LIFE SCIENCES AND HEALTHCARE

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INTRODUCTION

India's healthcare industry is worth around £25–30 billion and is expected to grow to over £40 billion in the next two–three years. There is a huge demand–supply mismatch. It is estimated that over 80,000 multi-speciality and super-speciality hospital beds are required. The UK businesses specialising in the pharmaceutical, advanced healthcare delivery, diagnostics and medical equipment and insurance segments have been successful in India. Other than expanding opportunities in these segments, there are opportunities in e-healthcare, clinical research, R&D, education and training.

According to a study by an industry body and Ernst & Young, India will require another 1.75 million beds by the end of 2025. The public sector, however, is likely to contribute only around 15–20% of the required $86 billion (approx. £53.75 billion) investment. Corporate India is therefore leveraging this business potential and various healthcare brands have started aggressive expansion in the country. Ranbaxy, Dabur, Apollo Hospitals, Fortis, Cipla and Wockhardt are already household names and others planning to increase their footprint, including Anil Ambani's Reliance Health, the Hindujas, the Sahara Group, Emami, Apollo Tyres and the Panacea Group.

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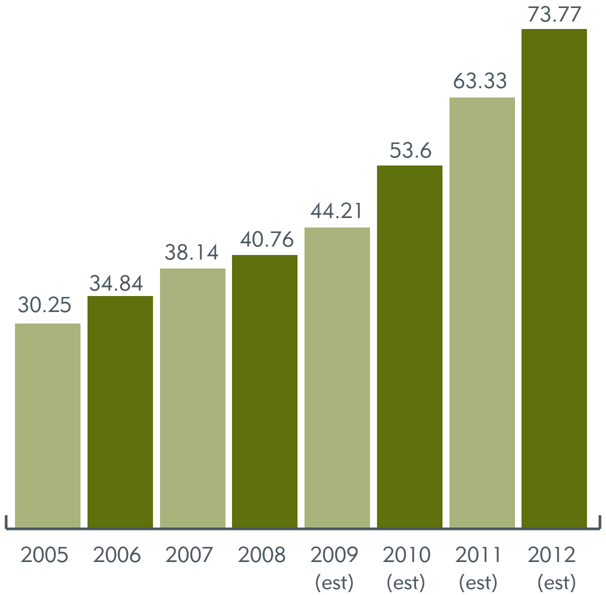

Source: PA Consulting study.

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The rural healthcare sector is also expanding. The Rural Health Survey Report 2009, released by the Ministry of Health, stated that during the last five years the rural health sector has added around 15,000 health sub-centres and 28,000 nurses and midwives. The report further stated that the number of primary health centres have increased by 84%, taking the number to 20,107.

According to an IBEF report, the key growth driver for the Indian healthcare market is the increased spending on healthcare by the growing middle class. It is expected that healthcare expenditure will grow at around 15% annually. The sector is likely to contribute over 6% of India's GDP and employ around nine million people by 2012.

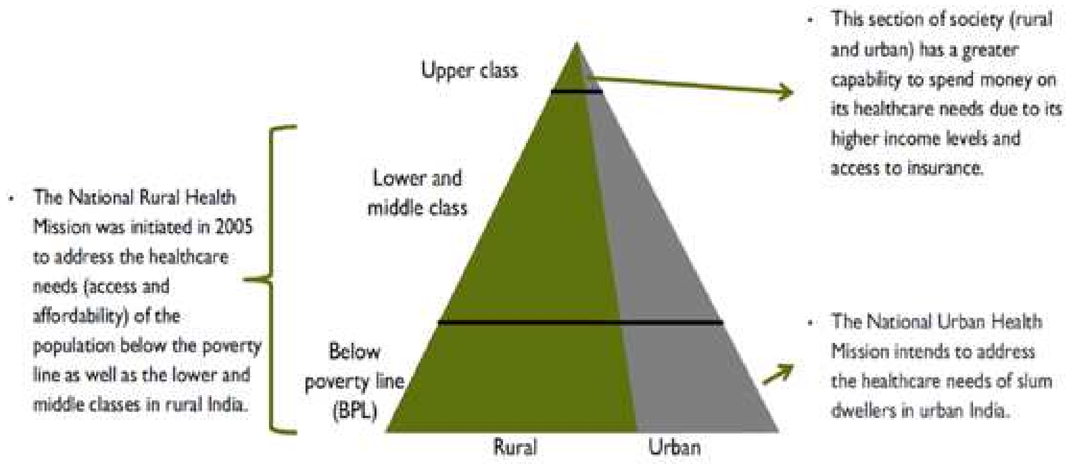
The UK has a long history of working to help meet patient needs in India. Recent years have seen an increase in the number of UK providers who can support healthcare projects in India, either by having operations in India or by having established partnerships with Indian firms to deliver cost-effective solutions. Some of the key UK players already present in the Indian market are GlaxoSmithKline and AstraZeneca, as well niche companies such as Smith & Nephew, Huntleigh, the Smiths Group, Randox Laboratories, Omega Diagnostics and Touch Bionics. We are also increasingly seeing investment in the UK and other global markets from major Indian life science companies such as Reliance Life Sciences and TCG Life Sciences.

UKIBC ANNUAL SUMMIT 2011

At our annual summit, which took place on 10th March in Manchester, we had a session focusing specifically on opportunities and challenges facing the healthcare and life sciences sector. The session considered areas such as affordable healthcare technologies, biotech, and technology collaboration and transfers suitable for the Indian market. Other than giving an overview of opportunities that the Indian market presents, the experts on the panel talked of their experience of and plans for working in Indian and UK markets and answered questions about doing business in India.

The session participants were:

- Sir Mark Walport, Director, The Wellcome Trust
- Dr Brian Tempest, Chairman, Religare Capital Markets (ex-Director, Ranbaxy)
- Jamila Joseph, Head of Clinical Research Services, Reliance Life Sciences
- Dr Pawan Saharan, Founder and CEO, Biomix
- Chris Francis, Founder, Cardionetics
- Sujay Shetty, Partner, Head of Pharmaceutical Group, PwC India



Source: Ernst and Young Research

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MARKET UPDATE

INDIAN PHARMACEUTICAL SECTOR GROWS AT 16.5% IN 2010

The Indian pharmaceutical sector continued its strong showing in 2010, growing at 16.5%. The £6.4 billion pharma market has been on an upswing over the last four years, with annual growth of 13–17%, buoyed by strong demand, improved spending on healthcare and rising middle-class incomes. Industry experts expect the trend to continue, with market growth for 2011 forecast in the range of 15–17%.

MINISTRIES DEBATE FDI IN PHARMACEUTICALS

In pharmaceuticals, 100% foreign direct investment (FDI) is permitted but there has been a debate within the Indian government, the Ministry of Health and Family Welfare arguing that acquisition of Indian pharmaceutical companies by multinationals could orient them away from the Indian market, thus reducing the domestic availability and increasing the prices of the drugs they produce. The ministry is also concerned that takeovers might skew the market structure, which means a clutch of companies dictating prices of drugs that are critical for dealing with public health concerns, including diseases like HIV/AIDS and Hepatitis C, thus impacting the government's ability to provide affordable healthcare to the masses.

Based on these arguments, the health ministry advocates doing away with the current automatic 100% FDI approval route for the pharmaceutical industry, suggesting that foreign investment in that sector should be allowed through the more controlled and case-by-case FIPB (Foreign Investment Promotion Board) route. However, at an inter-ministerial meeting, the Finance Ministry opposed changes to the current FDI policy for the pharma sector. Meanwhile, Commerce and Industry Minister Anand Sharma said that FDI in new pharma projects would continue and only those Indian companies that receive government funds for research could face a curtailment of their funding.

CIPLA IN TALKS WITH GSK TO SUPPLY DRUGS

Indian drug maker Cipla Ltd is said to be in talks with drug companies including GlaxoSmithKline and Israel's Teva to supply generic drugs. Cipla, India's second-largest pharmaceutical company by market value, has been in negotiations with GlaxoSmithKline for a few months for a number of specific products.

Cipla, with a market value of $5.5 billion, is one of the world's biggest producers of low-cost antiretroviral drugs to fight HIV and AIDS. The company provides AIDS drugs to African companies for just $350 per year per patient, compared with $10,000 charged by multinationals.

Global drug makers such as GlaxoSmithKline and Pfizer are increasingly looking to low-cost destinations like India to tie up supplies as they battle falling prices and increasing generic competition.

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VIIV HEALTHCARE SEEKS PARTNERS FOR HIV DRUG IN INDIA

In yet another attempt to drive down costs, global drug maker ViiV Healthcare (a joint venture that houses the HIV/AIDS drugs business of GlaxoSmithKline Pharmaceuticals and Pfizer, Inc.) is evaluating the scope of local partnerships in India. One of the potential organisations is Natco Pharma, which has sought a voluntary licence to make a low-cost version of the drugs. According to Viiv Healthcare, the local partners could be either for manufacturing or for marketing.

If the deal goes through, this could ultimately lead to the first case in which a compulsory drug licence is imposed for the Indian domestic market. The controversial provision under which the Indian government can allow a generic drug maker to make a low-cost version of a patented drug by paying a fee is opposed by foreign drug makers, but is allowed under local laws.

TOUGH NEGOTIATIONS OVER HEALTHCARE NORMS INDIA–EU FTA

It has been reported that as a part of the ongoing India–EU Free Trade Agreement (FTA) negotiations, India may have to abide by a series of international standards and regulatory practices in the healthcare sector. For instance, EU negotiators have sought India's commitment to adopting Global Harmonisation Task Force (GHTF) norms for medical devices. The move comes at a time when India and other Asian countries are trying to formulate their own harmonised regulatory guidelines for medical devices because of divergent views on some of the GHTF standards.

India is also trying to align its rules with the International Conference on Harmonisation (ICH) guidelines for drug regulators, , though not favouring simple adoption. Indian industry sources say strict adherence to ICH guidelines will help big pharmaceutical companies, but prove to be a barrier for the growth of smaller ones owing to the cost involved in such trials.

HEALTH INSURANCE PORTABILITY INTRODUCED IN INDIA

The Indian insurance sector regulator (IRDA) has approved a proposal to allow customers to switch health insurance policies to an insurer of their choice. Though this move is expected to provide customers with more choice, market experts feel that it is unlikely to lead to a significant fall in premium rates. With rising medical costs and a high inflation rate, most health insurers are just covering costs on their health portfolio in this competitive market.

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INVESTMENT UPDATE

SMITHS MEDICAL SETS UP SUBSIDIARY IN INDIA

On 17th January, Smiths Medical, a UK-headquartered leading global medical device manufacturer, formally established a wholly owned subsidiary in Mumbai. The company said, 'We have had a presence for over 20 years in India through our strong distributor network. Our aim in establishing Smiths Medical India is to continue to leverage that network, while also growing our direct-to-customer business.'

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Speaking at the launch, the UK's Secretary of State for Business, Innovation and Skills, the Rt. Hon. Vince Cable MP, said, 'This represents an exciting step forward in the investments that Smiths Group plc is making in India. It is a fine example of the business ties that we would like to see between India and the UK. The UK's high-end technology expertise is second to none in the world and companies like Smiths are a good example of this.'

RECKITT BENCKISER TO BUY INDIA'S PARAS PHARMACEUTICALS FOR $726 MILLION

According to market sources, British firm Reckitt Benckiser has agreed to buy privately held Indian over-the-counter medication and personal care company, Paras Pharmaceuticals, for about $726 million, beating off rivals and paying what is thought to be a steep price for more access to a fast-growing market. The research base and the market potential in India are the main attractions for foreign players in the Indian healthcare sector.

Private equity firm Actis will sell its 63% stake in Paras to Reckitt Benckiser. Other shareholders, including Sequoia Capital and Paras founder Girish Patel and his family, will also sell their stakes to the British company.

Reckitt has been investing in the fast-growing non-prescription pharmaceuticals sector over the last 4 years, buying Boots' over-the-counter business in 2006 for £1.9 billion ($3 billion), the USA-based Adams cough medicines company in 2008 for $2.3 billion (approx. £1.45 billion) and in 2010 the SSL Durex condoms group for £2.5 billion.

PIRAMAL BUYS OUT CAMBRIDGE SPIN-OFF

According to news reports, Oxygen Healthcare (O2h), the Cambridge Science Park starlet, has been acquired by Indian pharmaceutical giant Piramal Solutions. O2h has emerged from the Cambridge Science Park, UK, and developed a talented team of scientists to provide a world-class discovery service operating out of the state-of-the-art research centre in India. This deal will not only help Piramal boost its research capability but will also allow it to use the Cambridge office for project management support and access to the UK and the wider European market.

QUINTILES TIES UP WITH APOLLO HOSPITALS FOR INDIAN PHASE I CLINICAL TRIALS

Global clinical research organisation CRO Quintiles has recently announced its foray into the Indian Phase I clinical trials space. As part of its entry into India, Quintiles, which has operations in 60 countries, has tied up with integrated healthcare company Apollo Hospitals Group – which has 8,500 beds and 100 diagnostic clinics across India – to set up a £5.5 million Phase I clinical trials facility in Hyderabad. This facility will be linked to Quintiles's other three global facilities located in London, Kansas (USA) and Uppsala (Sweden).

While the Hyderabad facility will be primarily driven by Quintiles, Apollo Hospitals will be providing infrastructure support. Quintiles will hold a 60% stake in the Hyderabad facility, and Apollo the remaining 40%. Although Quintiles has been carrying out Phase II and III trials in India for the last 14 years, this venture will mark its foray into the Phase I space.

BUSINESS OPPORTUNITIES

The life sciences and healthcare sector is a very wide sector. According to a recent study undertaken by UK Trade & Investment, the key potential for business and technology collaboration between the UK and India includes:

- Medical education and training
- E-health and remote diagnostics
- Stem cell production and research
- Further development of health insurance provision
- Improvement in health service design, especially for the public sector
- High-end medical equipment and technology
- Bio-informatics
- Clinical trials

There is also significant opportunity for the two countries to work together in the areas of Public Private Partnership (PPP) to set up healthcare infrastructure as well as service provision. India is also keen to work with UK regulators and gain from their experience.

COMPANY PROFILE - Biocon

Established in 1978 and headquartered in Bangalore, biotechnology company Biocon has evolved from an enzyme company to a fully integrated biopharmaceutical enterprise, focused on healthcare. In 2007, Biocon made a strategic decision to divest its historic enzymes business to Novozymes A/S of Denmark. Biocon now strategically focuses its activities on its biopharma business verticals, which include APIs, biologicals and proprietary molecules, both commercialised and under development. With this divestment, the company mission is to 'develop novel and affordable biotherapeutics for global markets'.

Biocon Limited and its two subsidiary companies, Syngene International Limited and Clinigene International Limited, form a fully integrated biotechnology enterprise specialising in biopharmaceuticals, custom research and clinical research. Biocon's integrated business approach has enabled the company to establish a significant presence in the global biopharmaceutical market via its product offerings and customised, high-value solutions at any stage in the lifecycle of a drug,- from discovery to market. Biocon's vision is to be an integrated biopharmaceutical enterprise of global distinction.

The company applies its proprietary fermentation technologies to make effective and innovative biomolecules in diabetology, oncology, cardiology and other therapeutic segments. Biocon's products in the biopharmaceutical category include: anti-diabetic agents, anti-hypertensive agents, anti-inflammatory agents, antioxidants, biologicals, cholesterol-lowering agents, haemostatic agents, hepatoprotective agents, immunosuppressants, nutraceuticals and orthopaedic agents.

With its strong focus on R&D, Biocon offers services in custom research (Syngene) in the fields of synthetic chemistry and molecular biology in early stage drug discovery and development. Clinical research (Clinigene) is carried out by clinical studies and clinical trials.

Biocon in its 32-year history and is focused on exports of both biopharmaceutical products and research services.

Biocon Park, inaugurated in June 2006 by the then president, A P J Abdul Kalam, comprises an integrated cluster of research laboratories and manufacturing facilities laid out on a 90-acre site near Bangalore. Built with a total investment of Rs 650 crores (approximately £90 million), with further investments to follow, Biocon Park is the single largest capital investment made by Biocon in its 32-year history and is focused on exports of both biopharmaceutical products and research services. The multi-product facilities mainly cater for the following disease segments: cardiovascular, cholesterol reduction, immunosuppressants in organ transplantation, diabetes and cancer.

Biocon's success has been characterised by an enduring set of corporate values based on innovation, integrity, strong leadership and social responsibility. As India's first and leading biotechnology company, Biocon extends its support to numerous community outreach and corporate citizenship initiatives, with special concentration in the areas of healthcare, education and environment. The Biocon Foundation, set up in 2004, has launched Arogya Raksha Yojana, a unique health initiative for rural India.

Biocon aims to continuously create growth in different areas of the company and is the first company globally to manufacture human insulin, Insugen®, using a Pichia expression system. In addition, in 2006, Biocon launched BIOMAb EGFR™, the first indigenously developed humanised monoclonal antibody for head and neck cancer.

'Our ability to continuously scale new heights across the biopharmaceutical value chain enables us to realise the promise of future therapeutics.' – Kiran Mazumdar-Shaw, Chairman and Managing Director

(Source: Biocon – http://www.biocon.com/)