

# Biocon

Business, Industries



Case: BIOCON LTD. Building a biotech powerhouse Reasons for success of Biocon Ltd. in the past: Sequential growth strategy: Biocon added businesses like enzymes, biopharmaceuticals, research services and drug development that were interlinked. Consolidation of core skills: Biocon had consolidated its core skills in enzymes (known to be the building blocks of biotech), established a footprint in biopharmaceuticals (which helped generate regular cash flow) and partnered with global firms (serving as launching pads for drug development).

Biocon's Integrated Business Model: Biocon, along with its subsidiaries – Syngene and Clinigene, handles the entire lifecycle of a drug; right from discovery to commercialization (it has least expertise in commercialization).

- o Discovery Syngene Molecular Biology Synthetic Chemistry Biocon Microbial Fermentation Biodiversity Bioprocessing
- o Development Clinigene Clinical Research Clinical Development Clinical Trials
- o Commercialization Biocon Generics, main contributor to revenue: Bulk of their revenues came from generics.

A generic drug typically cost 20 per cent to 80 per cent less because the product was not burdened with legacy expenses of research, development, clinical trials and marketing. Patent of Plafactor: Biocon secured a U. S. patent for a reactor it developed, known as plafactor. The patent gave the company exclusive global rights to use and license the technology for the manufacture of drugs involving genetically engineered microorganisms in a solid-state fermenter.

Diversified and Specialized: From the company's origins making enzymes for the breweries industry, Biocon had expanded and diversified into related fields during the next two decades. Biocon specialized in four broad areas: enzymes, biopharmaceuticals, custom research and clinical research.

Fermentation offered competitive advantage: The importance of enzymes for Biocon lay in the fact that the business was a springboard for one of the company's competitive advantages. Fermentation was a core skill that offered Biocon a leverage in stage 3 of the value chain of biopharmaceuticals.

The company's fermenting capacity gave it both the ability to scale up an industrial process and the platform on which to pursue discovery-led growth.

Threats to sustaining this performance in future: More competitive market: Every biotech player - big and small, was seeking a foothold in generics. The biopharmaceuticals space, in which Biocon had built a niche, was thus becoming more crowded and competitive day by day. Changing

Regulatory Environment: The regulatory environment that had made generics such an attractive sector in India was changing.

The government of India had introduced a full-fledged patents regime. In the past, the Indian government had granted patents for the process of manufacturing a drug, not for the drug itself. Patent protection of Statins: Biopharmaceuticals represented 80 per cent of Biocon's turnover, with the production of APIs for statins accounting for 45 per cent of revenue. Statins would lose patent protection in 2008 in the United States. As a result, the

dollar value of the global market for statins would shrink from \$22 billion to \$3 billion.

There were also pricing pressures from low-cost Chinese competitors.

Commercialization: Relative to the company's other activities; Biocon had the least expertise in this final stage of drug discovery and development. Investments were being made in creating the manufacturing capacity for industrial scale-up. Commercialization would also require compliance with manufacturing standards, deployment of a sales force and development of expertise in marketing and promotions aimed at physicians and end-customers.

Greater demand on Biocon's financial resources: Biocon had operated for a long time in the realm of commodities, characterized by business-to-business sales. Making the transition to drug discovery and development would involve developing competence in several key areas: building a portfolio of promising drug candidates to move through the development pipeline, project management skills to facilitate this process, regulatory compliance, manufacturing and marketing. The need to develop capabilities in these areas would place greater demand on Biocon's financial resources.