

Pharma MNCs to have strategic tieups here soon

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NEW DELHI 7 APRIL

THE new product patent era in India is set to usher a wave of strategic alliances and partnerships as the domestic pharmaceutical industry gets ready to meet the challenges posed by resurgent MNCs and diminishing product pipelines.

Assisted by a process patent regime that allowed reverse engineering of pharmaceutical products, the last 35 years had witnessed the rise and domination of home grown pharma companies in the local market. However, with India transiting to a product patent regime, MNCs are expected to introduce their top of line patented products in India and enhance their market share here. "The market share of MNCs should rise from the current level of 30% to 40% by 2015," says Sanjiv Kaul, management advisor, Chrys Capital.

Moreover, with the onset of the product patent era, domestic

pharma companies will no longer be able to introduce copies of new patented products, and this in turn will impair their ability to launch new drugs. At present, new product launches account for 50% of domestic industry's local growth, and this growth will take a hit in the coming years.

Of course, the brunt of both these challenges will not be felt overnight. According to experts, the real impact of rising MNC market share and diminishing pipelines will be visible after 2010. But the process of facing these challenges has already begun.

According to top industry officials and analysts, the stage is set for strategic partnerships, joint ventures, in-licensing deals and marketing research, and manufacturing tie-ups, as drug makers seek ways to meet the challenges and leverage economies of scale. As a matter of fact, the tie ups the industry has started witnessing recently, are a prelude to this consolidation.

Says Utkarsh Palnitkar, director, Ernst & Young: "Tie-ups and alliances will be geared towards



achieving economies of scale and consolidating product portfolios." In this connection, he cited Mumbai-based Glenmark's last month tie up with Shasun Chemicals and Drugs Ltd to develop, register and sell 12 generic drugs in the US as an example of two companies combining their strengths to open up new revenue streams for themselves.

Adds Alok Gupta, country head, lifesciences and biotechnology, Yes Bank: "API (active pharmaceutical ingredients) manu-

facturers will team up with manufacturers and exporters of formulations." Mumbai-based drug maker and exporter Lyka Laboratories' joint venture with Hyderabad-based API maker Hetro Drugs, Hyderabad-based bulk drug leader Aurobindo Pharma's joint venture with formulations company Citadel Fine Pharmaceuticals and Chennai-based bulk drug producer Orchid Pharma's acquisition of Mano Pharmaceuticals and its sister concern Sali Healthcare are the first indicators

of this trend, which is likely to gain momentum. Sanjiv Kaul predicts that the country's leading pharma companies will enter into collaborative partnerships with each other, particularly in the area of research.

But it won't be just about alliances between domestic manufacturers. Contract manufacturing, R&D tie-ups, in-licensing, and marketing tie-ups with MNCs, too, will form an important component of the strategy of local companies. "India will develop as a major centre for IPR related activities and pharmaceutical services," says Mr Kaul. Ranbaxy has entered into an R&D tie-up with Glaxo SmithKline for new drug development in select therapeutic segments.

Nicholas Piramal India Limited has already crafted a strategy of entering into contract manufacturing tie-ups and marketing alliances with MNCs. To increase the comfort level of its current and potential partners, the company has decided not to enter the US generic market on its own. Says

Swati Pirmal, director, strategic alliances, Nicholas Piramal: "We are the partner of choice for MNCs looking for tie-ups in India."

MNCs, too, are looking for partnerships with domestic companies. According to Pfizer India executive director Keval Handa, the company is looking for marketing tie-ups for its cutting edge technology products with domestic companies specialising in the marketing of high end speciality pharmaceuticals. At present, Pfizer has such a marketing tie up with another MNC, Sanofi-Aventis, for its major depressive disorder drug Sertraline HCL brand Zoloft. Research and development tie ups in the sector too are in the anvil, he added.

Finally, Indian companies will also scout for overseas partners with deep pockets who can develop their innovation to a saleable product under a win-win royalty sharing deal. Glenmark's asthma candidate phosphodiesterase IV inhibitor out-licensed to US-based Forest Laboratories for further development is an example, added Mr Palnitkar.