

## Suppliers

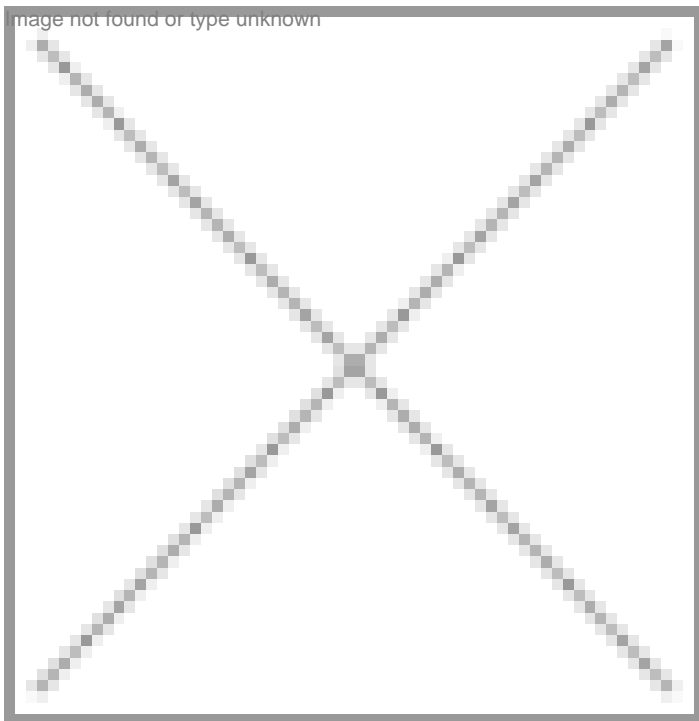
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- **Indian life science suppliers business reports close to 40 percent growth.**
- **Global Suppliers consolidate through M&As.**
- **Lab India is No. 1 life sciences supplier.**
- **Biosuppliers to carry diagnostics products.**
- **Four companies surpass Rs 100 crore barrier.**

During the last two years, the Indian pharma and biotech companies have focused on increasing their R&D spend and expanding their manufacturing capacities. These developments have spurred the life suppliers industry in a big way. In fact, India has been one of the fastest

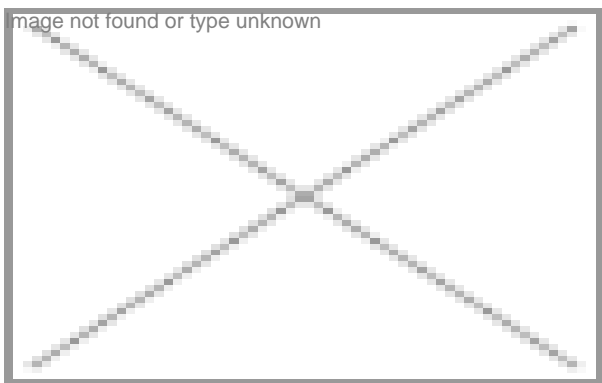


growing regions for several leading global suppliers. Waters, for example, has reported in its annual report 2004 that its business growth in Asia exceeded other regions with sales growth rates in China and India more than doubling the company's overall rate. Its total revenues from India stood at \$33 million. For Pall Life Sciences, USA, the sales would grow at the rate of 19 percent in the Asian region. The LSCA business of Agilent Technologies in India is now the fourth-largest country of business in Asia, and one of the fastest growing for Agilent.

The total business of the suppliers to the Indian life sciences industry in 2004-05 stood at Rs 1,230 crore, up by 39.77 percent compared to the previous year's figure of Rs 880 crore. The Top 20 suppliers accounted for 87 percent of the total life science suppliers business. The Top Five players alone accounted for 43.6 percent of the total life sciences suppliers' business. Interestingly, for the first time, the Rs 100 crore mark has been surpassed. Importantly, four companies-Lab India, Waters India, Spinco Biotech, and Becton Dickinson India-crossed the Rs 100 crore mark. The market leader in 2004-05 was Lab India with total sales of Rs 119 crore to the life sciences sector. Waters India, among the Top 20 suppliers, registered the highest growth at 77.34 percent to rake in

revenues of Rs 113.50 crore from sales to the Indian life sciences companies and institutions.

With the life sciences suppliers supplying over 800 products, from consumables like test tubes, reagents, and pipettes to high-end equipment like bioreactors, fermentors, HPLC and LCMS, it is difficult to even make a guess on the market size of each of the products. However, considering just the market size of the analytical instruments it would be around Rs 435 crore growing at the rate of 25 percent. In the HPLC segment, the race is clearly between Spinco Biotech, distributors for Shimadzu HPLC, Waters, PerkinElmer and Agilent. Labindia is exclusive partner in India for Applied Biosystems. BD Biosciences provides integrated systems, products and services for a variety of applications in life sciences.



Interestingly, among the Top Five players, three-Waters, Becton Dickinson, and Thermo Electron-are major global vendors, with direct operations in India. The Two Indian distributors in the list, Lab India and Spinco Biotech, carry a range of products from various major suppliers. The trend has been to consolidate, be it the distributor or the principal vendor. For example, Lab India and Spinco Biotech excel in the market place not only because of their strategic alliances strategy, but also due to their focused solutions approach and nation-wide sales and support network. On the other hand, companies like Thermo Electron Corp. have looked at setting up new divisions. The Board of Directors of Alfa Laval (India) Ltd has given its approval to Alfa Laval Holding AB, Sweden, to establish a wholly owned subsidiary in India. Similarly, Cambrex too has firmed up its position in India by combining its different

divisions under one umbrella, Cambrex India.

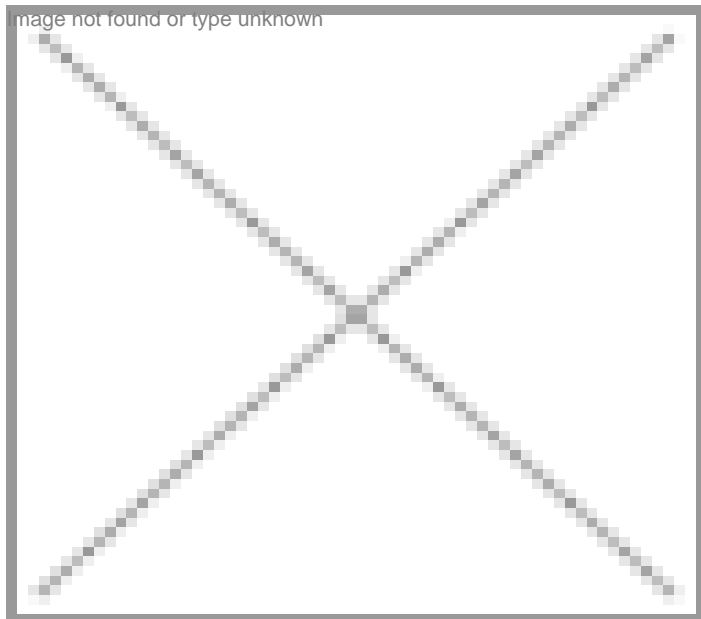
While the major global suppliers are taking the route of in-licensing agreement and exclusive marketing agreements with the local dealers to market their products, local companies are taking the strategic alliances route to increase their product portfolio and offer better services. For example Korea-based SPL Labware (SPL), a bioscience labware manufacturer, has launched its operations in India through Hysel India Pvt Ltd. Similarly, Swedish Biotech major Mabtesh will supply its ELISpot reagents in India through Jain Biologicals. Corning Life Sciences and Delhi-based Axygen Scientific have joined hands to deliver the entire range of life science products in the Indian market. Wealtec Corp. of US and Medispec Instruments India have tied up to offer Dolphin series of gel documentations systems in the country. Phase Technology, Canada and Accustandard Inc., USA, have Skytech Systems as their authorized distributors in India. Clearly, the number of alliances has been on the rise.

Further, with the suppliers segment finding favor with the government on customs duty reduction, the market is expected to

grow further. The Union Budget 2005 has announced reduction of custom duty to five percent on nine specified equipment. These R&D equipment are used extensively in the pharma and biotech sectors.

### **Global M&As continue unabated**

India cannot escape from the impact of global mergers and acquisitions in this sector as there are over 25 multinational suppliers operating directly in India and several others through indirect presence. Some of these global majors acquired or combined to strengthen their product portfolio and to meet the needs of the customers in a better way and to reach out to different customers.



General Electric (GE) acquired Amersham PLC in 2003. And since then the M&A phenomenon has caught on in a big way. The combined entity is over \$14 billion in revenues and is expected to generate \$16 billion in 2005. The merger was in belief that the technology and service driven businesses will change the face of healthcare. The trend is towards adding the diagnostics portfolio. Similarly, Bio-Rad Laboratories Inc. signed a binding agreement to acquire MJ GeneWork Inc., and its subsidiaries. It has also made a proposal to BioSource International, to acquire all of its outstanding shares for \$8.50 per share in cash. In recent years Bio-Rad has integrated several acquisitions in the areas of blood virus, food safety, process chromatography and gene expression.

KMS International LLC acquired PURON AG, a Germany-based manufacturer of submerged hollow-fiber membrane modules for wastewater treatment. KMS International is a subsidiary of Koch Membrane Systems Inc. based in Wilmington, Massachusetts. As a wholly owned subsidiary of KMS International, PURON will continue to be based in Aachen, Germany.

Agilent Technologies Inc. acquired Computational Biology Corp., a biotech company in ChIP-on-chip, a microarray-based technique for understanding gene regulation in disease. This acquisition is strategically important to the expansion of Agilent's microarray platform into new array-based genomics applications. Pall Corp. acquired Euroflow (UK), a leading manufacturer of pilot and production scale chromatography columns for the biotechnology industry. Pall held exclusive global marketing and distribution rights to Euroflow chromatography columns and associated technologies since 2002. It earlier acquired BioSeptra Process Division of CIPHERGEN Biosystems Inc, which is strong in chromatography sorbents used in protein purification. These acquisitions allow Pall to offer integrated solutions.

In another development, Thermo Electron Corp. entered a definitive agreement to acquire the Kendro Laboratory Products division of SPX Corp. Kendro is a major supplier of laboratory equipment for sample preparation, processing and storage used primarily in life sciences and drug discovery laboratories and in clinical laboratories.

PerkinElmer acquired Elcos AG, an European designer and manufacturer of custom LED (light emitting diode) solutions for biomedical and industrial applications. Elcos delivers high performance LED solutions with a majority of its revenues coming in from biomedical instrumentation.

This is a partial list. Though these developments will not have a major effect in the next one year in India, the companies here are gearing to introduce the new products. The market is all set to witness entry of new products. For example, Agilent Technologies recently announced plans to introduce its DNA microarray-based genomics solutions in India. Agilent currently sells technologies for the chemical, environmental and pharmaceutical manufacturing markets in India and expects to expand its presence into other areas like medical research, drug discovery and agro-biotech. Undoubtedly, companies would consolidate their businesses with complementary technologies.