

“Expressing biotechnology as a factor of economic development, India is in a brighter spot”

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Denmark-based biotechnology firms Novozymes and Chr. Hansen are merging as a result of the \$12.3 billion deal announced a few months ago. Although there have been several mega-mergers in the bio solutions space in recent years, this latest deal between Novozymes and Chr. Hansen is set to have a huge impact. In track with this latest development and to gain insight into the company’s future plans in the bioindustrial sector, BioSpectrum spoke to Krishna Mohan Puvvada, Regional President, Middle East, India and Africa (MEIA), Novozymes in detail.

Could you shed light on the impact of the recent merger of Novozymes and Chr. Hansen which has been the key highlight of FY 2022-23?

Novozymes and Chr. Hansen, together, will meet customers’ growing demands for efficient, scalable, and sustainable biosolutions. Our merger with Chr Hansen will truly make us a biotech powerhouse and this combination is bringing in a lot of synergies complementary to the areas that we play and the areas that Chr Hansen plays. We have guided the markets on the combination to happen in Q4 of this year (2023) or Q1 of 2024. By then we should be ready with that. So, right now, the teams are working on putting all the frameworks, all the guardrails. Together, we are establishing a new entity. The current addressable market for biological solutions is estimated to be around EUR 15 billion and growing. According to the World Economic Forum, the economic impact from biological solutions is expected to grow three times by 2040, driven by growing needs and demands from growing populations around the world.

What have been the high points of your business in the APAC region during FY 2022-23? What more is in store?

We have completed 40 years in India, so right now we are celebrating this milestone. We were earlier Novo Nordisk Enzymes, now we are Novozymes. The market has accepted our technologies well and for us, India has been a strategic asset. A lot of our shared services are in India. Knowledge management and knowledge capital is based out of India, and we provide a lot of IT, digital support.

India is a very big player in the whole emerging market as such. And we have been growing double digits for the last 15-18 years, barring the COVID-19 period. Now, this is driven by a combination of demand, new innovations being launched in the market and also expanding the traditional industries that we operate, and there is more to go. As stakeholders see benefit in this, they would do more in other categories and take on more towards this side.

Besides India, China and Japan are the top markets for us. Then there is Korea which is very strong in nutraceuticals, supplements, bio-health, skincare based products. So, we see some traction on those sides. The overall concept of health and hygiene is very high in Japan and Korea.

We also have a very good presence of Novozymes in Malaysia. Then, we have regional offices in Indonesia, Philippines, Japan, Australia, and also now opened up in Thailand.

In the Middle East, we have always been strong. Turkey is a very important market for us. Also, Turkey is a bridge between East and West. Also, in terms of adoption of technologies and the types of industries, they are very advanced and present us with fantastic opportunities.

Besides, pushing the sustainability agenda is also a priority for us. Now, countries have committed their decarbonisation and net zero goals. India has said 2070, China has said 2060, Turkey has said 2053. There are different ambition levels being set by different countries. But for the business of tomorrow, this will be a very integral part of decision making. I think it will enable technologies like biotech and other sustainable technologies towards expansion.

How is Novozymes contributing to the growth of the Indian bioindustrial segment, and what are your expectations from the government?

When we started our operations in India 40 years ago, everything was coming from other places. Now we do a lot of formulations here, and a lot of value addition of enzyme technology happens in India. We are using the local resources to make the final product. We are not making the enzyme per se, but a lot of the formulations are being done here. As we move forward and as we see visibility of some of the high growth sectors, such as biofuel, we will need a lot of volumes. The moment we have visibility to that, we are committed to produce here, and when we produce here, by design, it will become a global site. We will produce here and we will also export. So, it will contribute to the Make in India agenda. Our facility in Patalganga, near Mumbai is a huge facility, and is actually built to cater to meet 20-25 years of requirement. If we utilise the facility and build in more fermentation tanks, we will be able to produce a lot more.

But of course, the Indian government is doing extremely good work in supporting the bioindustrial sector. There is a good engagement with the stakeholders. I also think that the road map towards emerging themes is becoming better and better. Let's take an example, India has the net zero goal and is working towards it. So, both the intent and direction is there. We at least see some clarity, and there is a convergence of things, plan, and direction taking place. There is also a lot of coordinated effort of funding to make these things happen. When we look at the bioeconomy, we look at all the trends from the future perspective of sustainability, decarbonisation, etc., which means that the industry has to collaborate with all stakeholders, including the government, and articulate the whole efficacy of the biotech sector. The industry also has to take the responsibility along with the government, and the climate is favourable in that direction.

For the bioindustrial sector, there is an acceleration happening in India. But how do you see it in other countries in Asia or across the globe?

I would say that the adoption of technologies is a direct function of economic development. Higher the economic development, higher the per capita income, and better is the acceptance of or the need for quality. If I were to express biotechnology as a factor of economic development, it is directly proportional. Now, towards this, when we look today, India is in a brighter spot as it has a very strong domestic consumption. Other emerging economy countries have a lot of multiple

challenges to deal with, ranging from macro-economic to geopolitical to demographic factors. For instance, if we consider the business of textiles within the bioindustrial sector, things have changed geopolitically. The exports coming in from Asia to Europe and other countries are significantly decreasing and these could be challenges emerging out of macro-economic or geopolitical factors like the Russia-Ukraine war. That is why when we say that India is in a bright spot, this is compared to a lot of other countries that have a lot of other structural challenges to be addressed.

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