

SECTOR:  
**LIFE SCIENCES & HEALTHCARE**

SECTOR OVERVIEW:  
January 2013

CONTACTS:  
Life Sciences & Healthcare

Welcome to the UKIBC quarterly report on Life sciences & Healthcare. This report provides a roundup of the happenings in the healthcare industry in India and the UK. We provide insights into the medical devices marketplace, collaborations between UK and India, and case studies of companies that have succeeded.

The Indian Healthcare industry was worth US\$ 79 billion at the end of 2012 and is expected to reach US\$ 280 billion by 2020. The industry has been growing at a steady CAGR of 15% and is expected to grow even more rapidly with the [CAGR growth rate reaching 26 % between 2012 and 2015](#).

This resounding growth is attributed to a fast growing economy, rising disposable incomes, shifting demographics and a relatively lower cost of human resource. Increased foreign investments, expansion into tier 2 and tier 3 cities and the rise in government expenditure through Public Private Partnership (PPP) models have also contributed to this growth.

The Indian healthcare industry saw an all-time high M&A activity in 2012, due to:

- Delays in securing patents cliffs in the US
- India having consistently proved to be cost efficient R&D target base for companies; and
- More Indian firms getting ANDA approvals

Current opportunities for UK businesses lie in **healthcare infrastructure, medical equipment, diagnostic labs, clinical trials & research, and healthcare tourism**. The industry is set to see an expansion in generic drugs, as current patents are set to expire over the next 5 years. The market in India is also starting to see a noticeable growth in health cities and single speciality clinics. Also, healthcare insurance portability is on the rise, which will eventually bring greater penetration of insurance in the Indian healthcare market.

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**MARKET UPDATE**

**Contract Research Market**

In the pharmaceutical industry, the drug discovery process is the most risky of all the processes. Contract Service Organizations (CROs) are increasingly providing support to the pharmaceutical industry by offering a wide range of “outsourced” research services to aid in the R&D process especially undertaking clinical trials. For a pharmaceutical company CROs helps share the risk of investment at the price of sharing the profits in the future.

India has emerged very strongly in the CRO market as the cost of conducting clinical trials in India is estimated to be 50-60% lower than in the US or the EU. In addition, patient recruitment rates, quality of service, reasonable cost-quality ratio, existence of regulatory agencies, and English-speaking skills are also making India the preferred choice for clinical trials. Estimates put India’s CRO market at \$35 billion by 2013 (Drabu et al., 2010). Local market regulations continue to make India more and more appealing to pharmaceutical companies.

An encouraging example of growing international interest in the Indian contract research market is that of recent collaboration between Japanese pharma giant Takeda Pharma and Advinus Pharma in India (promoted by the Tata group). To do research on novel molecules in the field of inflammatory disease, central nervous system and metabolic diseases, Takeda has granted Advinus a funding of \$36 million, spread of three years. An additional \$9million shall come from Takeda as milestone payment leading to candidate selection, along with milestone payments of \$45million per product and extra royalty on product sales worldwide.

**Medical devices market**

Medical technology (Medtech) companies are increasingly changing their business strategies for the emerging markets; from pursuing a conservative approach and delivering their exiting offerings to the premium segment of the market, they are increasingly becoming more competitive and looking at these markets as an aggressive growth opportunity.

The key trends that put India on the priority list include:

- a) India’s huge population which not only provides a large market but also local talent and cheap labour
- b) Growing income levels which will lead to the expansion of the middle class from about 50 million in 2007 to 580 million by 2025
- c) A 30% compounded annual growth in private health insurance through 2015; and
- d) Improvements in the country's healthcare infrastructure and regulatory reforms

With estimated yearly industry revenue of \$3 billion in 2011 and estimated annual growth of 20% over the next five years, India ranks in the top three emerging nations for the direct investment by large multinational Medtech companies.

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Medtech companies till now have not recognized India as a low-cost labour destination or the center of innovation and R&D. Thus currently 75% of the medical devices used in India are manufactured internationally and then imported into the country. However, over the next few years as these companies focus on innovating specifically for the Indian market, they will increasingly use India as a manufacturing and R&D base as well as a source for materials.

A US headquartered company SMC Medical Manufacturing, has been an early adopter of this vision and has already setup a production facility in Bangalore. The company has begun manufacturing plastic devices for cardiovascular applications parts at its Bangalore facility. Not only device manufacturers but also suppliers are shifting their focus to India. Switzerland-headquartered Mikron Group, a leading supplier of machining and automation solutions for high-volume and high-precision production, has successfully sold two assembly systems to Indian manufacturers. Since the level of automation in India is still quite low, considerable opportunities for a supplier of assembly and test systems such as Mikron are also emerging strongly.

**Government healthcare**

India's Twelfth Five year Plan (2012-17) has identified healthcare as a priority area of focus in order to achieve the country's long-term goal of universal health coverage for all. The Government of India (GOI) has decided to increase its healthcare expenditure from 1.4 % to 2.5% of the GDP by the end of the Twelfth Five-year Plan.

Additionally, a number of plans have been proposed by the GOI for the development of the Indian healthcare sector in the coming year:

- The National Rural Health Mission (NRHM) 's allocation has been proposed to increase from US\$3.23 billion in 2011-2012 to US\$3.72 billion in 2012-2013.
- The GOI is also planning to launch a National Urban Health Mission
- Proposal for expansion of 'Pradhan Mantri Swasthya Suraksha Yojana' to improve the quality of seven more Government medical colleges
- Plan to cover six specified life saving drugs and vaccines under concessional basic customs duty of 5% with full exemption from excise duty/CVD.

**UKIBC: Supporting Healthcare Skills for India**

India has an ambitious vision of affordable healthcare for all. Its realisation will require a massive increase in support staff and associated healthcare professionals, as well as medical and other clinical staff, including the development of many completely new roles. A high-level roundtable on collaboration in primary healthcare in Delhi in February 2012, jointly

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organised by the Government of India's Ministry of Health and Family Welfare and the Wellcome Trust, identified healthcare training as a top priority for India – UK collaboration. In September 2012, the UKIBC led a delegation of skills providers to Delhi and Hyderabad, with a particular focus on non-clinical healthcare skills, as a result of which we have identified a number of exciting opportunities for partnership.

In particular, UKIBC has agreed to partner with India's new Healthcare Sector Skills Council, which has been charged with developing train the trainer programmes and academies of excellence for non-clinical healthcare roles.

Many UK training providers are already successfully partnering with Indian organisations to help meet India's skills needs and many more are keen to do so. Equally, it is clear from the rapid innovation in India's healthcare industry as well as in skills development that UK providers also have much to learn as well as to share. In collaboration with UKTI, UKIBC has decided to make healthcare skills a top priority for creating new partnerships.

A workshop held in London on the 31st October raised awareness of the healthcare skills and training opportunities in India and mobilised a group of relevant providers to take these forward.

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## INVESTMENT NEWS

- GlaxoSmithKline (GSK) is planning to invest US\$919.75 million in its Indian healthcare subsidiary, GlaxoSmithKline Consumer Healthcare, to increase its stake to 75% through a voluntary open offer.
- To enter the immunodiagnostics market, Trivitron Healthcare has entered into a joint venture with Italy based Diasorin Group. With Trivitron holding 49 % stake, the company will be called DiaSorin Trivitron Healthcare Pvt Ltd.
- Fidelity Growth Partners India has invested US\$74.28 million in medical technology firm Trivitron Healthcare. Trivitron is intending to use these funds to acquire companies and technologies in Europe and the US. Fidelity has also set up centres of innovation for biomedical equipment in collaboration with the Indian Institute of Technology Chennai.

## FORTHCOMING EVENTS

### UK-India Diabetes Summit

From January 18<sup>th</sup> -19<sup>th</sup>, 2013, the Indo-British Health Initiative is hosting a Diabetes summit in Chennai. The summit, which aims to find solutions to the major crisis of diabetes in India, will see experts in related fields from India and the UK. Eminent

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Indian diabetologists and endocrinologists and representatives of NHS diabetes, University of Oxford and Cambridge and other universities in the UK shall be attending the event. Apart from the prevention, diagnosis and treatment of diabetes, the Summit will also cover topics like medical research & training, and medical equipment & technology.

**UKTI India Healthcare Trade Mission**

On the 14<sup>th</sup> of January 2013, UK Trade & Investment is organising a 6- day trade mission to 3 Indian cities – New Delhi, Mumbai and Chennai. This is specially targeted towards those UK companies which specialise in medical technology & equipment, pharmaceuticals, and in-vitro diagnostics.

**Webinar on Criticare**

Kolkata is hosting Criticare 2013 in March. The event will focus on the theme 'Accountable, Accessible and Affordable Care' in India. Sandip Chaudhuri, senior healthcare advisor, UKTI Kolkata, will be hosting a webinar in mid-January 2013 to brief businesses on Criticare.

**FORTHCOMING EVENTS**

Collaborations between India and UK in the health sector have been a success so far and have the potential to grow even more, evolving into sustainable partnerships that are mutually beneficial to both countries and help them address challenges in their healthcare service offerings.

While UK is the world leader in the healthcare sector, with leading innovations in research, development and science, India's expertise in affordable diagnostics and information technology; along with its intellectual capital and high volume market, provides the complementary capabilities that result in winning combinations.

Below are the success stories of two such UK companies, from different parts of the healthcare sector, which have worked towards developing their links to tap into the high opportunity market in India.

**CASE STUDIES**

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### Case study 1: Polytherics

Globally, there are 170 to 200 million people with Hepatitis C. The standard Hepatitis C treatment involves injections three times a week. This high frequency is needed as protein-based drugs do not stay in the body for long. However, a process called "PEGylation" reduces the number of injections to one a week, reducing the cost for the patient and making it easier to adhere to the treatment regime.

Polytherics is a UK company that has applied this precision chemistry of "PEGylation" to create site-specific conjugation of proteins and peptides that can help produce better drugs such a PEG-Interferon for Hepatitis C.

Polytherics was founded in 2002 as a spinoff from London's Imperial College and the London School of Pharmacy. It has to date raised around £7.5million, has around 30 employees in Central London, and has patents granted in the US, Europe, India and China.

Polytherics has been working with Indian partners since 2005, when it created a partnerships with Shantha Biotechnics (now a part of Sanofi) to create an affordable PEG-Interferon for Hepatitis-C. One of its current collaborations is with the Drugs for Neglected Diseases Initiative (DNDi) a collaborative, patients' needs-driven, non-profit drug R&D organization. Polytherics is working with the DNDi to come up with an alternate and cheaper formulation for Amphotericin B to treat a neglected disease particularly prevalent in India and Bangladesh known as Kala-Azar (visceral leishmaniasis). A liposomal replacement formulation has been developed by Polytherics and DNDi to treat Kala-Azar.

The polytherics business model is to license their "PEGylation" technology to pharmaceutical companies that can then create their own drugs.

Polytherics sees India as important to its future. The CEO, John Burt, stated that he sees a lot of opportunities in india and that they are active perusing new partnerships. Polytherics is looking at three ways of working in India:

- as a market, by developing affordable therapeutic drugs with an Indian partner;
- R&D collaboration; and
- Manufacturing the protein.

The next few years will be about expanding all three ways, says John. Polytherics is also looking at using Indian service providers - Contract Research Organisations (CROs) - in the future.

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**Case study 2: Welland Medical**

Welland Medical design and manufacture innovative stoma care products in two factories in Crawley and are the number three supplier in the UK to stoma patients. An impressive 54% of their turnover is in export markets and growing. They introduced their toilet flushable and biodegradable colostomy pouch system *Flair Active Xtra* in 1996. This is the only colostomy pouch system in the world that allows a colostomate to live without the usual practical, emotional, and psychological problems that often accompany a patient using traditionally designed non-toilet flushable non-biodegradable colostomy pouches.

Welland Medical sees great potential in India, and has appointed a distributor near Bangalore - Crowwel International. The initial plan is to import and distribute products manufactured in the two UK factories. The first stage of market entry will be by Crowswel targeting a large number of key colorectal surgeons with sample products that Welland Medical is providing for that purpose. This activity will 'prime' that market with Welland Medical products to kick start interest and demand. Following this, Welland intends to work closely with Crowwel International to open up opportunities in the private healthcare sector in India for Flair Active Xtra.