



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

COPY

Date : 01-06-2010

News / Story reproduced with thanks:- Economic Times

Not many Indian pharma cos are left for sale

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The recent takeovers in the pharma space have raised concerns among Indian players.

Shakti Chakraborty , group president of Lupin Ltd, one of the Indian majors in the big league dominated by MNCs in the Indian market, feels the recent acquisitions defied logic. In an interview to ET , Mr Chakraborty says emergence of India as the world's best drug and generic pharma market has become a threat to itself.

How would you evaluate the current scenario in the wake of the acquisitions by global pharma giants?

Most valuations (of Indian companies) to my mind are totally stretched. The recent bids defy logic and reek of desperation. As far as the MNCs are concerned, fast growing markets like India will remain an attractive proposition for many years. With most of their blockbuster drugs going off patent, all top 10 MNCs are facing pressure on their topline and profits. The innovators have witnessed de-growth in their own markets and there are pricing pressures due to increased competition.

The recent deals include Ranbaxy-Daiichi, Orchid-Hospira, Matrix-Mylan, Dabur-Fresenius, and now Piramal-Abbott. Do you expect more such deals in coming years?

The number of deals will contract. There are not many companies left for sale as the existing companies have the required capabilities to encash opportunities in domestic and other markets. Unlisted companies may find it difficult to find buyers as they lack transparency.

Most of the top slots are taken by multinationals. In such a scenario, how do you see Lupin's position in the domestic generic market?

Lupin today is among the top 5 players in the Indian pharma market. During FY 2009-10, the domestic market contributed 28% of the gross sales at Rs 1,300 crore, up from Rs 1,101 crore during FY 08-09. This growth was driven by strong performance and increasing market share in the cardio-vascular, diabetes, central nervous system, asthma and gastro therapy segments. We will also enter new therapeutic areas like derma. We will add new products to our overall basket. MNC's entry will not make any material change as far as Lupin is concerned. There are plenty of post-1995 molecules yet to be launched. The existing basket and the yet to be launched molecules will carry us well at least for the next 10 to 15 years. That coupled with our brand equity in the market, distribution networks and penetration levels in the market will see us keep up our growth momentum irrespective of MNC and their designs on the market.

What kind of new strategies have you thought of for the domestic market, following the takeovers by MNCs?

As I said earlier, the entry and exit of MNCs have not impacted our thought process. We will continue to maintain our growth momentum and market leadership in all therapy segments.

Hopefully, the acquisition strategy that they have adopted will help them understand the market and the nuances of promotion and pushing drugs into the market. It won't be a cake walk though.

Do you see drug price escalation in the future?

We are awaiting the new drug policy. There is already pressure on prices due to market dynamics and presence of National Pharmaceuticals Pricing Authority. The launch of patented products will put some pressure on our detailing time with the doctors. I don't see their impending entry affecting our growth plans.

How different is the way an Indian pharma operates vis-a-vis the one in the western market?

There is a huge difference. MNCs are used to a pure branded market vis` a vis` the fragmented branded generic market in India. We also must not forget that the real future market in India lies in the Tier II towns and cities - the rural hinterland where the MNC's would find it difficult to penetrate.

The product line of the MNCs would be much stronger than any other Indian companies. How do you think should the Indian companies tackle this?

The value of patented products may not exceed 10% of the market by 2015. That said, it won't be as easy to manage the overlaps of products and the clutter of the overall product basket in the domestic market. Domestic companies will have to increase their customer base and quickly penetrate the interior markets.