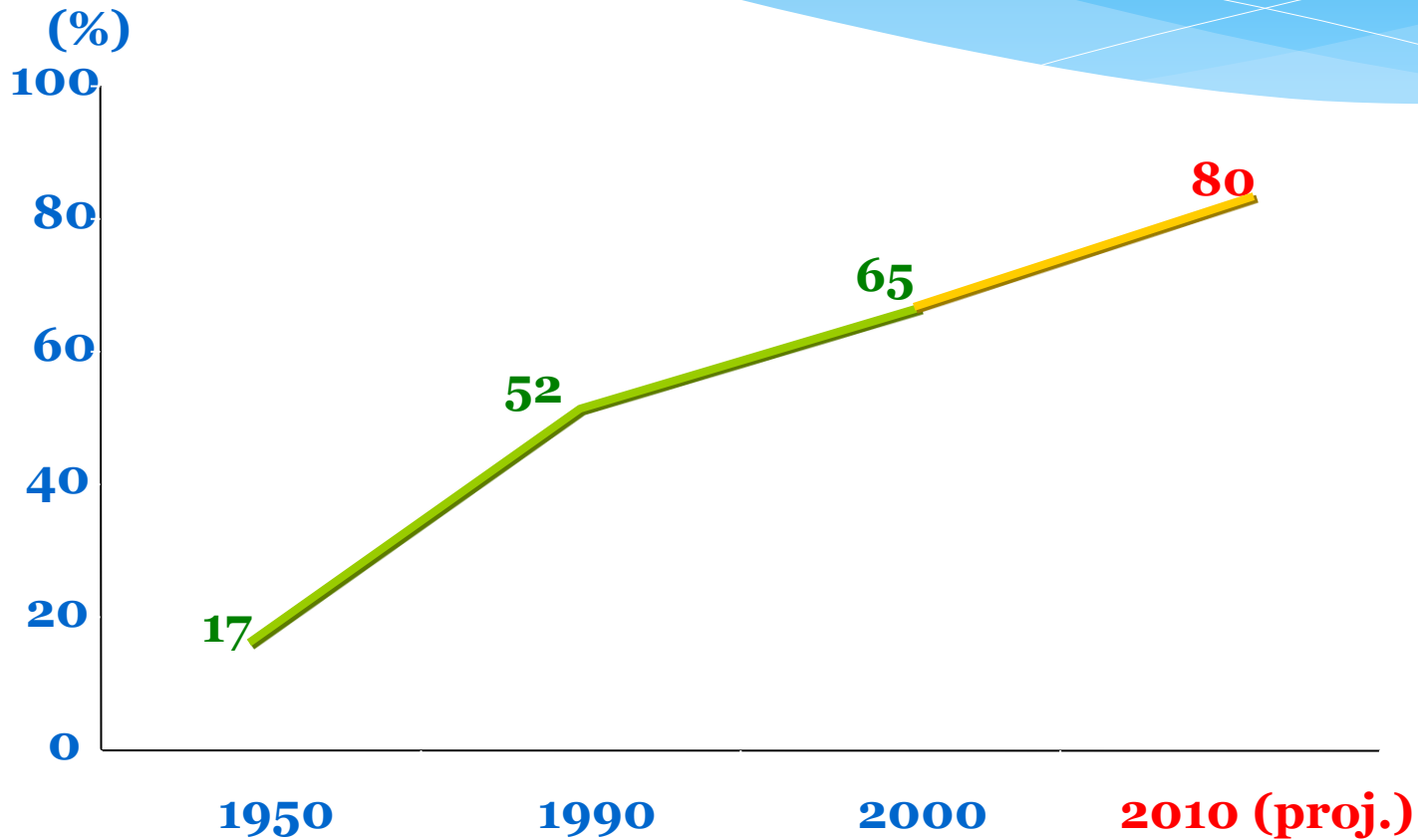
28 Years of High Growth

India is the 4th
Largest economy
Average Gr. Rate
8.56% during
2004-2009



Literacy is Rising

India is the
4th Largest
economy

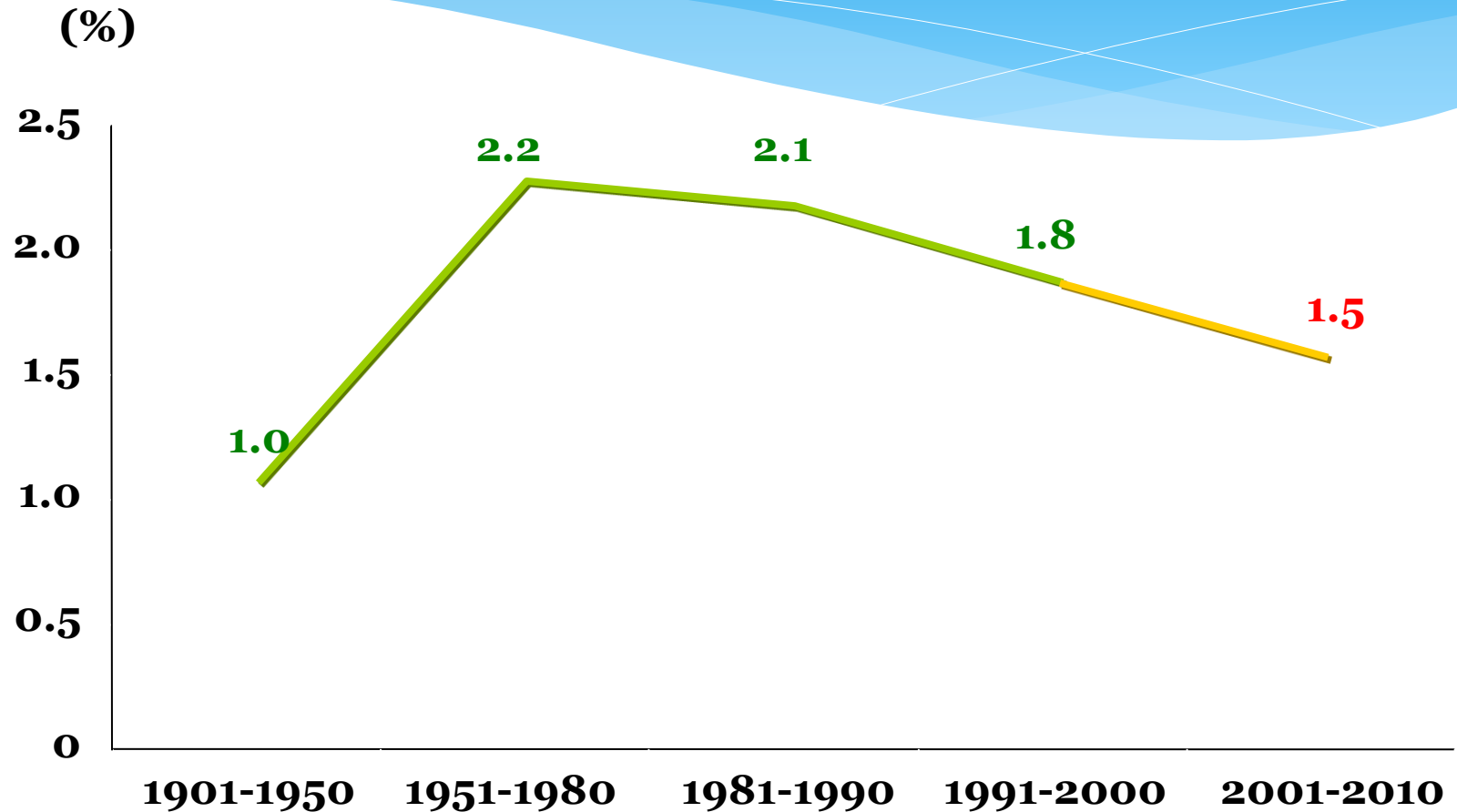


Source: Census of India (2001)



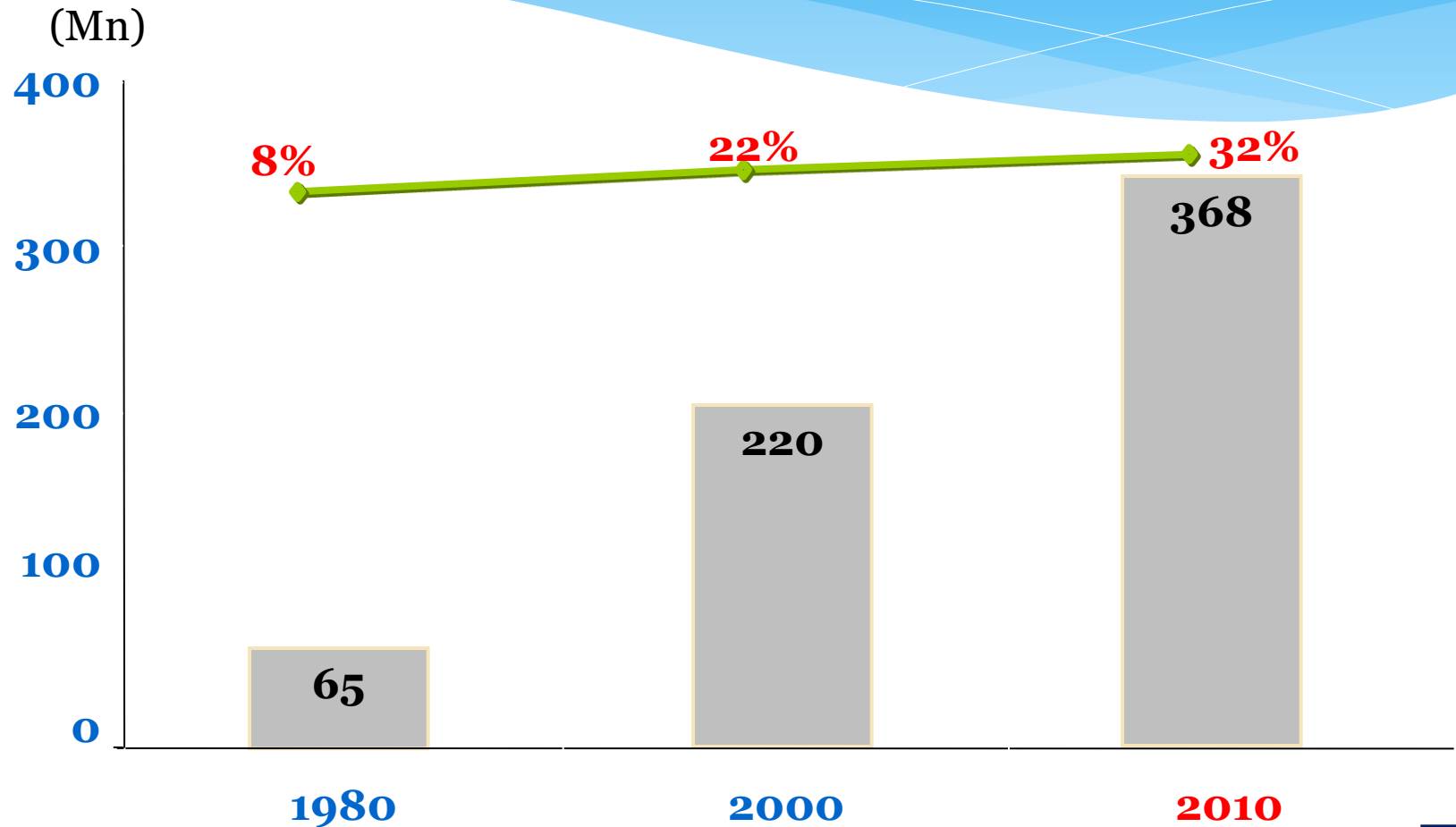
Population Growth is Slowing Down

India is the 2nd Largest population



Middle Class : Growing

India is the
Largest
consumer base

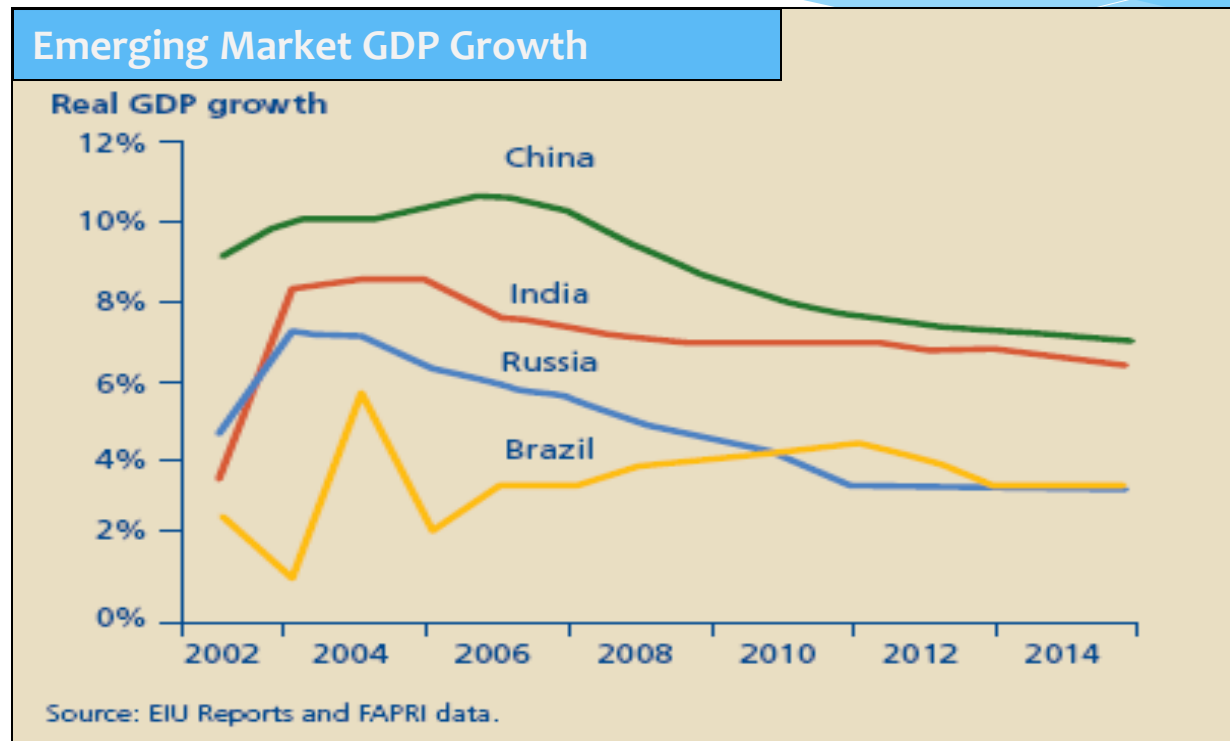


Source: The Consuming Class, National Council of Applied Economic Research, 2002



India : GDP Growth

India will
overtake Japan
by 2014



Deloitte : Pharmaceutical Market Entry in India

India growing by 6% + despite the current global recession
Indian growth story is still intact



Key Reforms

India : Growth
Trajectory

- ❖ Globalization of economy
- ❖ Dismantling 'license' regime
- ❖ Lowering tariffs / taxes
- ❖ Breaking public sector monopolies
- ❖ Indigenous R&D
- ❖ New IPR Regime
- ❖ Goods and Services Tax (GST)*
- ❖ Direct Tax Code (DTC)*

* Yet to be implemented



Healthcare Environment and Pharmaceutical Industry

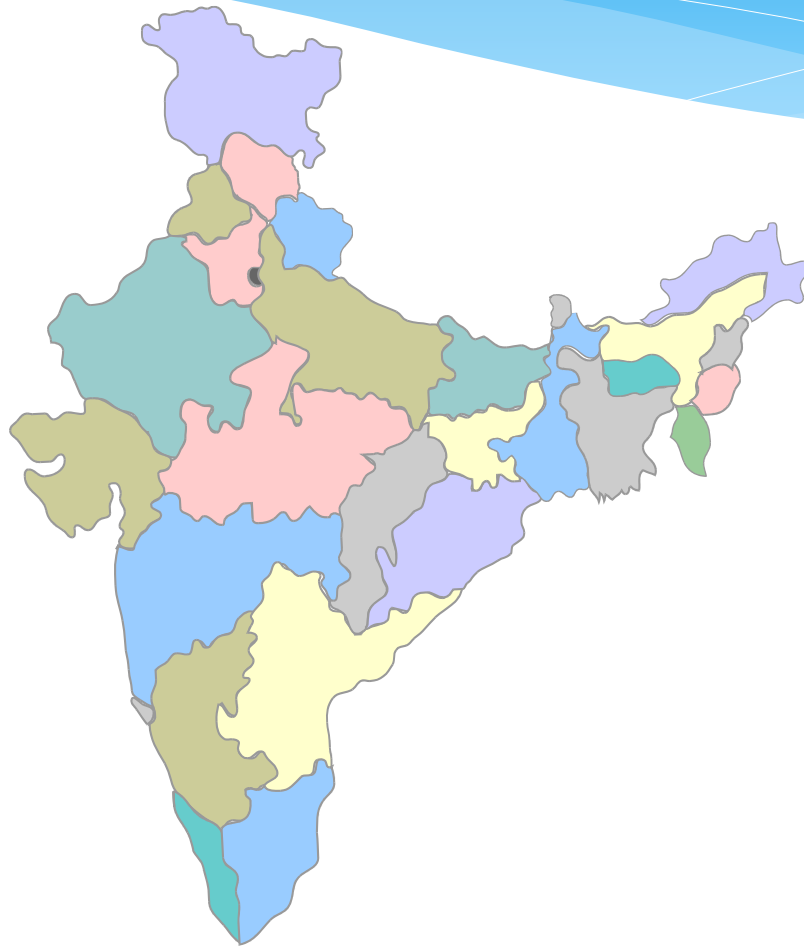


India is Changing Fast

Setting pace for
growth and
stability

YESTERDAY

- Slow rate of growth
- Bureaucratic
- Protected
- Small markets
- Under-developed infrastructure
- No Product Patent



TODAY

- One of the fastest growing world economies
- Less impacted by financial meltdown
- Significant outsourcing opportunities
- Fast growing markets
- Significant investment in infrastructure creation for industry
- Product patent regime / R&D



Government : Changing Role

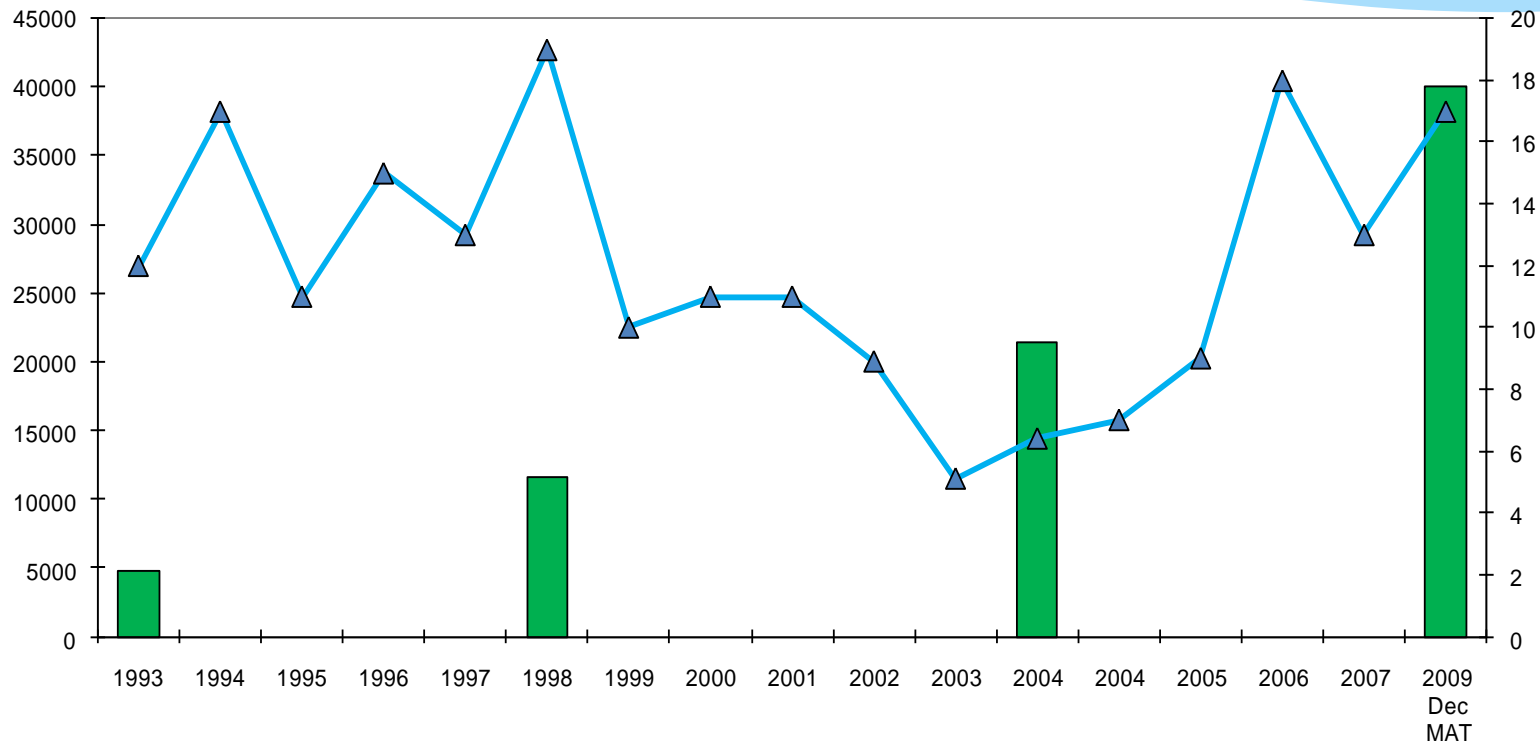
From Healthcare Provider to Healthcare Facilitator

	2002	2012
Private Healthcare Spending (U.S.\$ Bn.)	14.8	33.6

Source: India Trade Promotion Organization (ITPO)



Indian Pharmaceutical Industry is doubling every 6 Years



Total retail market size: US \$ 11.5 Bn; >23,000 companies; >60,000 Brands



Indian Pharmaceutical Market is Different

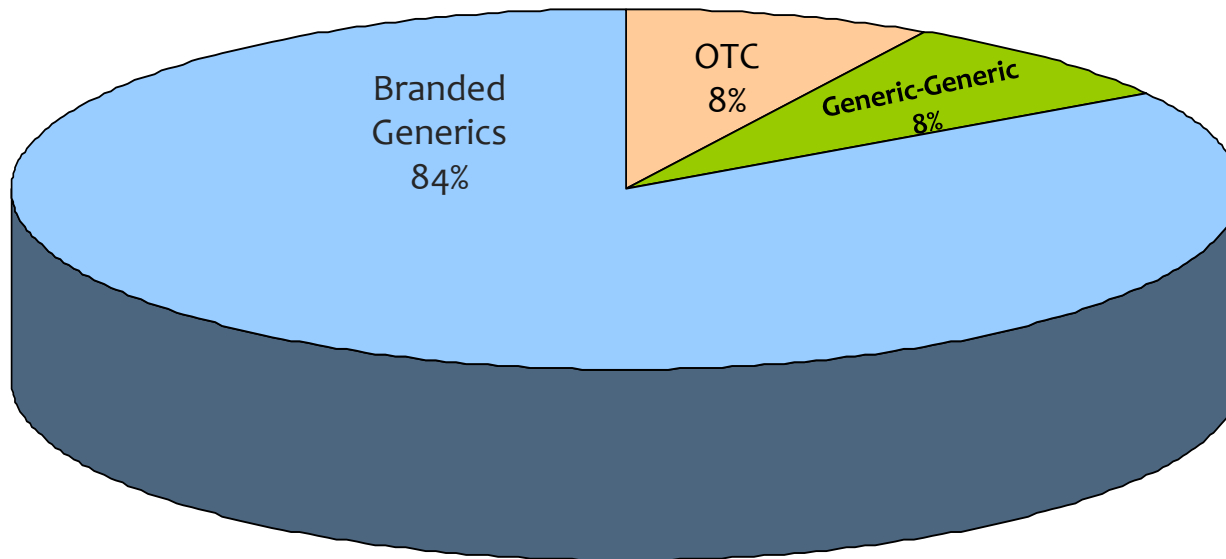
No reimbursements
(>75% spending is
private)
Mainly branded
generics market

- ❖ Highly fragmented
- ❖ Top 50 companies contribute to 85%
- ❖ Retails Sales (91%) and Institutional Sales (9%)
- ❖ 5.5 Million Pharmacies
- ❖ Acute therapies (74%) dominate over Chronic Therapies (26%)
- ❖ Combination Drug Market (62% of new introductions in 2010)



Key Market Types

Market Size US\$ 11.5 Bn.



Source : IMS



Indian Pharmaceutical Market

Top 10 Companies

Top 10
Companies
contribute to 42%

Rank	Company	Sales (US \$ Mn.)	M.S. %	% Growth
	Industry	11466	100	17.5
1	Abbott (combined)	708	6.17	13.2
2	Cipla	650	5.67	24
3	Ranbaxy	545	4.75	14.6
4	GSK	539	4.71	13.4
5	Sun Pharma	507	4.43	23.5
6	Zydus Cadila	442	3.86	13.1
7	Alkem	370	3.31	20.9
8	Lupin	373	3.26	24.5
9	Mankind	361	3.15	29.7
10	Pfizer + Wyeth	340	2.97	22.3



Indian Pharmaceutical Market

Top 10 Products

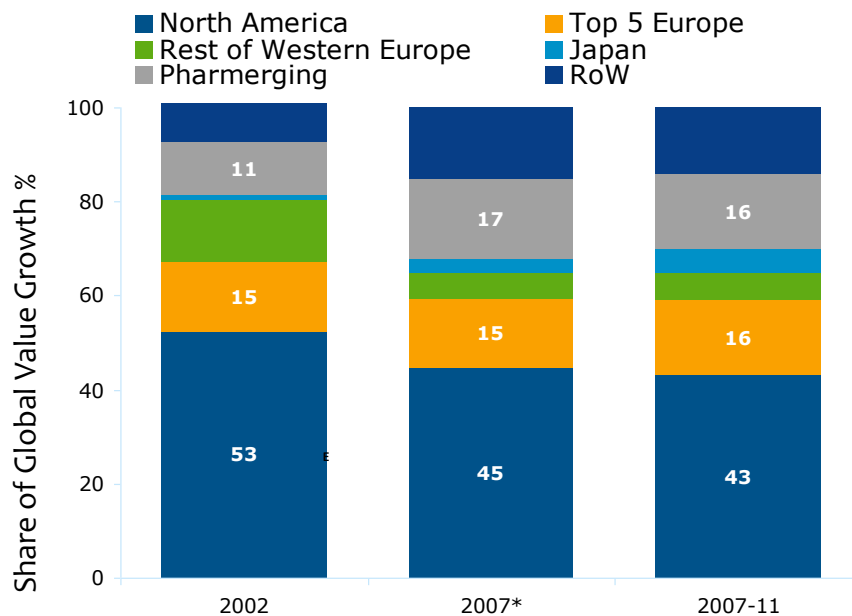
Top 300 brands = 33%,
Top 10 brands = 3.68%

Rank	Products	TG	Company	Value (\$ Mn)	% GR
1	Corex	Cough Preparation	Pfizer	46.37	24.3
2	Phensedyl	Cough Preparation	Piramal Healthcare	44.781	10.8
3	Voveran	NSAID	Novartis	39.29	15.1
4	Augmentin	Amoxy+Clav	GSK	36.44	33.9
5	Human Mixtard 30/70	Insulin	Abbott	36.39	30.9
6	Revital	Nutritional	Ranbaxy	34.88	42.4
7	Dexorange	Haematinic	Franco Indian	32.39	25.7
8	Zifi	Cephalosporin	FDC	32.01	25.1
9	Monocef	Cephalosporin	Aristo	31.82	29.2
10	Becosule	Nutritional	Pfizer	31.50	29.3



Contribution of Emerging Markets will be as much as top 5 Europe by 2011

Contribution to Global Growth (US\$)



Mature Markets CAGR 2007-11

USA	4-7%
Canada	6-9%
Japan	2-5%
Germany	3-6%
France	2-5%
Italy	3-6%
UK	4-7%
Spain	5-8%

Emerging Markets CAGR 2007-11

China	13-16%
Korea	8-11%
Brazil	9-12%
Russia	17-20%
Mexico	6-9%
India	11-14%
Turkey	9-12%

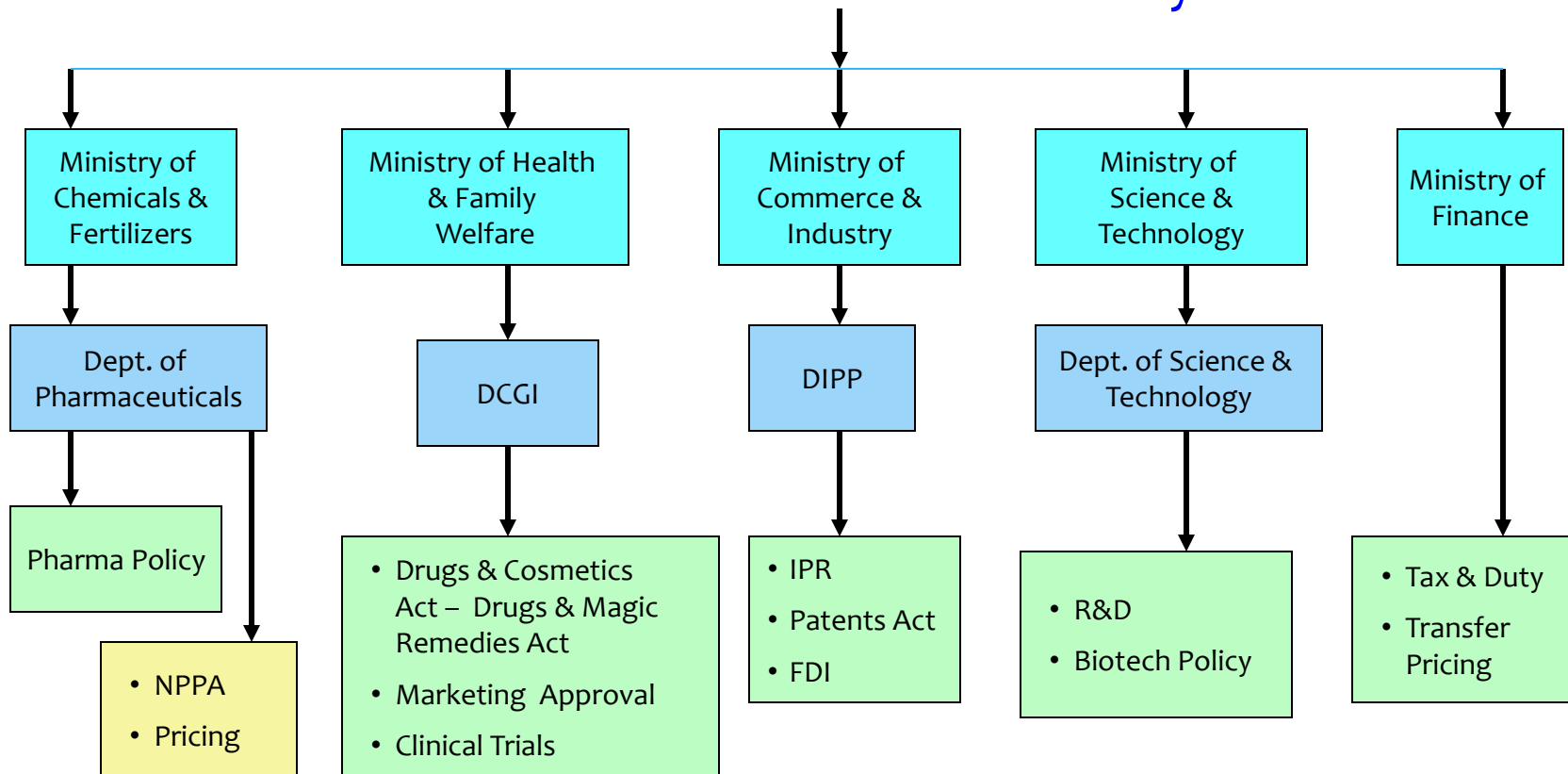


Policy and Regulatory Framework



Regulatory Structure

Pharma & Biotech Industry



Key Growth Catalysts and Trends



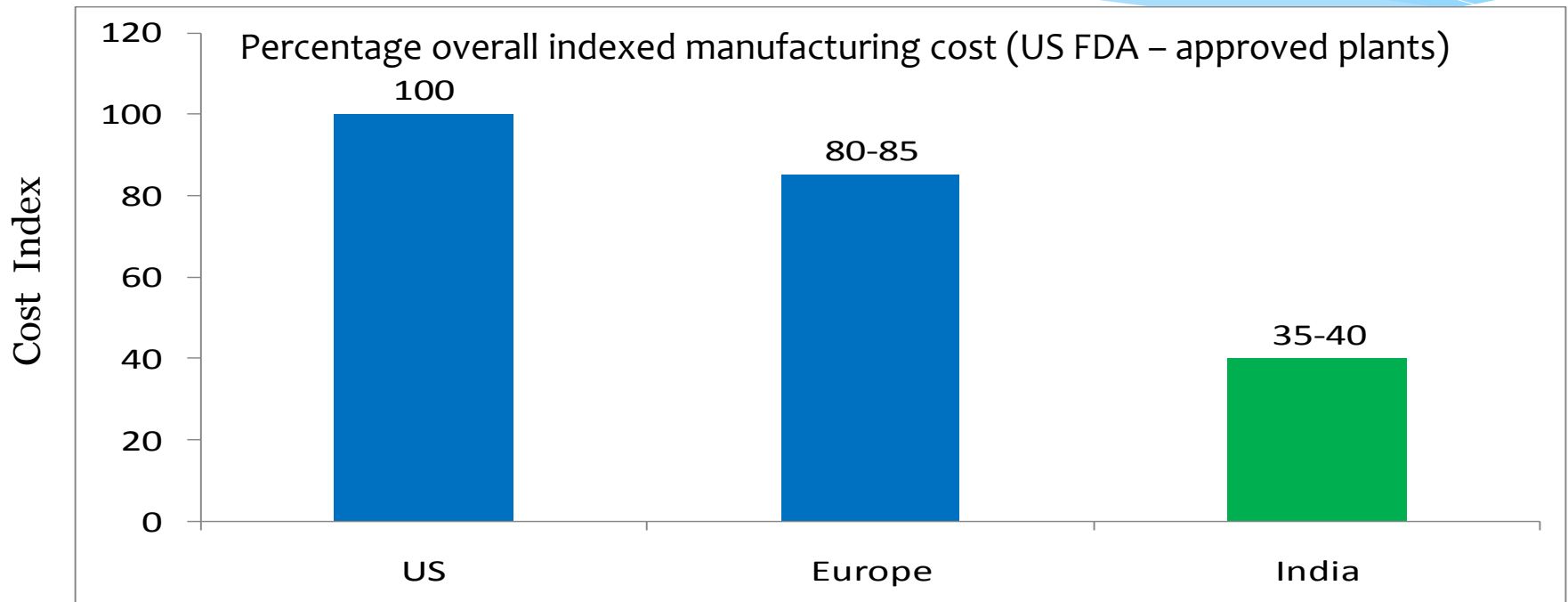
Changing Growth Fundamentals

- ❖ Estimated US\$ 69.7 Bn. to be invested by private sector in healthcare infrastructure by 2012
- ❖ Number of patients visiting Indian hospitals is expected to rise by 30 per cent to 22 Million by 2015
- ❖ Increasing purchasing potential of the middle class to drive consumption of healthcare services
- ❖ Public Healthcare Initiatives NRHM, NUHM
- ❖ Increasing Penetration of Medical Insurance



Cost Arbitrage

India rates higher on cost efficiency as compared to other countries

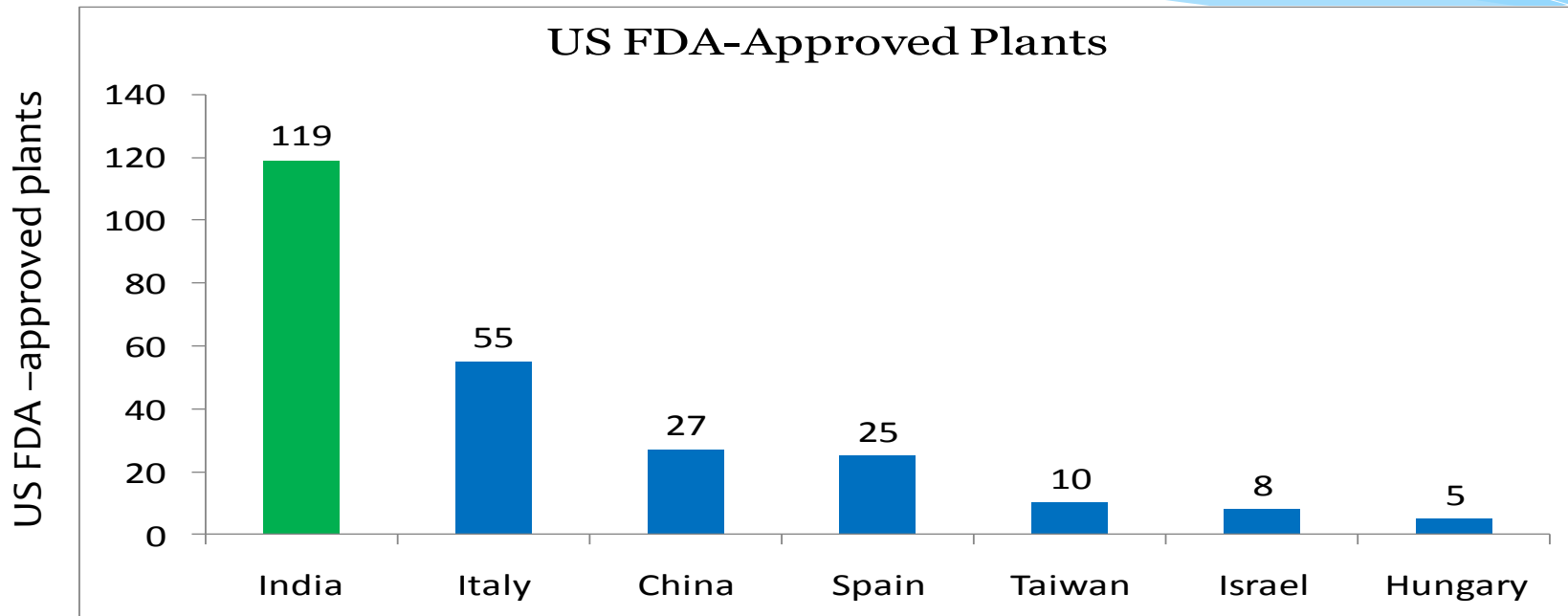


- Over 8,000 manufacturers drives down costs
- Costs of US FDA plants in India are 65 per cent lower than the US and 50 per cent lower than that in Europe.



Technical Capability

Platform for CRAM
Business



- ❖ 119 USFDA and 84 UK MHRA approved plants.
- ❖ Many plants approved by Canada, Australia, Germany and South Africa.

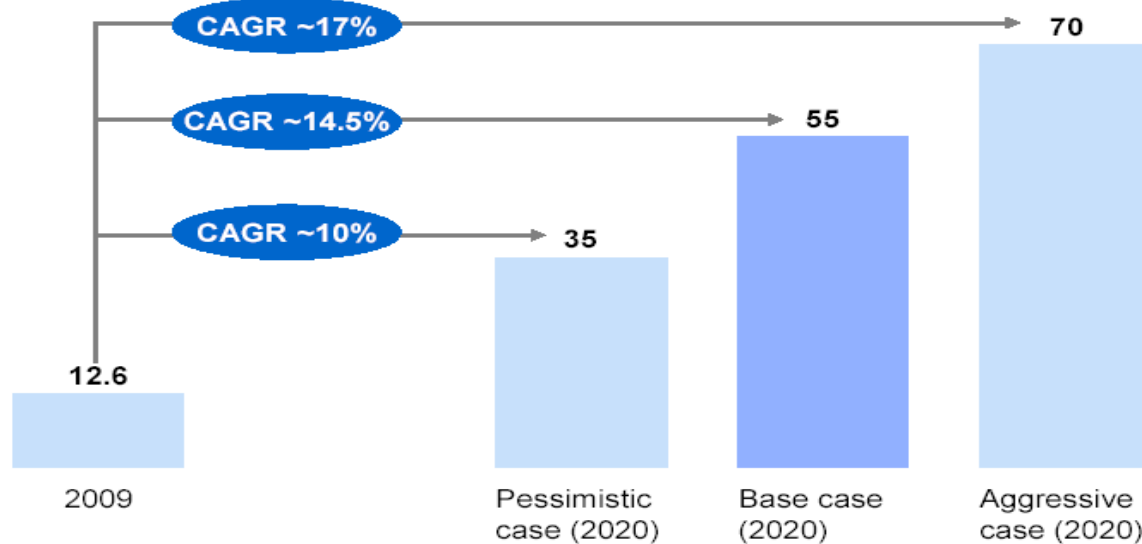
Source: United Kingdom's Medicines and Healthcare products Regulatory Agency



Key Indicators for Attractiveness

Indian pharma market will grow to USD 55 billion by 2020

Projected size of Indian pharma market
USD billion

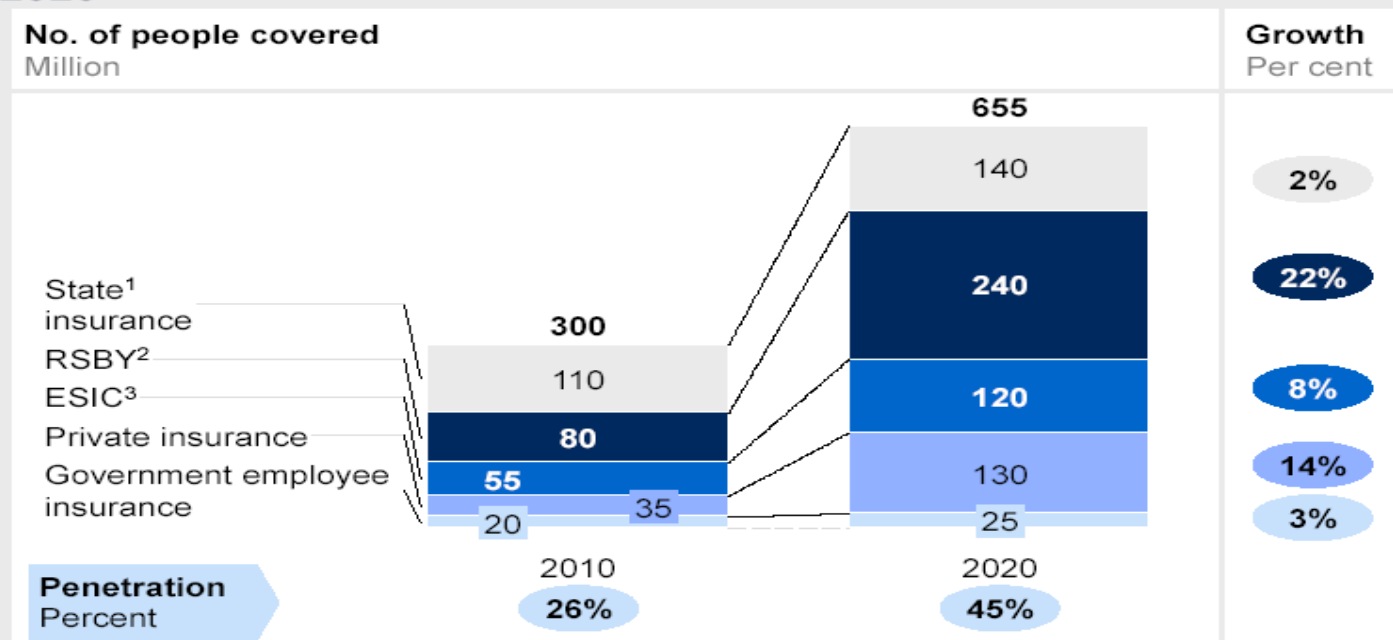


SOURCE: McKinsey analysis; secondary research



Key Indicators for Attractiveness

Health insurance penetration to increase to ~45% of population by 2020



¹ State insurance; consists of Andhra Pradesh's AarogyaSri, Tamilnadu's Kalaingar, Karnataka's Yeshasvini

² Rashtriya Swasthya Bima Yojana

³ Employees' State Insurance Corporation

SOURCE: Employee State Insurance Corporation; Rashtriya Swasthya Bima Yojana website; secondary search; McKinsey analysis

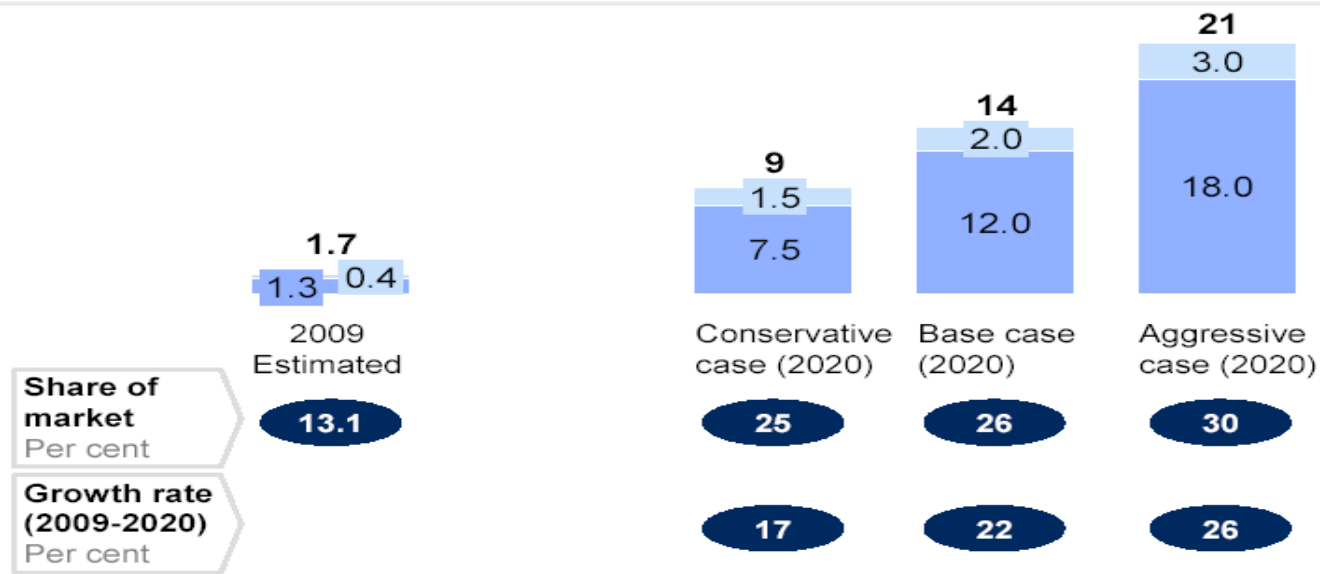


Key Indicators for Attractiveness

Hospital market will grow to ~USD 14 billion by 2020

Public
Private

Projected size of hospitals market USD billion

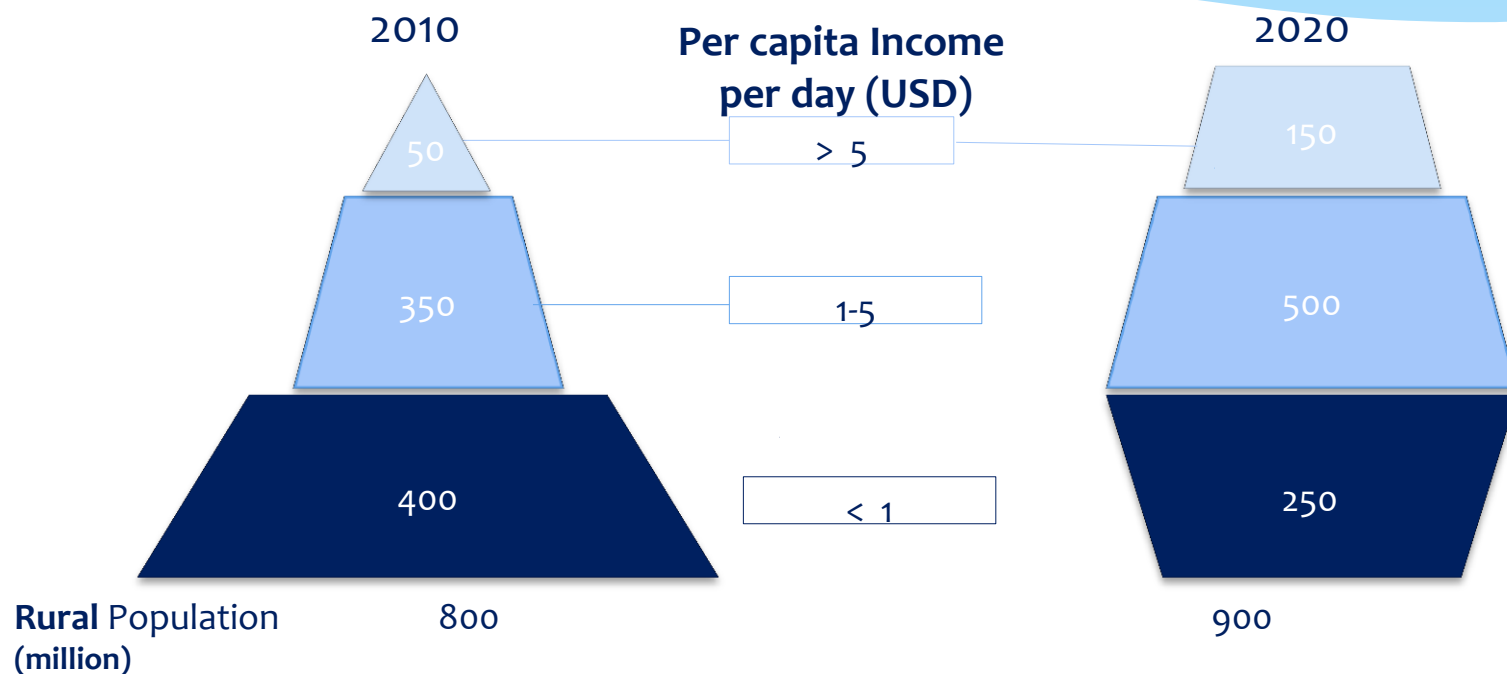


SOURCE: Organization of Pharmaceutical Producers of India; Reserve Bank of India state finances; McKinsey analysis; secondary research



Key Indicators for Attractiveness

Rural Income



Source : Bird of Gold, MGI & MART Knowledge Centre



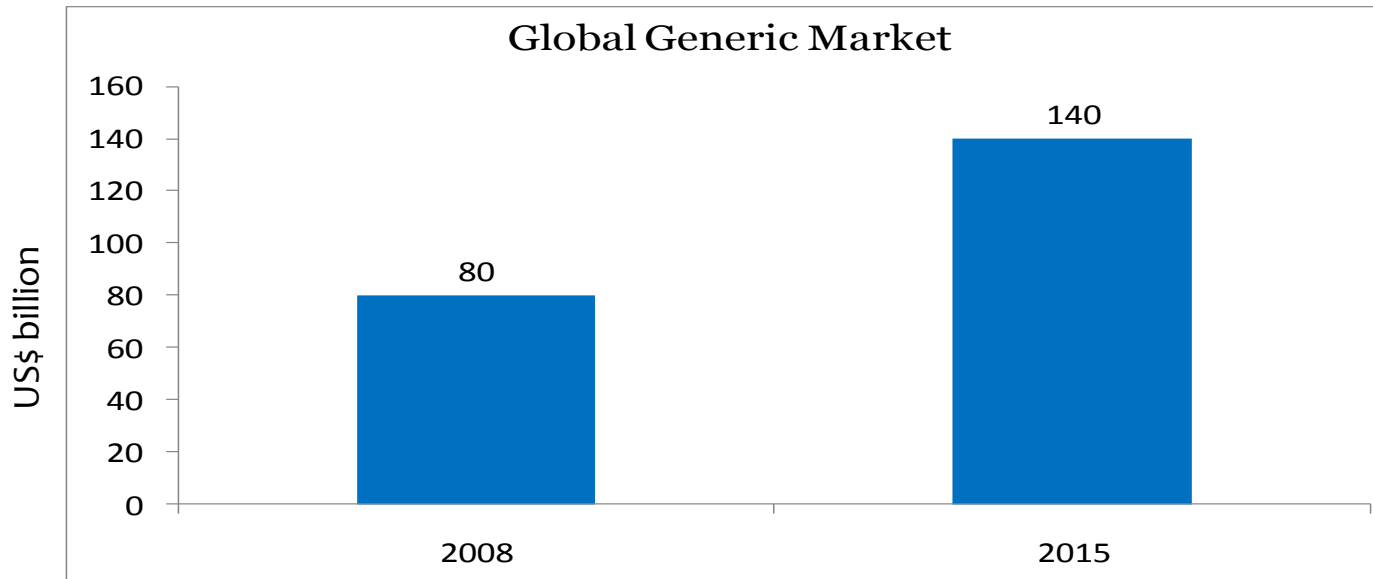
Government Support

Objective	Key Initiatives Undertaken
Promote Indian drug discovery platforms	A multi-billion initiatives with 50% PPP model to catapult India into one of the top five pharma innovation hubs by 2020
Collaboration between industry, academia and the Government	<ul style="list-style-type: none">❖ New Millennium Indian Technology Leadership (NMITLI)❖ Drugs and Pharmaceuticals Research Program ((DPRP)
Focus on specialized pharmaceutical education	<p>Seven National Institute of Pharmaceutical Education and Research (NIPERs) as centers of excellence in Pharmaceutical:</p> <ul style="list-style-type: none">❖ Sciences and Technologies❖ Education and Training



Growing Global Demand for Generics

- ❖ Global generics to grow to about US\$ 140 billion by 2015.
- ❖ Healthcare reforms, cost-saving initiatives, along with US\$ 150 billion worth of brands going off-patent in next 5 years, would drive this growth.



India Advantage



⁽¹⁾ Over 50% of shortages expected from English-speaking countries

Note: Pakistan, Bangladesh and Vietnam have not been represented for lack of reliable data on productivity and cost of service employees

Source: World Competitiveness Yearbook 2001; Britannica Yearbook; Literature search; BCG analysis



R&D

- Indian Pharma Companies

Innovation
through R&D is
the life blood of
the Pharma
Industry

Company	NCE Pipeline	Key Therapeutic Area
Biocon	Preclinical – 2 Phase II – 2 Phase III – 1	Inflammatory Diseases, Oncology, Diabetes
Piramal Healthcare	13 Compounds in Clinical Trials	Oncology, Infectious Diseases, Diabetes, Inflammatory Diseases,
Glenmark	Discovery – 4 Preclinical – 5 Phase I – 1 Phase II – 3	Metabolic Disorders, Dermatology, Inflammatory Diseases
Ranbaxy	Preclinical – 4-6 Molecules Phase II – 1	Metabolic Diseases, Infectious Diseases, Respiratory Diseases, Oncology
Suven Life Sciences	Discovery – 2 Preclinical – 4 Phase I – 1	Neurodegenerative Diseases, Obesity, Diabetes, Inflammatory Diseases



R&D

- Indian Pharma Companies

Innovation
through R&D is
the life blood of
the Pharma
Industry

contd..

Company	NCE Pipeline	Key Therapeutic Area
Dr Reddy's Lab	Pre-clinical – 1 Phase II – 2 Phase III – 1	Metabolic Disorders, Cardiac, Oncology
Advinus	Pre-clinical – 3	Diabetes, Cardiac, Lipid Disorders
Wockhardt	Preclinical – 10 Phase II – 1	Infectious Diseases,
Lupin	Discovery – 2 Pre-clinical – 1	Migraine, Psoriasis, T.B.
Sun Pharma	Discovery – 2 NDDS – 1	Allergy, Muscle Relaxant,, Inflammatory Diseases, Pain Management



R&D

- Indian Pharma Companies

R&D spending of 20
pharma companies
up by 5% to `2,989
cr. in FY '10

Specialties	2001	2008	Comments
R&D Exp. as a % of sales	1.4%	9.9% ↑	7 times
R&D Exp. in absolute terms (US\$ M)	55	660 ↑	12 times

Source: Ernst & Young Analysis of top 25 pharmaceutical companies operating in India



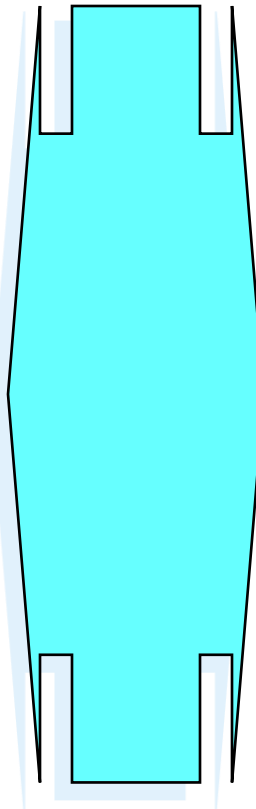
Business Outsourcing Opportunities



Twin Opportunity

Product Market

- ❖ Significant unmet needs
- ❖ 20 Bn. USD by 2015
- ❖ One of the Top 10 markets by 2015
- ❖ Top 3 in growth opportunity



Service Provider

- ❖ Resources
- ❖ Competence
- ❖ Cost Arbitrage
- ❖ Experience
- ❖ Young population
- ❖ Growing economy
- ❖ Pharmaceutical expertise
- ❖ Democratic set up
- ❖ IP Protection



Contract Manufacturing

- ❖ Pharmaceutical manufacturing outsourcing market is valued at US\$ 1.1 billion in 2008, and growing at thrice the global market rate.
- ❖ India's share of the outsourcing market is to grow from 2.8% in 2007 to 5.5% in 2010.
- ❖ APIs/intermediate outsourcing is 64% of total outsourcing

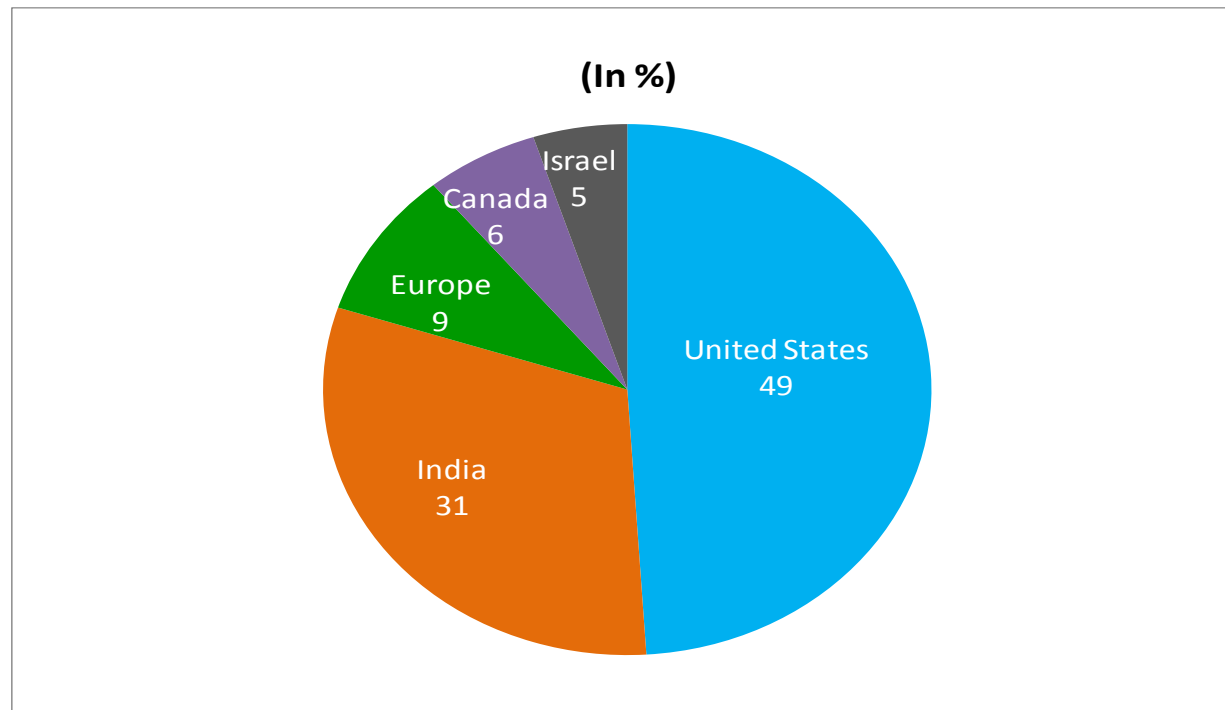


Source: Taking Wings, OPPI - Ernst & Young Research 2009 , P: Projected



Country-wise ANDA Approvals 2008 & 2009

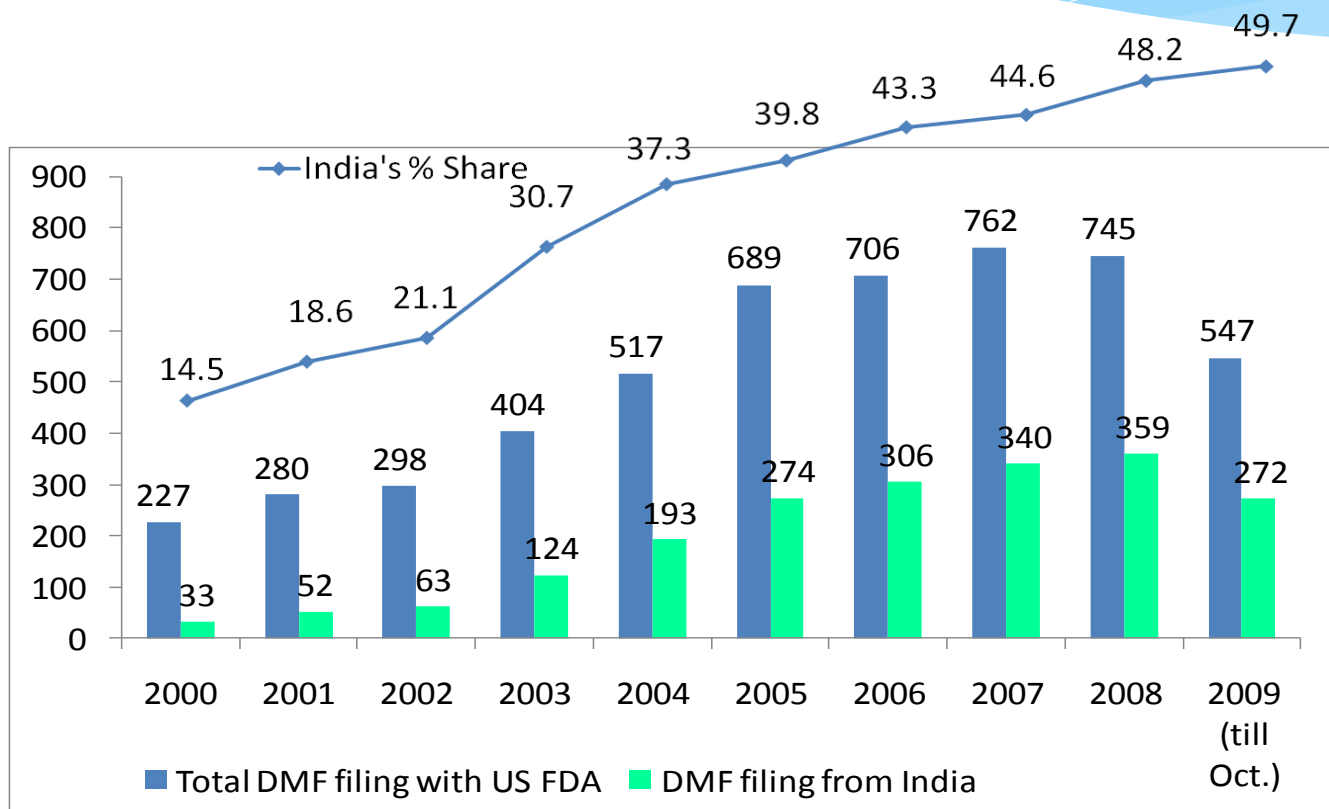
142 ANDAs, 34% of
total in 2010



Source: US FDA, CRISIL Research Pharmaceuticals Annual Review, Page A-16 , Mar 2010 Issue



DMF Filing (Global v/s. India)

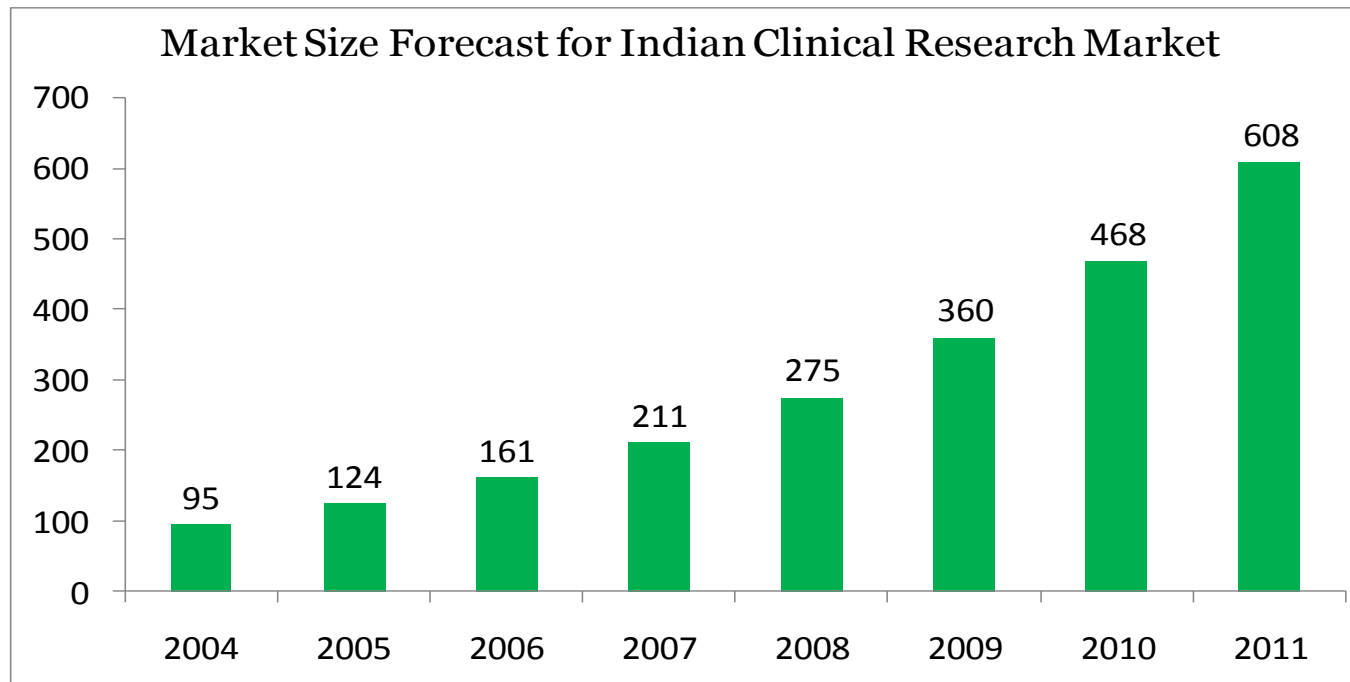


Source: US FDA, CRISIL Research Pharmaceuticals Annual Review, Page A-26, March 2010



Clinical Research

Clinical trials market in India, currently valued at about US\$ 250–275 million, is expected to grow at a CAGR of 30 per cent over the next few years, at nearly double the global average.



Sources: *The glorious metamorphosis*, Ernst & Young Research 2009



Issues & Concerns

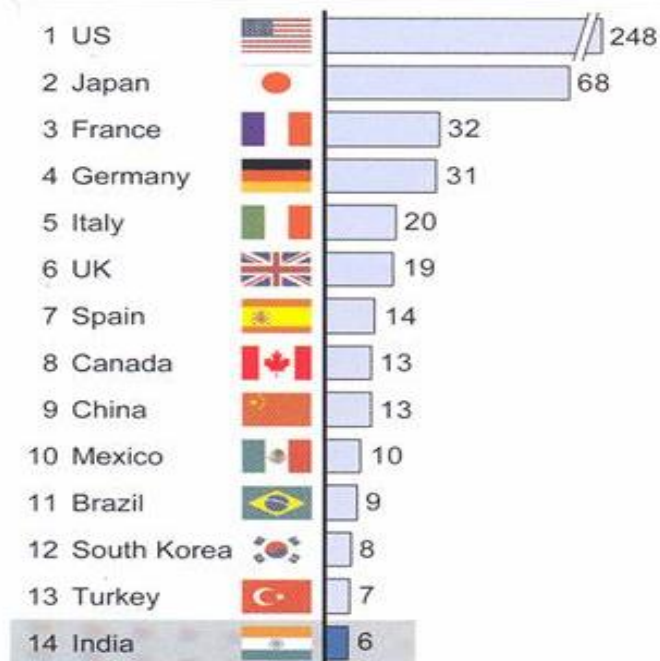
Innovators treading a cautious path and awaiting further clarity on several issues:

- ❖ RDP
- ❖ Patentability
- ❖ Patent Enforcement
- ❖ CL
- ❖ Drug Price Control

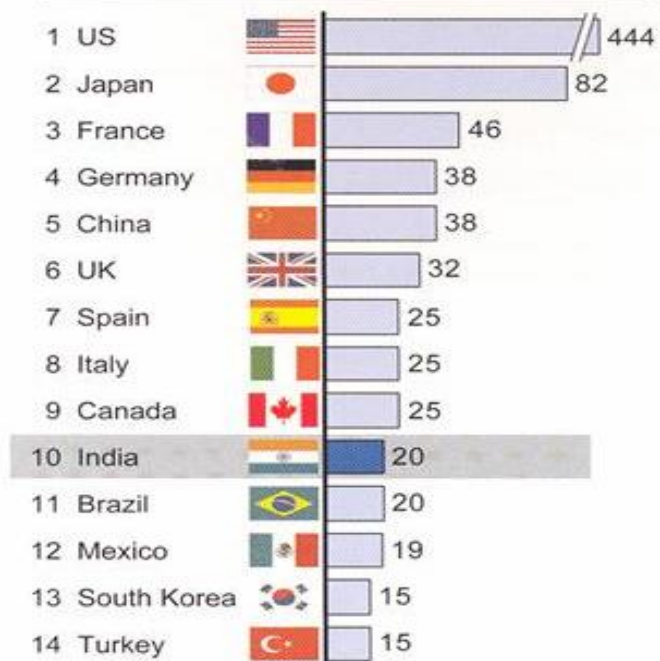


India to be in Top 10...

Top 14 pharmaceuticals markets, 2005



Top 14 pharmaceuticals markets, 2015



Source: IMS World Review; analyst projections; McKinsey India Pharmaceutical Demand Model





Thank You