

Industry should aim for \$40b in revenues by 2015

10 January 2007 | News



Year 2015 Objectives

Industry should aim for \$40b in revenues by 2015

The fledgling \$1.5-billion Indian biotech industry is all set to reach the \$5-billion mark by 2010. What should be the next target the industry should aim at-\$25 billion or more? The industry has been growing at a CAGR of 30 percent since 2003-04, from the time BioSpectrum started tracking the industry. At this rate the industry will easily achieve the \$25-billion mark. Over 300 biotech industry leaders debated the contours of the emerging industry in India in 2015 and concluded that it would cross the \$40-billion revenue mark by then. The next goal that the industry leaders and the country's policy makers would like to accomplish by 2015 is \$40 billion.

The \$40 billion looks ambitious, but not unachievable. Growing at the CAGR of 30 percent, the industry will reach the \$25 billion mark and at about 50 percent CAGR from the anticipated \$5 billion revenues in 2010, the industry will cross the \$40 billion mark, almost an eight-fold jump from the anticipated \$5 billion by 2010. The industry would have recorded a five-fold jump by 2010 from \$1.05 billion recorded in 2004-05. This may seem unrealistic at the first count. But consistent growth, favorable policy environment, committed government support to the industry, industry's innovative business models, and the coming together of the industry, policy makers, and the academia, in the last few years are some of the factors that will prove to be the cornerstone for these numbers to be achieved.

"I am very confident and comfortable with the \$40 billion revenues," said a beaming Union minister for science and technology, Kapil Sibal, while participating in a panel discussion on the theme, "Indian Biotech Industry in 2015" organized by BioSpectrum as part of its 4th BioSpectrum Awards to honor the achievers on December 11, 2006.

"The world is moving to India by itself as more and more multinational companies (MNCs) are now looking towards India for investments," he said. The current scenario of increasing the asset base of Indian companies via the forward integration route is a clear indication of the fact that the foreign companies want to increase their presence in India either by having a stake or making fresh investments in the country, the recent instances being Merieux Alliance picking up a 60 percent stake in Shantha Biotechnics and the Louis Pasteur Institute's recent decision to shift its operations to India, Sibal stated. However, he admitted that a lot of spadework had to be done in terms of investing in education, HR and competency development.

The other factors, which will enable the Indian biotech sector to be on a growth trajectory mode, are the medical devices and clinical trial regulations that are being formulated by the government. It is also trying to expand the Small Business Research Initiative (SBRI) grant to encourage research development. All efforts are being made to bring in a new legislation on similar lines of the Bayh-Dole Act in the US, which will allow one third of the value of the patent to be shared equally with the individual, institute and industry.

The medical devices regulation will see sound validation systems emerge from India for imported equipment. India already had a solid medical electronics and embedded technology knowledge pool. The availability of technical resources and cost effective parameters would drive global medical device producers to set base in India for manufacture, Sibal said.

Referring to the emergence of Special Economic Zones (SEZs) in the pharma biotech sector, he said that the project would encourage foreign direct investments to pour in to take advantage of the tax incentives. India will be at the center stage of the biotech industry in the world, he predicted.

India's biotech industry posted revenues of \$1.5 billion in 2005 and is expected to top \$2 billion this year. Growing at over 35 percent for the last five years, the industry would easily reach \$20-25 billion, predicted the biotech industry association, ABLE's president, Dr KK Narayanan. "Our vision at ABLE is to see a \$5 billion industry by 2010. We can get there easily but the greatest challenge would be to maintain the rate of growth. We could touch about \$20-25 billion or so by 2015, he said.

Reacting sharply to this, Sibal said, "\$20 billion is too small a figure. \$40 billion is more like it." Moderating the panel discussion, BioSpectrum editor, Narayanan Suresh, concurred with the minister's optimistic forecast.

His reason: A lot of recent biotech start-ups were in the process of scaling up with new product and services. And India was already becoming a major hub for research services, and manufacturing of life science products.

India will be among the top 10 global hubs of biotechnology by 2015, predicted Dr Cyrus Poonawalla, chairman, Serum Institute of India, India's No.1 biotech company. "The world is going to see India as a low-cost center with tremendous manpower and this is our biggest strength," he said. The Serum Institute of India supplies half the world's pediatric vaccines. Dr Poonawalla observed that his company was confident of supplying nearly the entire global requirements of pediatric vaccines and other combination vaccines by the year 2015. This optimism was reinforced by the head of the life science arm of Reliance. Known for its scale and global benchmarks in all its operations, Reliance Life Sciences (RLS), the four-year-old start-up arm, has already made a mark with its range of blood plasma products. The RLS president, KV Subramaniam, said the company was embarking on developing a wide range of biogenerics, therapeutics and other biotech products at its newly opened facility in Mumbai.

"Looking at it from the perspective of an Indian company with global aspirations, we believe that biotechnology has tremendous potential. From the macro perspective, the immediate short-term opportunities in India is in terms of establishing credibility with global players and developing competencies," Subramaniam said. "India has a very unique opportunity in terms of integrating biomass and biotransformation technologies and producing biofuels. And ultimately use them as a process to deliver wealth to the farmers of India," he added.

Sibal, and his technocrat team of Dr MK Bhan, secretary, DBT and Dr R A Mashelkar, director-general, CSIR, said the government was clearing various hurdles in the path of India's biotech industry and outlined the efficient, hassle-free and highly professional regulatory system being put in place for the biotech sector.

The Indian government was also opening up the country's higher education system to foreign investors to provide it with resources and expertise to meet the growing human resource needs of the industry. It will not only be investing in education but also in faculty training. In this connection, the DBT has already started a faculty training program for the creation of quality human resources, Sibal said.

However, the road to maintain this scorching pace of growth is not going to be easy. As was rightly pointed out by Sibal that "You have to look at the industry in India in the context of rest of the world".

Speaking about "the biotech sector in the context of the environment", the minister said that there was a huge opportunity, which was linked deeply with both healthcare and agricultural biotechnology sectors and these sectors "are yet to open up in a big way." Sibal said that the government was serious about taking the agricultural growth rate from 1.7 percent to make the growth double digit. "The only way it can happen is by giving great impetus to the agribiotech sector and this cannot happen without emphasizing the investments needed in the environmental sector," he stated. Sibal promised to look into the legal hurdles facing the agribiotech sector with regard to filing patents.

The next decade will see some major shifts. While the government is gearing up with the relevant policy framework, the industry knows that cost arbitrage is not going to last forever and value arbitrage "innovation" in other words is the only way to go for sustainable profitability. And that is the biggest challenge the industry faces today, said Bala S Manian, CEO, ReaMetrix. "Life science worldwide is in a state of transition and I believe India is going to play a role in that transitional state," Bala Manian said.

"There are huge gaps in the eco-system of innovation," said Dr Bhan, secretary, DBT. He added that the government was looking at addressing it. "A technology-led inclusive growth is in order," said Dr Mashelkar. He felt that acquisitions would fuel the growth of biotech industry in India. "Last year, the amount of money spent by Indian companies on buying foreign firms was three times more than what foreign companies spent on Indian companies. Expect this phenomenon to spread," he said.

Warning of a manpower shortage in the industry in the next few years, Dr Mashelkar said, "As we move up the value chain, the kind of quality of minds is going to be far superior than what we have today and we are going to feel the shortages. We have to keep on producing talent because the demand is going to be heavy."

The iconic leader was honored with the BioSpectrum Lifetime Achievement Award.

The government is in the process of creating a "Global Technology Acquisition Fund" to enable Indian companies to grow inorganically. A lot more is coming the industry's way with the policies in the making.