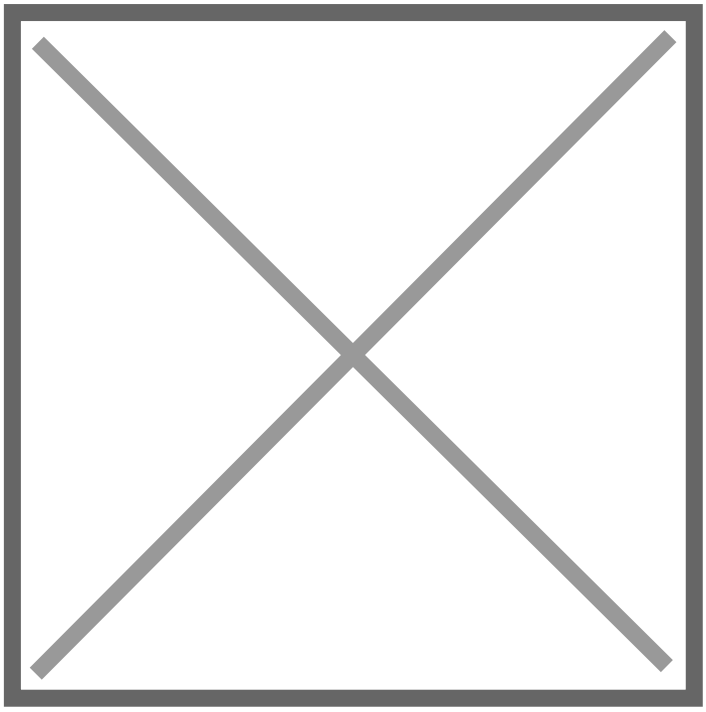
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Reagent Market: Imports Rule the Roost

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A wide range of chemicals and reagents manufactured by foreign companies are now available in India.

The Indian biotechnology reagent market is primarily import-oriented. There are very few indigenous manufacturers operating in this space. Bangalore Genei, now a subsidiary of Sanmar Speciality Chemicals, is one of the prominent Indian manufacturers engaged in making reagent chemicals for genetic engineering and molecular biology research. Almost the entire industry comprises of either Indian subsidiaries of multinationals like Becton Dickinson, Bio-Rad or resellers like Genetix Biotech Asia, Imperial Biomedics, Medi Spec, Axygen Scientific, Jain Biologicals, Biotech India and many others.

Presently the biotech consumables and reagent market of India is growing. Today the total reagents industry segment is worth Rs 50-70 crore in India and it is growing at the rate of 25-30 percent. "The growth has been smooth and the total reagent business of Genetix has increased by about 50 percent during the last year which is indicative of good growth of the industry," said Arun Prakash, CEO of Delhi-based Genetix India. "The growth trend is very encouraging. For example, if we consider just the PCR market, the size can be estimated around $11 million for PCR consumables alone (per year in India). With a growth of 30 percent every year, we can well imagine the market after five years and is expected to be the fastest growing market after IT enabled services," said Neeraj Gupta, corporate vice president of Imperial Bio-Medics.

Dr Rupinder Singh, business manager, Reagents and Labware, BD BioSciences, feels, "The volume of business has increased. Compared to last year, it seems that government customers have better buying power. Pharma R&D customers are not increasing their spending much with the focus still hovering around generic manufacturing." But nevertheless, a start has been made and many pharma companies involved in biotech research are shifting their focus towards new molecules. "Presently the sale of reagents for CD4 testing in case of HIV infected individuals is on the increase. This test is used for monitoring effect of anti retroviral therapy on AIDS progression," shares Dr Singh of BD BioSciences.

A bulk of biotech reagents/consumables used in India are imported, though the country has a mature successful chemical industry. Why? "The fact is that the successful chemical industry cannot be used as a referral point for the biotech reagent industry at the very first step. Actually the biotech reagent industry demands the merger of chemical, microbiological and speciality enzyme industry and due to lack of adequate infrastructure, this has not been successful as yet. Also, the quality control standards for the existing industries are not very stringent as required in this segment, thus the researchers are not able to trust the indigenous manufacturers and are ready to pay extra cost for the foreign products,"counters Neeraj Gupta.

"The indigenous manufacturing of reagents is not done as they are not properly standardized. There may be production inconsistencies, the strong mind share of scientists captured by the international brands, and a lack of initiative on the part of the Indian manufacturers," opines Arun Prakash.

It is believed that if in India indigenous manufacturing takes off, then the cost would see a 100 percent or sometimes 150 percent reduction. Along with the low cost of manufacturing, the companies would be able to save on the freight charges, import duties and other incentives offered by the government like exemption from central sales tax and excise duty. It will help the researchers to enjoy cost effectiveness at cheaper prices thus giving them value for money. But the process of standardization has to be put in place first. At present, it is felt that the levels of investment required for a quality control system at par with international standards may simply not justify the volumes required by the Indian market alone. And for tapping markets abroad, they will face a stiff competition from the already established players. So joint venture possibilities could be an ideal option. "The government can change the current import trend but only by having very serious efforts to woo entrepreneurs and researchers into this area. The other way this problem could be tackled is by wooing foreign manufacturers to set up manufacturing base here and by boosting research culture to the next level," said Dr Singh of BD India.

The key customers of the various companies are the life science research labs/institutes, government and public hospitals, universities, biotech and pharma industry. Foreign brands like Bioline, Promega and Invitrogen and Hyclone have a very strong mind share amongst the Indian scientists as products of these companies have had their presence in India since the past 5-7 years since molecular biology/biotechnology took roots in the country. Also due to the present limited range of indigenous reagents available, there are compatibility issues of indigenous with the imported reagents. On an average the imported reagents are expensive but sometimes due to the volumes of production involved, some imported chemicals are sold at cheaper rates than their indigenously available counterparts.

Commenting on the business model, VK Dubey, CEO, Biotech India, which represents international brands like R&D systems, SantaCruz Biotechnology, SuperArray Bioscience Corp., RayBiotech Inc., says, "Essentially the sale of reagents or any other product depends on the better product quality, better service and the discounts offered. This business is afterall a play of volumes". The big distributors have huge stockpiles, like for example Genetix, at any given time, stocks 8-10 thousand different reagents worth about Rs 3 crore. And its turnover during the 2004-05 has been more than Rs 30 crore. Most of the distributors procure huge stocks and thus the freight charges/per product gets distributed. Discounts in the range of 5-7 percent are common to customers. The business offers margins in the range of 15 to 30 percent, which the industry feels is justified as there are many highly perishable consumables, requiring specific storage conditions. So there has to be an adequate cushion for the risk elements.

The Indian market is sensitive to the pricing of new products. Scientists ideally want accuracy with economical pricing. The market statistics may change in the near future, with countries like China, Korea and Taiwan coming up in a big way in the area of consumables manufacturing. These countries are targeting the Indian market seriously and are in fact keenly looking at the Indian companies for partnerships.

Commenting about the key issues/hurdles facing the industry, Dubey said, "The duties are a bottleneck, though some concessions have been announced by the government in the recent budget but they should be on a broader scale. Secondly, the import process is very cumbersome and should be streamlined. Dhiren Wagle, country manager, Bio-Rad, feels, "Most of the government customers are duty exempted but to make available these reagents in Indian rupees attract duties which makes the reagents costlier; logistically many of the reagents are short shelf life and temperature sensitive; and stocking is inhibitive as irrespective of the customer segment, it attracts duties".

Another apprehension, voiced by Neeraj Gupta is the price war that has started these days, especially in the fast running consumables market like PCR reagents.

This has shifted the focus of the reagent manufacturers towards prices rather than quality, which is henceforth responsible for the attractive schemes with compromisable quality.

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