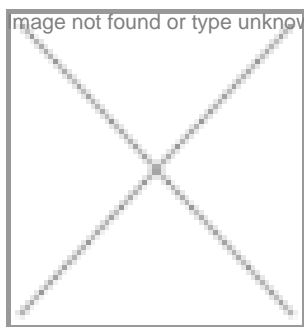


Biotech's changing landscape

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A few hours after the presentation of the national budget by Finance Minister, Mr Pranab Mukherjee, on February 28, 2011, I happened to meet one of the industry leaders at a city restaurant. We had the option of chatting over a cup of coffee in both the air-conditioned and non-air conditioned sections of the place. Naturally we chose the air-conditioned section, because we is luxury will last.

After all, the Finance Minister had announced a 10 percent service tax on medical treatments done at air-conditioned hospitals. If it is hospitals this year, the same logic for taxation could be extended to many other categories of establishments. My industry friend was worried because his company has significant research facilities and it is all air-conditioned. Most biotech and pharma research today is carried out at modern facilities where air-conditioning is one of the most basic needs. And high-end research and modern offices in the country's fast growing cities cannot do without air-conditioning.

Would the government slap a tax on my labs next year, he asked me worriedly. I could not reassure him because Mr Mukherjee has opened a new route to extract more from already taxed sections of the society. Hospitals are important to the biotech industry, except the agribiotech sector. Because, biotech drugs are still very expensive and are used by patients who get their treatments at high-end hospitals. There will be pressures on pricing as hospitals try to cut costs.

We turned our attention to rest of Mr Mukherjee's budget and what was in it for the biotech sector. To our surprise, we found that that the budget has just bypassed the biotech sector. This was not the case when BioSpectrum was launched eight years ago. As we celebrate eight years of catalyzing the growth the of the industry, one can only nostalgically look back at the series of industry-friendly reports we had covered in these columns. The industry's request for a five-year tax holiday on

home-made biotech products has been brushed aside. A longer time frame for tax-free regime for biotech special economic zones (SEZs) has not been granted. The request to abolish customs duty on high-tech equipments imported for research purposes by the industry has not been accepted. The list of unfulfilled demands from the industry is long.

What conclusions can one draw from this? It could mean that at the national level, the government does not want to bestow any special status to biotech sector. Or there is a belief among the policy-makers that everything needed to stimulate the biotech sector has been done and there is no need for any special attention now. We don't know which one of this is true. The industry certainly will have to wait for sometime to figure it out.

On the other hand, governments at the state level are rolling out red carpets. Karnataka government has been at the forefront of this and even had a successful interaction with the industry in mid-February to tweak its revised Millennium Biotech Policy. Karnataka's biotech secretary, Mr Ashok Kumar Manoli has one big dream now. He is willing to roll out the red carpet for the biotech investor who commits at least \$20 million (100 crore) investment in the country.

In this backdrop, we thought it was better to find out from the industry itself about the prospects. So the Special Story "Will India biotech hit \$10 bn by 2015" is an attempt to read the minds of the industry leaders. I will leave it to you to read the undercurrents of the many observations made in this report and give me the feedback.

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