BioSpectrum
the business of Bio & Health Sciences

CROs on budget blind spot

09 April 2012 | News

Image not found or type unknown

Nanditasingheditor

Image not found or type unknown

Nandita Singh
The author is
Editor of BioSpectrum
nanditas@cybermedia.co.in

Hailed as pragmatic and positive, Budget 2012-13 left most of India's bioscience industry feeling excluded. Especially, the fast growing contract and clinical research services segment that was expecting an expansion in the scope of the 200 percent weighted tax deduction to include outsourced work done by them, as that is also drug discovery research.

The fact that the provision has been continued for another five years until 2017 is good but extending its scope could have given a boost to the contract and clinical research industry. In the last two years, the regulatory framework for clinical research has been tightened in the country and there is an effort to contain unethical practices and companies in the segment. India is emerging as the drug discovery destination as opposed to drug development destination. The country is at this point, because close to 100 companies operating in the space have built capacity for the skill set required and have been growing at over 20 percent, in spite of an overall global slowdown. These 100 companies make up 23 percent of the $4 billion bioscience industry.

It is easy to argue that these companies do not qualify as hard core research companies, primarily because the drug research and development work that they do is an outsourced service that is being provided to large global companies, facing pressures of rising cost and dwindling pipelines. However, the nature of relationships is evolving. Many of these companies now operate as strategic partners, and not just as a service providers. Some are negotiating better deals with respect to intellectual property as well.

As far as drug discovery value chain goes, the devil is in the development. For India, to establish itself as a drug discovery destination it needs all the skills its talent pool can acquire. And these contract and clinical research companies are furthering this objective. The talent pool employed here is acquiring skills and critical mass that will help the segment move up on the value chain. These companies can do better with some sector-specific incentives. But these are on the budget blind spot.

If budget is a framework that directs resources to speed movement in a specific direction, in the context of bioscience industry it did not really live up to it.

However, the government in this budget has upped the healthcare spend to reach 2.5 percent of gross domestic product (GDP) by 2017 at the end of the 12th Five Year Plan period (2012-17). Overall, healthcare framework improvement will benefit the bioscience industry in many small, but significant ways strengthening the hospitals, laboratories and the medical services delivery infrastructure. Currently, the demand-supply gap in India's healthcare infrastructure leaves most of the country's population outside its ambit and some reforms there will have an indirect positive impact on the industry as well.

But the best move in this budget is setting up of th Image not found or type unknown 50 billion India Opportunities Venture Fund with SIDBI for micro, small and medium enterprises. Greater access to funding will undoubtedly benefit biotech start-ups as well. The industry needs more companies and entrepreneurs.