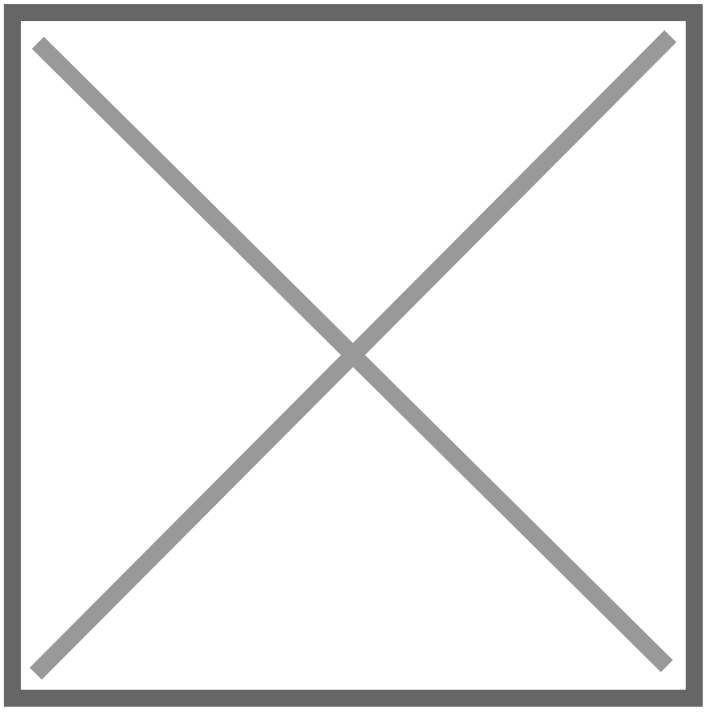
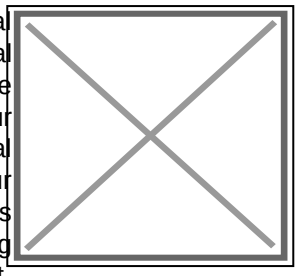
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25 September 2003 | News





Beyond Borders-The Global Biotechnology Report 2003 is Ernst & Young's second global biotechnology report and 17th in the firm's series of widely acclaimed, award winning regional annual biotechnology reports. The report looks at the state of the global industry, the key drivers and the discernible trends and opportunities. The first edition of Beyond Borders in 2002 was the result of our conviction that the biotechnology industry had transcended national boundaries and regional confines to acquire a truly global character. Our first global report therefore expanded upon our successful US and European focused reports, which had been in print for 15 years and 8 years respectively, to include an analysis of Canada, Asia Pacific and some of the world's developing markets. We not only illustrated a detailed local view, but also put that information in a global context.

Our reports have earned recognition, reliability and respect from the industry because of the high standards and stringent criteria we use in qualifying companies as biotech companies. Ernst & Young defines biotechnology companies as companies that use modern biological techniques to develop products and services to serve the needs of human health care or animal health, agricultural productivity, food processing, renewable resources or environmental affairs. Medical device, large pharmaceutical and large agribusiness companies are outside the scope of our report. Our report has been hailed as the "bible of the biotech industry" by Carl Feldbaum, president of the Washington, DC-based biotechnology industry organization, the leading industry association representing more than 1,000 biotech companies and research institutions in the US.

Ernst & Young's ties with the biotechnology industry are almost as old as the industry itself. The firm's global biotechnology practice was founded in the San Francisco Bay Area in the early 1970's and represented pioneering biotech companies such as Genentech and ALZA in their IPOs-the first ever in the sector. Ever since, E&Y has been the dominant professional service provider to biotechnology companies across the globe. The firm has demonstrated an unwavering long-term commitment to the support and advancement of the biotechnology sector for over 25 years. This has come about through a strong team of professionals with an expert understanding of the key industry drivers and a strong legacy of thought leadership. Our firm has more than 3,000 people who have worked in the health sciences industry. Among them are scientists, molecular geneticists, and doctors, who have real world experience and understand the full spectrum of business and scientific issues specific to the industry.

Ernst & Young's global biotechnology practice has evolved and transformed over the last three decades with the growth of the industry. Its highly incisive state-of-the-industry reports have not only monitored important events and analyzed trends through well-researched data on the industry, but have also presented a broad overall perspectiveÃ¢â?¬â??a gestalt, which makes sense of the multitudinous and highly dynamic facets of an ever-changing industry. Our firm's high level of engagement and involvement with biotechnology leaders has enabled our experts to have an unmatched understanding of the issues that affect the industry's fundamentals. We know our clients' customers, alliance partners, suppliers and competitors. Our depth and

breadth of coverage of the entire biotechnology value chain has allowed us to offer broad and value-adding ideas and insights. This understanding and knowledge has in turn enabled our firm to be the industry's partner in progress.

Since our firm is well connected within the financial community, we know the bankers, venture capital firms, financial companies and angel investors and we can help our clients steer through the financing uncertainties with ease. E&Y has also made the necessary investments to have a deep and thorough understanding of the regulatory and legislative side of the biotech business. This makes us better able to help our clients navigate the regulatory pathway to get their products to market.

The annual biotechnology report is not merely a publication. It is an occasion for our firm to reiterate its long-standing commitment to the industry and also to refresh and renew our learning. The process of putting the report together is a highly rewarding experience for the firm's professionals as they get the opportunity to interact with a wide range of stakeholders in the industry including business leaders, venture capitalists, investment bankers, scientists, innovators and academicians. In essence, it is a process of establishing communication, sharing information and building relationships.

The report is also an opportunity to showcase the industry's limitless potential to investors and to delineate opportunities for investment. The report has been with the industry through its crests and troughs and has been a harbinger of hope by upholding biotechnology's promise even in times when the chips were down and investor confidence was low. It has done this by spotting the winnersÃ¢â?¬â??be they products, technologies, business models or companies themselves. Our report has in essence been a tribute to the spirit of innovation and entrepreneurship in the biotech industry.

From our perspective, the report has enabled the firm to further build on its industry credentials and broaden its reputation as a biotechnology leader globally. It has also helped the firm to leverage its image as a partner of leading biotechnology companies and create a basis for initiating dialogue and developing new client relationships.

Watch out!

The overarching theme of our global biotechnology report this year is survival and success. What the future holds for the global biotech industry may be summarized as:

- It is an industry poised for success, as fundamentals are strong despite financing challenges.
- The industry is witnessing a dramatic shift in consolidation and mergers as companies are building a network of alliances to spread risk and reward of drug development among a number of companies.
- Global alliances and harmonization are proving to be the key to market success as biotech and pharmaceutical companies are spanning the globe for broader markets to sell their products and for the best R&D alliance partners.
- From an Indian perspective, following are some of the discernible current trends:
- India's significance for global players is increasing:
- Quintiles recent scale up of its Indian operations, Chiron's tie up with an Indian company for developing its AIDS vaccine and Covance's alliance with Siro Clinpharm illustrate this growing trend.
- Indian companies are demonstrating global capabilities:
- Two examples are Biocon's emergence as an integrated biotech player through an alliance with the Cuban biotech institute, CIMAB, and Strand Genomics' licensing of Sphatika to San Diego-based Syrrx.
- National laboratories are becoming more market driven:

- In the last year, CSIR has taken several initiatives to commercialize research and enter into mutually rewarding partnerships with industry. The launch of a bioinformatics solution-PLHost by the Institute of Genomics & Integrative Biology (IGIB), the TATA-CSIR initiative for Bio Suite, IGIB's tie-up with the Chatterjee Group to form the Center for Genomic Services (TCGA) are indicative examples of this growing trend.

- Biotechnology activity is growing respectably despite poor VC support:

This is a result of the proactive involvement of national research laboratories and greater industry-academia ties. The wholehearted support of state governments to promote biotech investments in their states has been a major driver as well. We are also seeing a trend towards cooperation among industry players such as the joint venture between Shantha and Biocon for human insulin. These kinds of alliances are expected to maintain the momentum of growth.

Implications for the future

Collaboration between research labs and companies will bring in more new products to the market

- India will attract a much larger piece of the outsourced R&D pie.

- Number of internationally approved manufacturing facilities will increase.

- There will be a trend towards alliances between India and other developing countries to cooperate on mutually relevant technologies and areas of interest.

Arriving at the future

- It is imperative for national labs to move from patents to products.

- Governments have to provide impetus to biotech parks on the same lines as software technology parks.

- Globally, the brand of India Inc. has to be positioned more effectively by emphasizing quality and available skill-sets rather than low costs alone.

- Embracing a globally relevant IPR regime will be the key to investment.

Utkarsh Palnitkar

(*The author is the head of life sciences practice of Ernst & Young, India)*