



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### Shot in the arm for Pharma

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*The Ozonegroup will develop Karnataka's first private sector pharma SEZ, to house 40-50 units.*

Anjana Chandramouly

The Indian pharmaceutical industry is getting set for greener pastures, and Karnataka aims to be part of the growth story. At the recent global investors meet, the State Government signed a memorandum of understanding with a city developer to promote the State's first private sector pharma SEZ in Bangalore.

Growing pharma sector

If industry estimates are to be believed, the Indian pharmaceutical market will undergo a major transformation and become \$20 billion (around Rs 90,000 crore) by 2015 from Rs 65,000 crore now. The total market, including outsourcing, is expected to rise to around \$50 billion (Rs 2.25 lakh crore) by 2020. "The State has the potential to enlarge its share in the pharma sector and, when compared with neighbouring Andhra Pradesh, was lagging behind. This move by the Government augurs well with Karnataka's strong position in the bio-tech space," says Mr K. R. Girish, President – Bangalore Chamber of Industry and Commerce (BCIC), and Senior Partner, KPMG. The presence of major pharma players such as Astra Zeneca, Strides Arcolab, and Sequent, to name a few, brings credibility to this sector, he adds.

"The establishment of a specific pharma SEZ will boost this sector, given the excellent technical expertise the city possesses," avers Mr Girish. At the national level, Andhra Pradesh, Gujarat and, to some extent, Maharashtra, are front-runners in the pharma sector.

Project details

The Bangalore-based Ozonegroup will develop this SEZ, to be located at Chikkaballapur, 30 km from the Bangalore International Airport, where 40-50 pharmaceutical units will set up shop. The project will come up on 325 acres, of which about 100 acres have been already aggregated.

According to Mr Shashidhar Pai, Chief Financial Officer, Ozonegroup, letters of intent have already been received for about 100 acres, out of 300 acres of leasable area.

The project envisages employment opportunities for over 10,000 people. "We will be completing aggregation and handing over plots in January 2011," he says. The project will take four years to be developed, and Phase 1 will be operational in December 2011.

Mr Lalith Kumar, Vice-President – Corporate Strategy, Ozonegroup, says the project will offer multiple-sized serviced industrial plots for manufacturing and ancillary and supporting industries in the

pharmaceutical sector, warehouse space, residential apartments for staff, business centre, shopping space and a dedicated truck terminal.

The cost of the project is estimated at Rs 2,000 crore, of which the company plans to invest about Rs 600 crore. About 35 per cent of this will be equity, 35 per cent debt and the rest generated by the project itself through internal accruals. The rest of the project cost will come from the units setting up shop in the SEZ. The residential quarter of the project will see development of 700 units, to be built by the developer and given to employees on a long lease. The units will be at MIG (about 900 sq.ft) and HIG level (about 1,200 sq.ft). “We would ideally like to encourage a ‘walk to work’ culture,” says Mr Kumar. In addition to these, there will be 50 serviced apartments for visitors/guests to the companies in the SEZ.

This is not the first pharma SEZ that has been planned in this State. In fact, the State Government's efforts in setting up a pharma SEZ in Hassan has not borne the desired fruit in the past four years. Industry experts point out connectivity issues as the reason for the Hassan SEZ's failure to take off.

And they add that it is exactly the connectivity factor that might work in favour of the Bangalore pharma SEZ. The project will be located near the new Bangalore International Airport, and has direct accessibility from NH 7, and the existing rail connectivity to Chikkaballapur. “It makes sense to be located close to an airport, since most of the pharma exports are by air,” says Mr Kumar. Besides, unlike the bulk drugs sector, which requires abundant water and power, the formulation space and generics do not require much water and power, he adds.

With the Chikkaballapur dam in close proximity, supply of water to the SEZ will not be a problem and there are plans to set up a captive power plant in the project.

This, the developers believe, will take care of the power requirements. About 50 per cent of the required power will be drawn from the grid, and the rest taken care of through captive generation. Excess power can be traded, says Mr Kumar.

The project will also have an effluent water treatment plant.