

Growth slows

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GROWTH SLOWS

**Industry grows 18% to Rs 12,137 crore
Flat growth in terms of dollars**

The Indian biotech industry in 2008-09 registered 18 percent growth, with record revenues of Rs 12,137 crore. However, in terms of dollar business, the industry was where it had been in the last fiscal, i.e., at \$2.5 billion, with the price of a dollar hovering around Rs 47 during the year. The exchange rate of the dollar, which was around Rs 40 per dollar in 2007-08, grew by 18-19 percent during the year and this is reflected in the performance of the industry. In rupee terms, the industry registered 18 percent growth.

The very nature of the biotech industry, that it is export-driven, is clearly reflected in these numbers. The rise in dollar value helped companies to up their topline. In rupee terms, the exports business went up by almost 25 percent to Rs 7,152 crore, accounting for 60 percent of the total business in 2008-09, yet the total industry exports registered only 6 percent growth in dollar terms over 2007-08 to \$1.5 billion.

The domestic business at Rs 4,985 crore (\$1 billion), registered 10 percent growth in rupee terms. But in dollar terms, it meant a negative growth of about 7 percent compared to \$1.14 billion in 2007-08. The Indian biotech sector is consolidating and looking at various business models to sustain the momentum of growth that it had been recording before 2007 and this is going to be spurred by the industry's moves to adapt to the next level of change. A clear trend in this direction is the globalization strategy. The activities related to localization of global companies and globalization of Indian companies continued in 2008-09 too. We saw several partnerships being inked. Almost all the major players have entered into several partnerships during the year.

The biopharma segment continued to account for the largest share of the biotech industry revenues. In 2008-09, the

biopharma sector had a 65 percent share of the total pie with revenues of \$1.67 billion (Rs 7,883 crore). In fact, in dollar terms, it's a negative growth of 2.75 percent compared to the revenues of \$1.72 billion (Rs 6,899 crore) in 2007-08. In 2007-08, the segment had accounted for 67 percent share of the total industry revenues, registering 16 percent growth. The share of exports in the total biopharma pie was close to 58 percent. Exports from biopharma alone accounted for over 68 percent of the total industry, while the bioservices sector had 28 percent share in exports (Rs 1,964 crore). The bioservices sector registered 31 percent growth. The bioagri sector grew by 24 percent to Rs 1,494 crore, the bioindustrial sector by 16 percent to Rs 478 crore, and the bioinformatics sector by 15 percent to amass Rs 220 crore in revenues.

Clearly the industry had to handle the challenge of market-to-market conditions. The recessionary effect in terms of venture capital and private equity funding did not have a dramatic effect on the companies, as the VC firms were anyways not taking the risk of investing in biotech ventures in the country. The global trend that dominated the industry dynamics in 2008 was bigger biotech companies getting acquired, while the small and medium companies signing partnership deals. Though Indian companies were impacted with credit squeeze, the good news is that public funding is on the rise. Now India through the Public Funded R&D bill is encouraging researchers and the academic institutions to innovate and plans to incentivize the efforts. The generics business is now here to stay and with Obama coming in the biosimilars will have a stronger proposition than generics because they are difficult and complex to emulate. The entire pharma generic space is expected to see price erosion up to 90 percent. This erosion in biosimilars is expected to be 50-60 percent.

Looking at the future, India will go the innovation way. The government funding in terms of providing finance, getting into PPPs, their commitment in developing this sector is encouraging and it is prepared to be a financier and steer regulations.

Globalization in biotech is largely India-centric. In the future, India will be a part of the global market and will be a part of the pie across the value chain. There will be a lot of marketing alliances where companies abroad can come and Indian companies will play the role of contract sales organizations (CSOs). Lastly on the globalization front, it will not just be about business opportunities but capability development that will expose India to actively learn the expertise of the partner. South Korea is a best example of this. The alliances prepares companies to go to the next level.

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BioPharma sector grows to Rs 7,883 crore.
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SURVEY & RANKING METHODOLOGY

- BioSpectrum conducted this survey in association with the Association of Biotechnology Led Enterprises (ABLE). BioSpectrum and ABLE have jointly been doing this exercise since 2003. A detailed questionnaire (survey form) is sent to over 150 companies to capture the needed information for the analysis. This was done during May-June 2009. Companies shared information with us to the extent it was possible by them about their companies and the industry.
- The revenues considered for the analysis are biotech products sales and service figures. In several cases, where revenue figures were not available estimates were arrived talking to industry experts.
- This year in the list of Top 20 Biotech companies, diagnostics and clinical trials companies have not been taken into account. But the drug discovery services companies have been listed.
- Biotech suppliers' revenues are not considered as part of the biotech definition.
- BioPharma included products made by fermentation/animal cell culture (not animal extracts) and plant cell culture (not plant extracts).
- The BioAgri segment analysis has included only the GM seeds and molecular markers and related products. So the

hybrid seeds business is not a part of the agribusiness sales values.

- For all the ranking purposes, we have taken the biotech business only into consideration. Wherever TURNOVER is mentioned it means, sales turnover from biotech. Therefore, turnover wherever mentioned is not necessarily the total sales turnover of the company