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Novartis, Sanofi pursue 'cash machine' in Indian countryside

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Drugmakers Novartis AG and Sanofi-Aventis SA are fanning out in rural India, mentoring doctors and educating patients in an effort to capitalise on a \$19.5-billion public programme to improve healthcare for 74.20 crore villagers.

India is trying to reduce infant mortality, tuberculosis and malaria rates by bolstering its network of countryside clinics. It is spending Rs 90,560 crore in the five years to March 2012 —- an annual average of Rs 18,120 crore that is nearly triple the expenditures of the two prior financial years.

That programme and rising incomes are expected to help boost the market for medicines in villages to at least \$6 billion by 2020 from about \$1.5 billion last year, said Sujay J Shetty, pharma life sciences leader at PricewaterhouseCoopers in Mumbai. India is expected to add between \$5 billion and \$15 billion to the global pharmaceuticals market from 2008 to 2013, according to IMS Health of Norwalk, Connecticut. "It has the potential to be a cash machine,&" said R Srinivasan, an associate professor of corporate strategy and policy at the government-sponsored Indian Institute of Management-Bangalore. "India is home to lots of bacteria and viruses. That is a huge opportunity for firms to sell drugs.&"

‘Pharmerging market'

Overseas drugmakers had a 19 per cent share of India's estimated Rs 43,820-crore market in 2009, according to IMS Health in India. They will benefit in coming years from the creation of intellectual property rights in India, an expanding middle class, emerging rural markets and upgrades in medical infrastructure, IMS Health said in a March report on "pharmerging markets&".

India's economy is expected to grow by about 8.5 per cent in the year ending March 2011, according to a government forecast.

Novartis, Europe's third-largest drugmaker, started a programme in 2007 called Arogya Parivar, or ‘good health of the family' in Hindi. The Basel, Switzerland-based company, trained more than 500 people to partner with doctors and hold health-education meetings for villagers.

Risha Patel, a family doctor in the northern state of Uttar Pradesh, recently told 150 women sitting on the ground of a temporary shelter about the need to take iron and calcium supplements, which Novartis makes, during pregnancy.

Access to 100 million

"This is helping them increase sales and the people are becoming aware about health issues,&" Patel, 35, said. "When a patient benefits, then she asks for medicines from the same company in future

treatments.&"

Some women had infections, so Novartis representatives wrote out referral cards that the women brought to doctors, including Patel, and then pharmacies. Novartis stocks local stores with 58 medicines for common rural illnesses, including diarrhea and pneumonia.

"The patients come to us,&" said Ashok Kumar, 28, who runs the Anupriya Medical Store in Harsos, where Patel also works. "We benefit from that.&"

Novartis plans to make its medicines accessible to 1,00 million people in the next two years from 42 million now, said Ranjit Shahani, vice chairman and managing director at Novartis India Ltd in Mumbai.

"An up-front social commitment leads to business in rural areas,&" Shahani said in an e-mail. "We are addressing rural health challenges with building sales as natural outcome.&" 31% growth

The initiative uses drugs from two subsidiaries: Fully-owned Sandoz Private Ltd and majority-owned Novartis India Ltd. Novartis India sales rose 16 per cent to Rs 624 crore in the year ended March 31 from Rs 540 crore three years earlier, when the company plan began. Net income increased 31 per cent to Rs 116 crore from Rs 88.6 crore in the same period.

Novartis India shares rose 5.1 per cent to Rs 635.05 at the close of Mumbai trading today, the highest level since September 28, 2000.

The national pharmaceutical market grew an average of 15 per cent a year between 2005 and 2009, compared with 5.1 per cent in the US, IMS Health in India said. Since January 1, 2006, overseas companies have spent about \$6.8 billion in 36 transactions to buy stakes in local drugmakers, according to data compiled by Bloomberg.

Sanofi, Europe's fourth-largest drugmaker, last year started a programme called Prayas, or 'endeavour', that deploys volunteer city doctors to mentor country doctors and uses more than 300 salespeople to stock village pharmacies, Pratin Vete, senior director for Sanofi-Aventis India's Hoechst business unit, said in an e-mail.