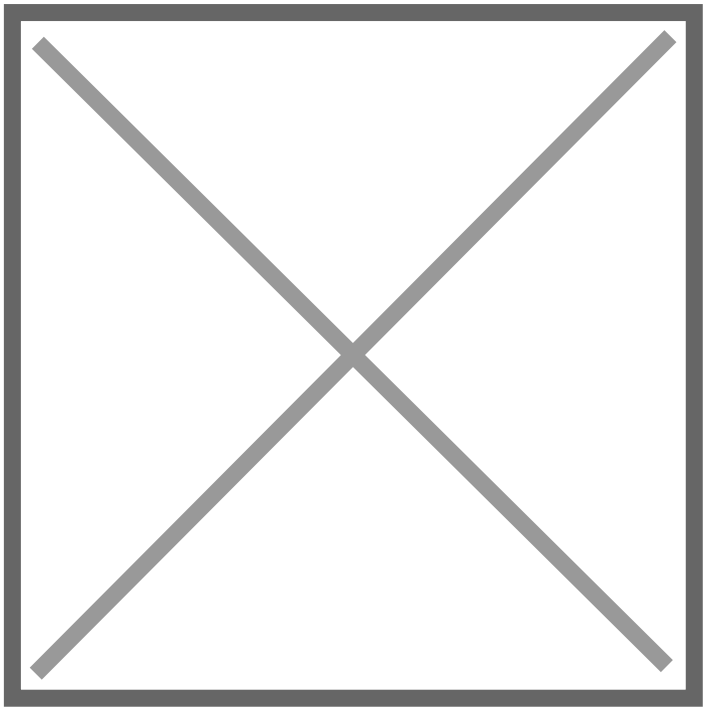


Bioinformatics a niche sector

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The challenge for Indian bioinformatics companies is to create proprietary products that will generate high-margin revenues.

Biotech researchers need computational horsepower as well as superior algorithms to do prediction and hypothesize information. Biotech's sub-industry, bioinformatics which caters to this, could exceed $19 billion in revenues in 2006 globally. Roughly 10 percent of the biotech industry spending is for informatics hardware, systems, software and services. Considering the global biotech industry growth at roughly 25 percent, a substantial amount would be spent on bioinformatics by all biotech companies. Hence, bioinformatics would be a niche sector in the biotech industry.

Outsourcing of bioinformatics has benefited Indian bioinformatics companies. Most of the work has happened in core sectors of bioinformatics services such as data analysis, gene annotation, database creation and algorithm and software development. Though there has been considerable success of the biotech markets globally, India still has a small opportunity in the bioinformatics space. There is a huge potential for this to grow. With revenues of around $20 million during the year ending 2005, the Indian companies are marching ahead for a larger share in the marketplace. The expectation for the year 2006 would be around $50 to 60 million overall

According to other published reports, there are about 45 companies in the bionformatics space, based mostly in Bangalore, Chennai and Hyderabad with a few in Delhi and Pune. Multinationals also have shown their presence in India recently, and most of them are established players in the biotech sector and some in bioinformatics too. It would be difficult for new entrants in this space in India as the sector requires managing trained resources effectively and not seeking benefits in costs and pricing. However, the challenge for Indian bioinformatics companies is to create proprietary products that will generate high-margin revenues and focus less on low-margin service work attracting cost conscious foreign companies.