

## A subdued year

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The expected has happened. After five straight years of frenetic growth exceeding 30 percent, India's fledgling biotech industry has slowed down slightly in the last 12 months. The 6th BioSpectrum-ABLE Biotech Industry Survey indicates that the industry's revenue grew only by 20 percent in the fiscal year that ended on March 31, 2008.

In Rupee terms, the industry collectively registered revenues of Rs 10,273 or \$2.57 billion (based on the average exchange rate of 1\$=INR 40) during 2007-08. The industry had recorded Rs 8,541 crore or \$2.01 billion in 2006-07. Nearly two-thirds of the industry revenue comes from exports. The appreciation of Rupee against the US Dollar for most parts of the 2007-08, by 10 to 12 percent, is one of most important reason for the clipping of the biotech sector's growth rate by over 10 percent.

But for the appreciation in the Dollar value, most industry leaders feel that the segment would have continued its 30 percent growth rate. The biopharma sector accounts for nearly two-thirds of the industry, and its 16 percent growth rate is the main reason for pulling down the collective industry revenues.

Also, the bioagri sector which took off in 2005 and 2006 is also witnessing some slow down. The main product, the Bt cotton seed, marketed by two dozen companies, had faced tremendous pricing pressures in major markets due to government directives. The vociferous protests from anti-GM activists had forced many state governments to ask Bt cotton producers to slash the license fee drastically. However, the increasing popularity of the transgenic cotton seed variety led significant hike in cropping area. This has somewhat saved the industry and help register a 30 percent growth to clock revenues of Rs 1,200

crore.

The bioagri sector will look forward to more product approvals and entry of other GM (genetically modified) products in the coming years to shore up its revenues. The star performer last year was the contract research services sector which showed 43 percent growth to overtake the bioagri segment to the No.2 slot segment-wise.

In the BioSpectrum-ABLE Top 20 Club, there are some surprises. Hyderabad-based Nuziveedu Seeds has crossed Salem-based Rasi Seeds to emerge as the country's No.1 bioagri company with revenues of Rs 303 crore. Nuziveedu occupies the No.4 rank in the Top 20 biotech company list, just behind Panacea Biotec, Biocon and Serum Institute.

Interestingly, Pune-based vaccine major, Serum Institute has scored a hat-trick of being the No.1 biotech company in the BioSpectrum-ABLE ranking for the third year in a year. Though No, 2, Biocon as a group has continued to perform well with its CRO arm, Syngene International firmed up a good position in the Top 20 ranking with an impressive revenue tally of Rs 160 crore. Delhi-based Jubilant group is a close second with revenues for their research services estimated at Rs 158 crore. Three biotech warhorses from Hyderabad, Shantha Biotechnics, Bharat Biotech and Indian Immunologicals have turned in super performance to boost their revenues in 2007-08.

We analyzed the revenue growth of the industry in the last 5 years and it is revealing that the sector has shown a compounded annual growth rate (CAGR) of 34 percent. The BioServices showed the highest CAGR of 63 percent and bioagri sector 61 percent. Based on these growth rates, we estimate that the industry will record revenues of nearly Rs 65,000 crore by the year 2015. In dollar terms, this could be between \$13 to \$15 billion. Of course, the revenues could grow dramatically if regulators approve some of the innovative products currently in the pipeline. And this may help many more companies scale up their revenue potential in the next 5 to 7 years.

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