

# Pharma sector analysis india



Indian Pharmaceutical Sector Analysis Contents: \* Introduction \* Market Size & Growth Rates \* Market Segmentation \* Key Players in Pharma Industry \* Market Drivers \* Challenges for Pharma Industry \* SWOT Analysis \*

References Introduction Indian Pharmaceutical Industry is one of the success stories of modern India. The wide ranging capabilities in the complex field of drug manufacture & technology has established India as one of the major producer of the Pharmaceuticals worldwide. De-licensing of the pharmaceutical industry gave freedom to Indian Pharma manufacturers to produce any drug without Industrial licensing.

Technologically strong and totally self-reliant, the pharmaceutical industry in India has low costs of production, low R&D costs, innovative scientific manpower, strength of national laboratories and an increasing balance of trade. A highly organized sector, the Indian Pharma Industry is estimated to be worth \$ 12 billion, growing at about 12-13 percent annually. The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectables.

The industry is mostly based on allopathic medicines. There are about 250 large units and about 20000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i. e. , medicines ready for consumption by patients and about 350 bulk drugs, i. e. , chemicals having therapeutic value and used for production of pharmaceutical formulations. The allopathic medicine industry consists of big players like Dr. Reddy's, GSK, Pfizer, Ranbaxy and a lot of smaller players.

The Pharmaceutical Industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime is well set to take on the international market. In the analysis of Indian Pharmaceutical Industry, we will start with current market size and growth rates of the industry. We will further discuss on market segmentation based on various factors and key Pharma players in the Industry. Then, major drivers ; challenges for the Pharma Industry will be analysed. Finally SWOT analysis of the Industry will provide overview of the sector. Market Size ; Growth rates:

(1)

India's pharmaceutical industry is now the third largest in the world in terms of volume and 14th in terms of value. According to data published by the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, total turnover of India's pharmaceuticals industry between September 2008 and September 2009 was US\$ 21. 04 billion. Of this the domestic market was worth US\$ 12. 3 billion. By 2015, India is expected to rank among the top 10 global pharmaceutical markets. The industry is typically growing at around 1. 5-1. 6 times the country's gross domestic product (GDP) growth.

The increasing population of the higher-income group in the country will, by 2015, open a potential US\$ 8 billion market for multinational companies selling costly drugs. Besides, the report said the domestic pharma market is likely to touch US\$ 20 billion by 2015, making India a lucrative destination for clinical trials for global giants. Exports: Export of pharmaceutical products from India increased from US\$ 6. 23 billion in 2006-07 to US\$ 7. 74 billion in 2007-08 and to US\$ 7. 81 billion in 2008-09, according to Minister of State for Commerce. Pharmaceutical exports from the country have recorded

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growth rates of 21.61 per cent, 14.7 per cent and 28.54 per cent, respectively, in the three consecutive years of 2006-07, 2007-08 and 2008-09. Growth: The domestic pharma market will outshine the global market, growing at a compounded annual rate of 12-15 per cent as against a global average of 4-7 per cent during 2008-2013, according to a study by market research firm IMS, released in October 2009. According to detailed research by Angel Broking in October 2009, socio-economic factors such as rising income levels, increasing affordability, gradual penetration of health insurance and the rise in chronic diseases would see the Indian formulation market touch US\$ 13 billion by 2013, at a CAGR of 12.2 per cent over the period from fiscal year 2008 to 2013. Market Segmentation: (2) The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. The leading 250 pharmaceutical companies control 70% of the market with market leader holding nearly 7% of the market share. It is an extremely fragmented market with severe price competition and government price control. Organized & Unorganized sectors: The Indian pharmaceutical industry can be classified into organized and unorganized sectors.

Accounting for over 70% of total sales, the organized sector has about 250 manufacturing and formulation units. On the basis of management control, the organized sector can be further classified into MNCs and Indian companies. Bulk Drugs & Formulations: On the basis of the product manufactured, the pharmaceutical industry can be classified into bulk Drugs and Formulations. Bulk Drugs are the key ingredients that form the basic raw

material for the manufacture of formulations, whereas formulations are particular mixture of a bulk drug or a combination of different bulk drugs.

Formulations constitute nearly 81% and bulk drugs account for the remaining 19%. Indian pharmaceutical industry has about 2400 licensed manufacturers and more than 100,000 drugs. Prescription Medicines & Over-the-counter medicines: On the basis of formulations, the pharmaceutical industry can further be classified into Prescription medicines & Over-the-counter medicines. Prescription medicines are also known as ethical formulations. They can be dispensed only on the prescription from a qualified medical practitioner. Over-the-counter medicines are also known as OTC formulations.

They can be dispensed even in the absence of prescription, e. g. analgesics, cough drug, etc. Branded formulations & Generics: On the basis of formulations patent, pharmaceutical industry can be classified as Branded formulations & Generics. Branded formulations are ethical formulations prepared using a bulk drug under product patent and are marketed by a single pharmaceutical company. Generics are formulations that do not contain any patented bulk drug and can be manufactured by more than one company. India has been major manufacturer of Generic formulations, because of its low cost of manufacturing.

Key players in Indian Pharmaceutical Industry: (3, 4) Following are some of the Key Indian & International Pharma players operating in India: \* Ranbaxy Laboratories Limited is the biggest pharmaceutical manufacturing company in India. The company is ranked at the 8th position among the global generic

pharmaceutical companies and has presence in 48 countries including world class manufacturing facilities in 10 countries and serves to customers from over 125 countries. \* Dr. Reddy's Laboratories manufactures and markets a wide range of pharmaceuticals both in India and abroad.

The company has 60 active pharmaceutical ingredients to manufacture drugs, critical care products, diagnostic kits and biotechnology products. The company has 6 FDA plants that produce active pharma ingredients and 7 FDA inspected and ISO 9001 and ISO 14001 certified plants. \* Cipla is an Indian pharmaceutical company renowned for the manufacture of low cost anti AIDS drugs. The company's product range comprises of anthelmintics, oncology, anti-bacterials, cardiovascular drugs, antibiotics, nutritional supplements, anti-ulcerants, anti-asthmatics and corticosteroids.

Cipla also offers other services like quality control, engineering, project appraisal, plant supply, consulting, commissioning and know-how transfer, support. \* Nicholas Piramal is one of the largest Indian pharmaceutical company. The brands manufactured by the company include Gardenal, Ismo, Stemetil, Rejoint, Supradyn, Phensedyl and Haemaccel. Nicholas Piramal has entered into joint ventures and alliances with several international corporations like Cheissi, Italy; IVAX Corp; UK, F. Hoffmann-La Roche Ltd. , etc. Glaxo Smithkline (GSK) is a United Kingdom based pharma company; it is the world's second largest pharmaceutical company. The company's portfolio of pharma products consist of central nervous system, respiratory, oncology, vaccines, anti-infectives and gastro-intestinal/metabolic products among others. On November 2009, the FDA had announced that the H1N1 vaccine manufactured by GSK would join the list of the four vaccines

approved. GROWTH TONIC| Company| No of products| Domestic turnover (Rs cr)| Market share (%)| Growth\* (%)| Cipla| 924| 2, 155. 29| 5. 38| 18|

Ranbaxy| 565| 1, 968. 24| 4. 91| 13. 7| GSK| 177| 1, 743. 15| 4. 35| 18|

Piramal Health| 750| 1, 644. 26| 4. 11| 22. 8| Zydus Cadila| 735| 1, 484. 84|

3. 71| 21. 2| Sun Pharma| 516| 1, 449. 83| 3. 62| 22. 9| Source: ORG-IMS data

\*Change in 2009 market share over 2008| Market Drivers: (5, 6) \* Export:

Export has become an important growth driver for this industry in the recent period with more than 50% of the revenues coming from overseas markets, particularly the U. S. and Europe. Indian drug manufacturers currently export their products to more than 65 countries worldwide.

Their largest customer is the U. S. , the world's biggest pharmaceutical market. The Global recession has impacted India's drug exports only marginally. The growth rate of pharma exports in 2008-09 was estimated at 23%. \* Generics: Drugs having estimated sales of over US\$ 108 bn are expected to go off patent between CY09 and CY13. With the governments in the developed markets looking to cut down healthcare costs by facilitating a speedy introduction of generic drugs into the market, domestic pharma companies will stand to benefit.

Currently, the Indian industry is estimated to account for 22 percent of the generics world market. Low production costs give India an edge over other generics-producing nations, especially China and Israel. \* Increasing Life style diseases: The life style segments such as cardiovascular, anti-diabetes and anti-depressants will continue to be lucrative and fast growing owing to increased urbanisation and change in lifestyles. Growth in domestic sales in

the future will depend on the ability of companies to align their product portfolio towards the chronic segment. CRAMS: Contract manufacturing and research (CRAMS) is expected to gain momentum going forward. India's competitive strengths in research services include English-language competency, availability of low cost skilled doctors and scientists and adherence to international quality standards. As for contract manufacturing, both global innovators and generic majors are finding it profitable to outsource production. Currently, India has the highest number of US FDA approved plants outside the US at 75 plus. Challenges: (3) Some of the challenges the Pharma industry faces are: Regulatory obstacles \* Lack of proper infrastructure \* Lack of qualified professionals \* Expensive research equipments \* Lack of academic collaboration \* Underdeveloped molecular discovery program \* Divide between the industry and study curriculum

SWOT Analysis: (7) Strengths \* Cost effective technology \* Strong and well-developed manufacturing base \* Clinical research and trials \* Knowledge based, low- cost manpower in science ; technology \* Proficiency in path-breaking research \* High-quality formulations and drugs \* High standards of purity Non-infringing processes of Active Pharmaceutical Ingredients (APIs) \* Future growth driver \* World-class process development labs \* Excellent clinical trial centers \* Chemical and process development competencies

Weaknesses \* Low Indian share in world pharmaceutical market (about 2%) \* Lack of strategic planning \* Fragmented capacities \* Low R; D investments \* Absence of association between institutes and industry \* Low healthcare expenditure \* Production of duplicate drugs

Opportunities \* Incredible export potential Increasing health consciousness \* New innovative therapeutic products \* Globalization \* Drug delivery system management \* Increased



incomes \* Production of generic drugs \* Contract manufacturing \* Clinical trials ; research \* Drug molecules Threats \* Small number of discoveries \* Competition from MNCs \* Transformation of process patent to product patent (TRIPS) \* Outdated Sales and marketing methods \* Non-tariff barriers imposed by developed countries References: 1. [http://HYPERLINK "http://www. ibef. org/industry/pharmaceuticals. aspx" wHYPERLINK](#)