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Karnataka pharma majors bullish over European export prospects

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Liquidity crunch and growing uncertainty in the Euro zone have not deterred the Karnataka-based pharma companies from expanding their operations and also patent filing in Europe.

A host of companies from Karnataka that have presence in Europe said that though currently the economic environment may not be conducive they believe this is the appropriate time to not only strengthen their existing operations but also look at further consolidation of their position. Karnataka companies that have plants in Europe include Kemwell at Uppsala in Sweden; Strides in Poland and Italy; and Raichur-based Shilpa Medicare in Vienna.

There is a reputation for the Indian pharma plants in Europe which are internationally regulatory compliant plant because it can produce a range of drugs for innovators. This is the trump card and this capability cannot be ignored, Vishnukant Bhutada, managing director, Shilpa Medicare Ltd told Pharmabiz.

In 2006, Kemwell acquired Pfizer's plant at Sweden and has now pumped in around Euro 2 million for a second facility to meet the growing orders. "Our decision to invest in a new facility in Sweden is a strategic one and not a financial one. It is based on customer demand and Kemwell's future outlook, along with our long standing relationships with our customers," said Anurag Bagaria, vice president, Business Development Kemwell.

"India is certainly a much sought after CRAMS destination owing to its low cost and high quality offerings. We see the demand for outsourcing increasing greatly in our Indian facilities. However, several companies do prefer to outsource their manufacturing requirements locally in the EU owing to strategic and supply chain factors. Thus, it is important for us to invest in our facilities in both countries," he added.

However, a section of the industry are convinced that slow and no cash realizations resulting out of the serious liquidity crunch in the Euro Zone have already made pharma companies wary about their presence in the region.

Poland, Spain and Greece have declared intentions to cut down drug prices. Therefore Indian pharma companies which have set-up manufacturing facilities in the European Union will not be able to sustain operations. But there could be a flip side as companies could generate CRAMS opportunities highlighting expertise and cost advantage, stated an industry observer who did not want to be named.

According to Kaushik Desai, chairman, Industrial Pharmacy Division, Indian Pharmaceutical Association and CEO, Global Pharmatech, the Euro zone scene is alarming. Indian pharma exports will be hit as cash realizations will pose as a challenge.

"Europe is now keen to undertake much of its manufacture from within to stop any further retrenchment.

Another point is that Indian companies will tread cautiously in their approach into CRAMS owing to the fall of the Euro against the rupee," he added.

Liquidity crunch could get more difficult especially for small and medium sized companies to invest. Since expansion is quite asset intensive, these companies might find it difficult to carry out their growth plans in the short term. Also, several small to mid-sized biotech companies rely on VC/PE funds, and that might be tougher to access now. Also Bagaria said that there is a severe financial reaction to this real market crisis which is caused by the prevailing uncertainty. Hopefully it will not be long drawn and the bailout packages provides a ray of hope that things would get better soon.