

From Exponential Growth to PHARMA BOOM

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Despite geopolitical uncertainties like the Israel-Palestine and Russia-Ukraine conflicts lingering in 2023, the healthcare and pharma sector in India continues to gain momentum through new investments and collaborative efforts. In 2023 alone, more than 30 partnerships, MoUs and other collaborations have been forged to boost India's pharmaceutical growth trajectory. The Indian pharmaceutical products market is projected to hit \$130 billion by the end of 2030. Let's explore further.

India is expected to remain one of the fastest-growing major economies in the world due to robust domestic demand. The deal activity increased as the year progressed, with the life sciences and healthcare sector continuing to remain promising for further investments during the year.

In Q1 2023, deals in the Mergers and Acquisition (M&A) and Private Equity (PE) space remained subdued. They are expected to improve in the latter part of the year. In the life sciences sector, the focus remained on acquiring products, licenses in regulated markets and building capacity in India, with an interest in contract development and manufacturing organisations (CDMO) and the active pharmaceutical ingredient (API) and biosimilar businesses. In the healthcare sector, health tech continues to account for a significant share of the volume of deals, according to the Grant Thornton Bharat dealtracker report for 2023.

Compared to Q4 2022, while the volumes remained on par, Q1 2023 saw a 70 per cent decline in values owing to one marquee deal witnessed in the previous quarter (Q4 2022) – Biocon's acquisition of Viatris Inc. valuing \$3.3 billion, accounting for 88 per cent of M&A values for the quarter (Q4 2022). Barring this deal, Q1 2023 saw a 50 per cent increase in values. The pharma and biotech segment accounted for 81 per cent of the values, for the last three quarters, across both the

M&A and PE/ Venture Capital (VC) activity. The segment witnessed two top deals – Biocon's acquisition of Viatrix (Q4 2022) and Suven Pharma's fundraising by Advent International (Q1 2023).

Fuelled by an Aatmanirbhar Bharat push and growing preference for India-made pharmaceutical raw materials, the API sector remains in the spotlight. The PE firm Advent International has acquired 50.1 per cent of Suven Life Sciences Limited for \$769.88 million to build a leading end-to-end CDMO and merchant API player servicing the pharma and specialty chemical markets. TA Associates' acquisition of Synokem Pharmaceuticals for \$125 million also highlights the continued interest in the domestic market.

Healthcare and life sciences witnessed a 17 per cent decline in deal volumes compared to Q2 2022. However, a few significant transactions led to a remarkable 146 per cent increase in deal values, from \$1.3 billion in Q2 2022 to \$3.1 billion in Q2 2023. There was an interest in PEs in Indian multi-specialty hospitals. Temasek Holdings bought stakes in Manipal Health Enterprises from TPG Capital Management and National Infrastructure Investment Fund for \$2 billion, marking the largest fundraiser in the sector in the last 13 years. In another notable transaction, Blackstone Group bought stakes in Quality CARE India Limited ? Care Hospitals for \$560 million, making it the third-largest fundraising ever recorded in India in the sector.

Driven by these big-ticket investments, the PE activity reported a 158 per cent growth in deal values, taking the average ticket size from \$32 million in Q2 2022 to \$139 million in Q2 2023. However, the volumes declined by 41 per cent.

The M&A activity reported a 60 per cent increase in deal volumes over Q2 2022, recording 16 deals. Deal values surged by 97 per cent to reach \$487 million, resulting in an average ticket size of \$30 million, compared to \$25 million in Q2 2022. Serum Institute of India Ltd - Serum Institute Life Sciences bought a minority stake in Biocon Biologics Limited for \$150 million, and IPCA Laboratories Limited acquired Unichem Laboratories Limited for \$126 million, contributing around 57 per cent of overall M&A transactions.

Bhanu Prakash Kalmath S J, Partner and Healthcare Services Industry Leader, Grant Thornton Bharat LLP, noted that the pharma and healthcare sector in India witnessed a few large M&A transactions in Q3 2023, indicating continued interest in the sector. However, the overall volumes declined by 26 per cent. The total value of the deals announced in Q3 2023 was over \$2.7 billion, which reflects the positive sentiments from the investors.

The API and CDMO segments in life sciences and single specialty in the healthcare sectors continue to be the focus segments for deals. This has led to a surge in investments in these segments, with several notable deals announced in Q3 2023, aligning with our expectation that these segments will maintain momentum. There is a growing trend toward consolidation in the pharmaceutical sector, with pressure on margin. Additionally, the CDMO business is also attracting interest from both strategic investors and private equity funds. By volume, India is already the world's third-largest pharmaceutical producer and the leading manufacturer of generic drugs.

Bhanu Prakash Kalmath observed, "We expect deals to continue in the healthcare sector, although the volumes may be subdued. The key drivers for growth, such as increasing demand for healthcare services, growing adoption of new technology, digital health and sustained government support, are expected to remain in place."

Strategic Partnerships

Leading Indian pharmaceutical companies, including Biocon, Advent International, Syngene, Eurofins, Foxx Life from the US, and Flanders from Belgium, are strategically involved in partnerships, acquisitions, sales, and divestments to consolidate their growth in 2023.

Industry analysts highlight that companies like Dr. Reddy's and Cipla are exploring opportunities in branded domestic assets or deals in emerging markets, while Sun Pharma is eyeing assets abroad.

In a recent development, Biocon Biologics Limited, a subsidiary of Biocon Limited, based in Bengaluru, announced an agreement with Eris Life Sciences to divest its dermatology and nephrology branded formulations for Rs 3600 million. This move is expected to reduce debt and allow a focus on core biological therapeutics, with the deal set to conclude by the end of November 2023.

International firm Advent International declared a \$2 billion investment in Hyderabad's Suven Pharmaceuticals on September 30, 2023, planning to establish its Cohance Lifesciences Platform in Genome Valley. This move follows the approval to acquire a 76.1 per cent stake in Suven Pharmaceuticals for Rs 9589 crore from the Union government.

Syngene International Limited, a global contract research, development, and manufacturing services organisation, announced its expansion in the Genome Valley project in Hyderabad in September 2023. With an investment of Rs 788

crore, the company aims to provide 1000 jobs in the next five years

Eurofins, a global leader in testing services, inaugurated its biopharma services centre in Genome Valley, Hyderabad, in partnership with Genome Valley, investing Rs150 crore in its second biopharma services campus in India.

AG Poly Packs invested Rs 42 crore in a new facility in Himachal Pradesh, operational from June 2023, manufacturing flexible tubes for the cosmetic and pharmaceutical industries.

Highlighting the conducive ecosystem provided by the **Government of Telangana, Jayesh Ranjan, Principal Secretary of Industries and Information Technology**, emphasised the importance of collaborations, partnerships, and MoUs for expanding the growth horizons of the pharma and healthcare sectors globally.

The Government of Telangana collaborated with the Flanders region of Belgium in February 2023 to explore opportunities in the life sciences sector for its Pharma City Project. US-based Foxx Life Sciences also announced a Rs 200 crore investment in Hyderabad on February 27, 2023, to enhance pharmaceutical capabilities.

Another firm, Surface Measurement Systems, a UK-based company, invested over \$2 million in Particle Characterisation Laboratories Pvt Ltd (PCL) in Telangana in February, with plans to invest \$3 million over the next three years.

Eagle Genomics, a UK-based tech bio platform company, expanded its capabilities in Hyderabad and signed an MoU during the BioAsia 2023 event in February.

In another strategic partnership, SGD Pharma and Corning announced a collaboration in February, attracting Rs 500 crore in investments to Telangana. This collaboration aims to bring cutting-edge technology to Mahabubnagar district, boosting innovation in the pharma packaging sector, with commercial production set to commence in 2024.

In a significant development, Croda International Plc, an international company, inaugurated its Global Technical Centre in Genome Valley, Hyderabad, in June 2023. Utilising smart science, the company focuses on creating high-performance ingredients and solutions to enhance lives. Croda International invests in developing advanced pharmaceutical ingredients and technologies for the life sciences sector. Additionally, the company has established a new Greenfield manufacturing plant in Dahej, Gujarat.

In January 2023, Sun Pharmaceutical Industries Ltd agreed to acquire Concert Pharmaceuticals Inc. for \$576 million, gaining access to the US company's experimental drugs for treating skin diseases, including patchy hair loss. This strategic move is expected to bolster Sun Pharma's global dermatology franchise, complementing its already robust specialty business in the US.

Later during the year in September, Glenmark Pharmaceuticals finalised a deal with Nirma Limited, selling a 75 per cent stake in Glenmark Lifesciences at Rs 615 per share. Nirma, a detergent soap manufacturer, acquired the stake at an estimated enterprise value of Rs 7,500 crore. This transaction underscores the escalating investment interest in the healthcare and pharmaceutical industry, a rapidly growing global sector.

Key MoUs

The collaborative efforts between governments, private companies, academic, and research institutions have played a pivotal role in fostering the growth and expansion of the pharma sector in India. These MoUs, facilitating the exchange of knowledge, technology, and key materials, have led to a substantial increase in research and development spending by the top 10 pharma companies in India.

Delhi Pharmaceutical Sciences and Research University (DPSRU) and Akums Drugs & Pharmaceuticals Limited (Akums) have entered into an agreement, collaborating to research and introduce novel products for Indian patients. This partnership aims to enhance pharmaceutical education and research opportunities for DPSRU students.

The National Health Mission and the Karnataka Health & Family Welfare Services have signed an MoU with AstraZeneca Pharma India Ltd to deploy Artificial Intelligence (AI)-based lung cancer screening technology capable of screening a patient for 29 lung diseases in one chest X-ray.

Boehringer Ingelheim India entered into an MoU with Pet Practitioners Association of Mumbai on September 22, to combat rabies in the Greater Mumbai area. The collaboration includes free vaccination camps, a donation of 30,000 doses of the anti-rabies vaccine Rabisin, and a month-long awareness drive.

India and Saudi Arabia signed over two dozen MoUs on September 11, covering various sectors such as IT, agriculture, pharmaceuticals, petrochemicals, and human resources.

The Maharashtra state health department signed an MoU with Boehringer Ingelheim India on June 22, to improve stroke care at government hospitals through Artificial Intelligence, including hands-on training for hospital staff.

The Central Drugs Standard Control Organisation (CDSCO), Ministry of Health and Family Welfare, Government of India, and Ministry of Health, Government of the Republic of Suriname, signed an MoU on June 4, aimed at extending cooperation in the field of Medical Product Regulation.

The UK-based Centre for Process Innovation Limited (CPI) signed an MoU with India's CSIR—National Chemical Laboratory in April to decarbonise the pharma industry.

The Indian Pharmaceutical Alliance (IPA) signed an MoU with the Pharmacy Council of India (PCI) in June 2023 to provide industrial training to 300 teachers, building on their earlier agreement from May 2021.

All these strategic business agreements and many more others pave the way ahead for laying a robust road map for further growth of the Pharma sector beyond 2023-24.

Surge in R&D Investments

Indian pharmaceutical powerhouses have demonstrated a remarkable commitment to innovation, as the top 10 leading companies in the sector collectively increased their Research and Development (R&D) spending by 7.6 per cent from 2022 to 2023.

Sun Pharma Industries, a major generic manufacturer in India, notably allocated Rs 2368 crore towards R&D in the fiscal year 2022-23. This marked a significant uptick from the previous year's investment of Rs 2,219 crore, aligning with their increased revenues of Rs 44,520 crore in 2022-23, compared to Rs 39,576 crore in 2021-22.

In contrast, Aurobindo Pharma experienced a decrease in R&D spending, allocating Rs 1,412 crore in 2022-23, down from Rs 1,581 crore in 2021-22. However, their revenues demonstrated an upward trajectory, rising from Rs 23,456 crore to Rs 24,855 crore.

Dr. Reddy's Labs showcased a noteworthy increase in R&D expenditure, reaching Rs 1,938 crore in 2022-23 compared to Rs 1,748 crore the previous year. This correlated with revenue growth from Rs 21,139 crore to Rs 24,588 crore.

Cipla also demonstrated a commitment to innovation by investing Rs 1,344 crore in R&D, up from Rs 1,122 crore, while witnessing a revenue shift from Rs 21,763 crore to Rs 22,753 crore.

Other major players in the industry, including Zydus Lifesciences, Lupin, Alkem Labs, Biocon, and Torrent Pharma, similarly increased their R&D expenses, reinforcing their dedication to innovation and contributing to substantial revenue growth across the sector.

Collectively, the R&D expenditure of these top 10 pharma companies surged to Rs 13,078 crore in 2022-23 from Rs 12,186 crore in 2021-22. This significant investment not only fuelled innovation but also led to a 7.6 per cent rise in total revenues, reaching Rs 195,557 crore in 2022-23 from Rs 176,717 crore in 2021-22.

As of June 2023, the top 10 Indian pharma companies have witnessed a substantial 19.2 per cent increase in R&D expenditure, underscoring their unwavering commitment to innovation and advanced healthcare solutions.

Sun Pharma Industries, in particular, significantly raised its R&D expenditure to Rs 668 crore in June 2023 from Rs 450 crore in June 2022, indicating a substantial leap in its dedication to research endeavours.

In a notable trend, Aurobindo Pharma and Dr. Reddy's Labs have both increased their R&D investments, allocating Rs 388 crore and Rs 498 crore, respectively. This showcases their unwavering dedication to pioneering pharmaceutical innovation.

Cipla, Zydus Lifesciences, Lupin, Glenmark Pharma, Biocon, and Torrent Pharma have also intensified their R&D spending, symbolising a collective commitment to advancement and groundbreaking research within the industry.

Overall, the cumulative R&D spend by these top 10 companies surged to Rs 3,452 crore in June 2023 from Rs 2,895 crore in the corresponding period of 2022, marking a substantial 19.2 per cent increase.

Industry analysts assert that this remarkable upswing in investment reflects a collective effort to harness innovation, thereby driving the growth of the pharmaceutical sector. It ensures the development of superior healthcare solutions in the days ahead.

Beyond 2023

India's pharmaceutical industry is one of the leading global producers of cost-effective generic medicines and vaccines, supplying 20 per cent of the total global demand by volume and 60 per cent of the global demand for vaccines. With liberal foreign investment rules allowing 100 per cent FDI, the future of the industry appears promising.

Currently ranked third globally for pharmaceutical production by volume and 14th by value, India has a well-established domestic pharmaceutical industry with around 3,000 drug companies and approximately 10,500 manufacturing units.

The industry's future trajectory is optimistic, with the Indian pharmaceutical products market projected to reach approximately \$130 billion by the end of 2030. Concurrently, the global pharmaceutical products market is expected to surpass the \$1 trillion mark by the end of 2023.

The market share of the Indian pharmaceutical industry is currently valued at approximately \$50 billion, with industry analysts projecting a compound annual growth rate (CAGR) of 10.7 per cent through 2030. The pharmaceutical market in India is anticipated to surge to \$65 billion by 2024 and double by 2030, reaching \$130 billion.

India currently holds the second-largest share of the global biotech and pharmaceutical workforce. In conclusion, the pharmaceutical industry in India is abuzz with dynamic business strategies, including strategic partnerships, investments, new deals, and MoUs. These developments are not only shaping the industry's future but also providing exposure to global markets.

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