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Takeda gets ready to set up base in India

09 December 2010 | News

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Takeda's entry into India gives an opportunity to market some of its best known brands in India; and also benefit from the low cost of manufacturing medicines for its global markets

In mid 2008, Daiichi-Sankyo, the third largest pharmaceutical company in Japan, took the acquisition approach to enter India; by acquiring a 52.5 percent stake in India's largest pharmaceutical company, Ranbaxy for a whooping 21,000 crore($4.6 billion). However, Astellas, the second largest

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pharmaceutical company in Japan, adopted a different model for the Indian market. It opened its subsidiary and marketing operations in India by end 2008. Finally, at the beginning of 2010, Eisai, the fourth largest Japanese pharmaceutical company, started operations in India; by setting up an API plant and knowledge center at an investment of 230 crore ($50 million)

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Takeda Pharmaceutical, Japan's largest pharmaceutical company with sales revenue of about 72,500 crore ($15.76 bn) for the year ending March 31, 2010 announced its short- and long term plan for the Indian market growing at double-digits, in October this year. With this announcement, Takeda became the fourth Japanese company to enter the Indian market after Daiichi-Sankyo, Astellas and Eisai, in less than two-and-a-half years. Takeda will establish its legal entity in Mumbai by

Takeda Pharmaceutical, a research-based global pharmaceutical company, and one of the Top 20 pharmaceutical companies in the world, is looking for business expansion in a variety of functions such as sales and marketing, research, development, chemistry, manufacturing and control (CMC), manufacturing and IT. The factors that made Takeda look at India as a market include growth of the pharmaceutical industry and a 4.7 percent drop in net sales of Takeda (in local currency-Yen).

Takeda already had a presence in India through licensing agreements with a couple of firms. Hisashi Tokinoya, Takeda spokesman says, â€œAt present, we have licensing agreements for Dasen and Lupron with GSK group companies Biddle Sawyer and Abbott, respectively. We supply both products in bulk in India.â€?

Sharing Takeda's investment plans to fulfill its short and long term goals, Tokinoya says, â€œSales and contribution to profits will differ depending on the terms and conditions of partnership with local companies. We will be in a better position to answer this, once negotiations have progressed further, but we intend to invest about 23 crore ($5 mn) in local businesses, over the next five years.â€?

The new entity is expected to ensure immediate access to updated information on the Indian market and environment surrounding it - including laws and regulations - promoting alliances with local companies; and also outsourcing processes of various functional areas. â€œThe company will not have marketing and manufacturing functions; and we will keep things small-scale for the time being,â€? observes Tokinoya.

Not surprised with Takeda's plan for India, analysts tracking the Indian pharmaceutical industry, state that this will enhance the confidence level of the Indian pharmaceutical industry in particular, and the players at large.

Strategy for success

Takeda, a research-based company with a strong portfolio of products in Japan and USA, has R&D facilities in Japan, USA, UK, and Singapore besides production plants in Indonesia, China, Ireland, Italy and Osaka.

Though Takeda has a strong presence in innovative pharmaceutical market globally; journey for the company is not smooth in Indian generics pharmaceutical market. India is a market unique in its characterizations. It will be crucial for Takeda to understand the Indian market for any of its segments; and then implement its growth plans for the country. Better understanding and flexibility to mould into the Indian business atmosphere will ensure faster business success for Takeda.

India is primarily a branded generics market, with growing awareness of innovator products. To achieve its objective, Dipta Chaudhury, program manager (South Asia & Middle East), Pharma & Biotech Practice, Frost & Sullivan says, â€œTakeda needs to look at three factors for its growth in India:

? balanced product basket that will give them a good return on their investment. This may imply having innovative products that have very low competition, thereby ensuring immediate lift in the market; a good reach via distribution, to ensure access to the products in the market;

? physician reach and education, to ensure that relevant prescriptions take place.â€?

Sharing his thoughts, Prashant Sharma, lead analyst (Company & Market Intelligence), Datamonitor India says, â€œTakeda may initially consider the manufacturing segment of the business in India. India is a natural choice, since it has the largest number of the US FDA-approved manufacturing plants outside the US. With price revisions happening every four years in Japan, Takeda and other Japanese pharmaceutical manufacturers are under pressure to cut manufacturing costs, to sustain their sales and profit growth.â€?

For instance, Daiichi Sankyo, Takeda's rival, recorded a net profit of Image not found or type unknown 2300 crore ($500 mn) in FY2010; a huge increase from the previous year's net loss of about Image not found or type unknown 115800 crore ($2,571 mn). Daiichi's impressive bottom-line result was mainly due to a strong performance of its Indian generic drug subsidiary Ranbaxy Laboratories; and on reducing costs. Takeda has announced that it is not interested in the Indian generic pharmaceutical market; it may strike deals ranging from outsourcing to contract manufacturing; marketing and sales deals with major pharmaceutical players that have a Pan-India distribution network - to penetrate into the Indian ethical pharmaceutical market.

Commenting on the immediate strategy of Takeda for India, Tokinoya says, â€œ We believe it is necessary to collaborate with local businesses to establish a presence in India as soon as possible. We plan to consider all possible options. Initiatives such as licensing, comprehensive alliance and acquisitions, could be one of the effective measures. We will endeavor to achieve concrete outcomes from this plan, within the duration of the current Mid-Range Plan (FY2010-12).

The company, to be successful, needs to understand the local market thoroughly. It this case, Dipta Chaudhury believes, â€œLocal alliances will be crucial for a new company in India, especially because of India's diverse and distinct business environ. While acquisitions will make the company have an independent and profitable balance sheet for the company, it may not help Takeda in completely understanding the business methodology in the country.â€? She further says, â€œAn alliance will be beneficial for Takeda in educating them about the market; while also giving them time to formulate their own plans around the nature of Indian business. However, it will depend on the company and their exact strategy for the India market, to select the best partnership model. For R&D, an acquisition can be beneficial; while for marketing their products, an alliance with a leading domestic pharmaceutical company is expected to yield faster dividends.â€?

It makes strategic sense for Takeda to consider multiple options as part of its India entry strategy. A variety of established arrangements such as licensing/marketing agreements, co-development, joint-ventures or mergers and acquisitions (M&As) is likely to be considered. Collaborative research is also another possibility.

Indian companies with good R&D infrastructure, CRAMS facility and relatively well integrated businesses - will be a good strategic fit for Takeda. In the past, the company was under discussion with few players like Torrent. Takeda may look out for acquiring Indian companies that have strong presence in its core therapeutic areas such as metabolic, cardiovascular, oncology and central nervous system. Panacea Biotech, Jubilant Organosys, Alkem, Piramal Healthcare (CRAMS Business) are some of the companies that operate in similar space.

To tread a successful path in India, Takeda will have to look at multiple variables. Prashant Sharma, says, â€œWe believe the biggest of this could be its ability to smartly utilize low cost manufacturing practices; that also might depend on its ability to strike a deal, by outsourcing its blockbuster drugs manufacturing to key Indian Contract Research and Manufacturing Services (CRAMS) player. The company is already facing sales and profit decline from four of its blockbuster medications - Actos, Takepron, Blopress and Lupron - that constitute 80 percent of prescription pharmaceutical sales in 2009. Datamonitor estimates Takeda's operating profits to fall from Image not found or type unknown 20,700 crore ($4.5 bn) in 2009 to Image not found or type unknown 14,200 crore ($3.1 billion) by 2015, with an 8.4 percent drop in its operating profit margin.â€?

Takeda's entry into India gives the company an opportunity to market some of its best known brands in India; and alsobenefit from the low cost of manufacturing medicines for its global markets. Sharma observes that, being an innovation (non-generic or branded pharmaceutical)-based company, its ability to transfer a large part of development risks to India will also determine its success. The company will need to look at transferring the multi-year clinical trial processes for its drugs to India; and will also need to identify the right alliance partner in India. Takeda needs to spend significant time and resources, to be successful in India, in the next five years.

Narayan Kulkarni in Bangalore
(**Inputs:** Nayantara Som in Mumbai)