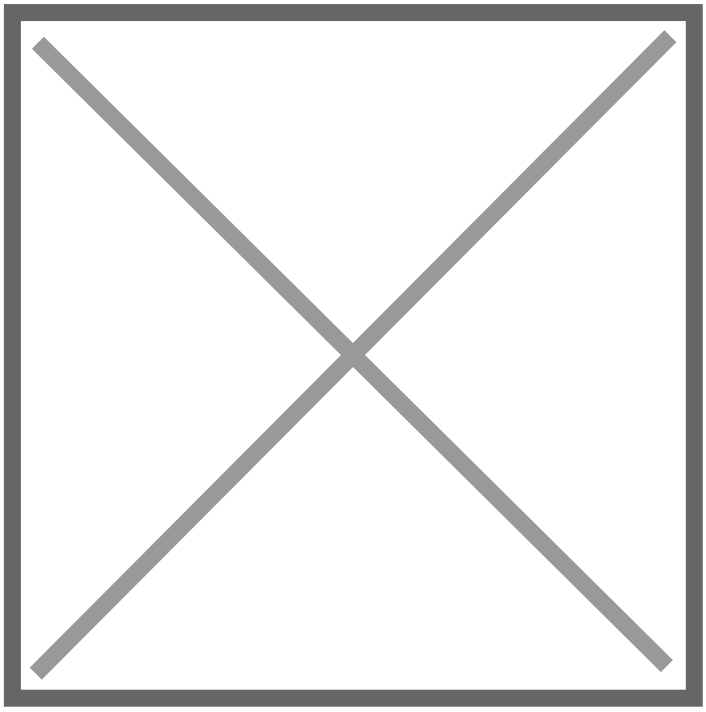
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Partnerships, a New Growth Model for Biopharma Firms

07 July 2005 | News



Indian biopharmaceutical companies are dreaming big. To achieve this, they have taken the route. They are forging partnerships either in R&D, marketing or in manufacturing.

Biocon Ltd, India's leading biotechnology company is in the forefront in entering into partnerships with other companies. Others in the game are Serum Institute of India, Nicholas Piramal India, Panacea Biotec, Avestha Gengraine Technologies, Indian Immunologicals, Wockhardt, Bharat Biotech International and Biological E. About 20 partnerships/joint ventures have been signed between biotechnology and pharmaceutical companies in the last 18 months. Most the leading Indian biopharmaceutical companies have adopted the partnership strategy as a growth model. Indian companies have started looking at this business model for different activities such as R&D, manufacturing, contract research and marketing.

Biocon has entered into alliances in R&D, marketing and manufacturing spaces with different companies. It has entered into an alliance with US-based Bristol-Myers Squibb Company to supply recombinant human insulin in bulk form for nine years. Biocon has also entered into a research tie-up with North Carolina's Nobex Corporation to jointly develop oral insulin for the global and Indian market, as well as a strategic partnership with New York-based Vaccinex to discover and co-develop at least four therapeutic antibody products. As part of the deals, Biocon will also make equity investments in Vaccinex and Nobex.

Biocon's subsidiary Syngene International has also entered into a contract research agreement with the R&D arm of Novartis, the Novartis Institutes for Biomedical Research Inc. Syngene will conduct research to support new drug discovery and development, primarily in the early stages, involving small molecules in oncology and cardiovascular segments.

Serum Institute of India Ltd, a leading manufacturer of vaccines in India, is another company which is into partnership with an MNC. Serum Institute has signed an licensing agreement with London-based Lipoxen Technologies Ltd in a major product development program. The agreement involves eight new product candidates in total, including protein drugs such as GCSF and EPO, anti-cancer drugs and vaccines. The Serum Institute provides the active ingredients and Lipoxen provide the enhanced delivery systems.

The agreement combines Lipoxen's strengths in intellectual property and innovation in the drug delivery field. Under the agreement Serum will retain control of marketing in India, Africa, Asia (except Japan) and Latin America, taking advantage of their existing distribution infrastructure. Lipoxen retains control of marketing and sub-licensing in the major market territories and seeks collaboration partners for the marketing of these products in such territories.

Avestha Gengraine Technologies, a Bangalore-based integrated biotechnology and bioinformatics company focusing on the convergence between food, pharma and clinical genomics leading to preventive personalized medicine, has entered into alliances with companies for R&D and marketing activities.

The growth models of pharma and biotech companies

The tepid valuations of many companies on public markets by venture capitalists may push companies to look at alliances, mergers and acquisitions as growth models.

With increase in the cost of launching newer drugs and profit margins being diverted towards R&D activities, alliance, mergers and acquisition (M&A) have become the norm of pharma and biotechnology industries. The global trend is big pharma companies are eyeing biotech companies which are into R&D and developing newer molecules to enhance their product portfolio.

The significant M&As that happened in 2004 in global biotech space include acquisition of Tularik by Amgen, the world's largest biotechnology company, for $1.3 billion. Genzyme acquired Physician services business of IMPATH for $215 million and ILEX Oncology for $1 billion. The companies are not limited by geographic boundaries in their search for strategic partners for growth. A Canadian biotech firm QLT acquired Atrix Labs for $855 million in stock.

Similarly Icelandic generics major Actavis has acquired Bangalore-based contract research organization, Lotus Labs in a Euro 20-million all-cash deal. This trend for CRO acquisitions is increasing and many pharma companies are said to be considering India for such strategic investments.

The Ahmedabad-based Dishman Pharmaceuticals and Chemicals has acquired an UK-based contract research company called Synprotec with an asset base of around Â£2 million, through its subsidiary, Dishman Europe. Torrent Pharmaceuticals, again an Ahmedabad-based, is close to acquiring a German company engaged in generic drugs business through its German subsidiary. In the recent past, many Indian pharma companies have acquired European ones. The recent ones include Wockhardt's acquisition of UK-based generic drugs manufacturer CP Pharmaceuticals for Rs 83 crore in an all-cash deal; Zydus Cadila's acquisition of the formulation business of Alpharma of France for a consideration of Euro 5.5m, and more recently, Ranbaxy acquired the French generic drug company RPG Aventis for around $70 million.

Amalgamations

On the contrary, a few others adopted mergers as a growth model for their business. In this we find amalgamation of Glenmark Laboratories and Tasc Pharmaceuticals. The merged new entity would be present both in the bulk drug and the finished dosage form segments. Even the boards of Matrix Laboratories and Strides Arcolab, have, in

Avesthagen has entered into a strategic tie-up with two investors towards furthering its R&D efforts. The company has received a sizeable amount of investments from two strategic investors including Godrej Industries Ltd. The strategic partnership is part of its plans of attracting investments through partnership and the way forward for Avesthagen. It has also entered into research collaboration with Sequenom Inc., to analyze Sequenom's proprietary panels of genetic markers associated with diabetes as well as with breast and lung cancers in Indian patient samples.

The results of this collaboration could provide further validation of Sequenom's genetic markers and improve the understanding of the role of these genetic markers in disease onset, progression and therapeutic response. Avesthagen has announced a strategic joint venture with the Denmark-based Centre for Clinical & Basic Research (CCBR) and its subsidiary Nordic Biosciences. Both will work together on a wide array of aspects covering the diagnosis, treatment and prevention of osteoporosis and osteoarthritis. And also work together to develop the market in India and worldwide for a biomarker-based diagnostic kit that significantly improves on existing technology. It has also entered into research alliance with Cipla to develop biopharmaceuticals. Under the terms of the agreement, Avesthagen will focus on research and product development, while Cipla will focus on marketing and distribution.

In order to strengthen its vaccine portfolio, Hyderabad-based Biological E has entered into a strategic alliance with the US-based pharmaceutical major Intercell AG for the development, manufacture and sale of the latter's Japanese Encephalitis vaccine in Asia. According to the agreement, Biological E will manufacture the product in India for the Asian endemic market, while Intercell AG would concentrate to market the product in the US, Europe and Australia.

Besides biotech-pharma deals we also see a biotech Ã¢â?¬â??biotech deal. One of the major deals is Chiron Vaccines joint venture in India with Panacea Biotec. This 50:50 joint venture Vaccines Pvt Ltd will focus on marketing of Hepatitis B and cocktail vaccines in the private markets in India. Panacea Biotec will look after the institutional sale to UNICEF/WHO.

It has also entered into a collaboration with the UK-based Cambridge Biostability, for manufacturing vaccines in India using the "stable liquid technology", which reformulates existing vaccines into ready-to-inject stable liquids thereby revolutionizing the vaccine delivery system by eliminating the need of refrigeration for vaccine storage.

Bharat Biotech International Ltd has signed a joint venture agreement with South Africa's gold and diamond company Mvelaphanda Holdings in 2004 to set up a manufacturing plant for vaccines and generic drugs near Johannesburg. Under the agreement both Bharat Biotech and Mvelaphanda would have equal stake. The South African plant would be set up at an investment of Rs 125-150 crore.

Human Biologicals Institute (HBI), a division of the Indian Immunologicals Ltd, has entered into an alliance with Vins Bioproducts Ltd. This is mainly for marketing its product called Equine Rabies Immunoglobulin (ERIG), a drug for animal bite management, under the brand name "AbhayRIG" through HBI's 2,000-odd "Abhay" clinics spread across the country.

Even Nicholas Piramal India Limited (NPIL), one of the leading pharmaceutical companies in India focusing on biotechnology, has entered into agreements with a couple of US-based companies for marketing their biotech products in India. It has signed an agreement with Gilead Sciences for the Indian marketing of its biotech drug Ambisome - a treatment for deep-seated fungal infections. NPIL has also entered into an in-licensing pact with Genzyme Corporation for marketing Synvisc, a viscose supplement. NPIL has already entered into a strategic alliance with Biogen Idec, the third largest biotech company in the world. NPIL's Biotek division is marketing Avonex (Interferon beta 1a), a leading life-saving therapy for Multiple Sclerosis (MS), in India and Nepal.

Considering the growth of biotechnology products in the third world countries Wockhardt with three indigenously developed biotechnology products has formed majority joint venture in Mexico and South Africa. Wockhardt has signed a joint venture agreement with Representaciones E Investigaciones Medicas, SA de CV, one of Mexico's leading national companies. Wockhardt Mexico SA de CV, 51 percent owned by Wockhardt, will initially market all forms of insulins manufactured by Wockhardt.

At a later stage, it will market other diabetology products and biopharmaceutical products. Wockhardt South Africa Pty Ltd, a 51:49 joint venture between Wockhardt and Pharma Dynamics, will use the regulatory, sales and marketing expertise of Pharma Dynamics to commercialize the growing pharmaceutical and biopharmaceutical portfolio of Wockhardt.

These are some of the partnerships that the top Indian biopharmaceutical companies have entered into to take the lead in the growing biotechnology industry that has registered a growth of 36.55 percent in 2004-05.

Growth a driver for alliances

The high growth of the biotech industry over the pharma growth is pushing for more alliances and tie-ups between pharmaceutical and biotechnology companies in India. Many entrants into biotechnology via tie-ups for marketing in India

continue to focus on alliances. Companies like Glenmark Laboratories, Claris Life sciences and Emcure Pharmaceuticals are looking for alliances and seeking permission from the Genetic Engineering Approval Committee (GEAC) for import and marketing of biotech products in India.

Glenmark Laboratories, which is into marketing of recombinant biotech products is eyeing the import of r-hu-Epidermal Growth factor for manufacturing in India a fixed dose combination of 10 ug/GM and Silver Suphdiazin 1% as a Cream for Topical in burn cases from GGE and Biotechnology, Cuba. Similarly Ahmedabad-based Claris Life Sciences is seeking GEAC's permission for import and marketing of r-Human G-CSF, 300mcg in prefilled syringes in finished form from North China Pharmaceuticals (NCPC) Genetech Biotechnology Co, Ltd. China. Pune-based Emcure Pharmaceutical which entered the biotechnology sector with the import and marketing of Erythropoietin developed by a Chinese company Dragon Pharmaceuticals, is now seeking permission for import and marketing of r-human Granulocyte Macrophage Colony stimulating factor in (GM Ã¢â?¬â?? CSF) from Shenghai Hygene Biopharma Company Ltd. China.

Unlike the global scenario in biosuppliers where we find more of acquisitions by the leading players consolidating their positions, in biotechnology industry the trend is towards alliance and partnerships. This is because most of the biotech companies are privately owned and spend their resources on highly focused and innovative biotechnology-based research. These cash constraint firms look for financial support mainly from VCs. Though biotech is one of the fields VCs are eyeing, they not eager to invest at this point of time in the biotechnology industry. The only alternative left for these upcoming biotechnology companies is joining hands with big pharma/ biotech companies.

As rightly pointed out by Ernst & Young in its "Beyond Borders 2005", for biotechnology companies, partnership is an important means of mitigating risk as well as a strategic response to business challenges. Since drug development is an inherently high-risk business, characterized by large R&D investments and relatively small probabilities of success, partnerships will always be an important factor in diversifying and mitigating risk. It is also one of the ways of entering newer potential markets.

Big pharma companies and some of the leading biotech companies are looking for ways to expand their product pipelines and identify promising targets and products. For many smaller biotech companies, raising capital is an overriding concern. This motivates them to enter into alliances to generate revenues or to accelerate their path to products, as investors in both the public and private markets demonstrate a strong preference for companies with products or late-stage pipelines.

On the other hand, leading companies are entering into joint ventures with local firms to market their range of products. Based on the present scenario, the year 2005 will see more partnerships provided the companies get support from the government by enforcement of the product patent.

Some of the partnerships signed in the last 18 months

Companies		Collaboration
Biocon	Bristol-Myers Squibb	Supply
Biocon	Nobex Corporation	R&D
Biocon	Vaccinex	R&D
Syngene International	Novartis Institutes for Biomedical Research Inc	Contract research
Serum Institute of India	Lipoxen Technologies	Product development
Human Biologicals Institute	Vins Bioproducts	Marketing
Biological E	Intercell AG	R&D, manufacture and mar
Panacea Biotec	Chiron Vaccines	Marketing
Panacea Biotec	Cambridge Biostability	Manufacturing

Nicholas Piramal	Gilead Sciences	Marketing
Nicholas Piramal	Genzyme Corporation	Marketing
Avestha Gengraine Technologies	Godrej Industries	Attracting investments
Avesthagen	Sequenom Inc	R&D
Avesthagen	CCBR and its subsidiary Nordic Biosciences	R&D
Avesthagen	Cipla	R&D
Bharat Biotech International	Mvelaphanda Holdings	Setting up manufacturing fa
Wockhardt	Representaciones E Investigaciones Medicas	Marketing
Wockhardt	Pharma Dynamics	Marketing

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