

SECTOR:
LIFE SCIENCES & HEALTHCARE

SECTOR OVERVIEW:
MARCH 2012

Welcome to the UKIBC quarterly report on Lifesciences & Healthcare. This report provides a roundup of the happenings in this sector which considers the biotechnology, pharmaceutical, medical devices and healthcare industries. The report provides insights on happenings in the market place, collaborations between the UK and India, and case study of a company that has succeeded. For those who are following our sector views, we are cycling through a variety of sub sector areas and providing you with articles that we hope are informative and which touch on the types of opportunities we are seeing.

In the last few years, India has become a preferred destination for Contract Research and Clinical Trials. For instance, reports state that costs of contract research in India are estimated at one-fifth to one-seventh of their levels in Europe. More pharmaceutical companies and Contract Research Organisations (CROs) are entering into innovative relationships where risk is shared more fully between the two companies, while profits from successful projects are also shared.

The Indian government has played a strong role to support the clinical trials industry by creating a regulatory framework. A large number of multinationals such as Astra Zeneca, Pfizer, Glaxo Smith Kline (GSK), Eli Lilly and Johnson & Johnson are conducting clinical trials in India currently. Some of the top Indian companies providing Clinical Trials services include: Lotus Labs, Jubilant, Max Neeman and Veeda Clinical Research. Analysts expect the clinical trials industry to significantly increase in India, particularly given the fact that some of India's large pharmaceutical companies such as Sun Pharmaceuticals, Cadila Healthcare and Piramal Life Sciences have all applied to conduct clinical trials on at least 12 new drugs in 2010.

The upwardly mobile Indian middle class finds itself suffering from a variety of diseases as poor diet, lack of exercise, odd sleeping patterns, (particularly true of the IT & BPO employees) become part of the lifestyle. This has resulted in increased obesity and weight gain, diabetes and heart related diseases among the population. According to the World Diabetes Foundation, with an estimated 50.8 million people living with diabetes, India has the world's largest diabetes population. Complications in diabetes then result in a variety of other health conditions including heart, kidney and blindness. Increased awareness of the consequences of a poor lifestyle, cost effective mechanisms of screening and detecting health conditions are now very much needed in India today.

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MARKET UPDATE

India to increase spending on healthcare

The Indian Health Minister, Ghulam Nabi Azad, has stated that India will increase spending on healthcare to 2.5 percent of its gross domestic product (GDP) during the 12th Five Year Plan that starts April 1, 2012, from the present level of around 1 percent. One of the focus areas of the 12th Five Year Plan is to develop healthcare facilities and infrastructure. To support this, the Indian government is encouraging public-private partnerships in this area and liberalising norms that enables foreign investment in healthcare in India. Minister Azad stated, "The government has encouraged foreign direct investment (FDI) in opening of hospitals by placing such investments on the automatic route". Some of the government proposals in this plan include upgradation of existing primary healthcare and community centres.

Biotechnology Regulatory Authority of India Bill to be introduced soon

The Biotechnology Regulatory Authority of India Bill is to be introduced shortly. This Bill states "to promote the safe use of modern biotechnology by enhancing effectiveness and efficiency of regulatory procedures and provide for the establishment of the Biotechnology Regulatory Authority of India to regulate the research, transport, import, manufacture and use of organisms and products of moderns biotechnology and for matters connected therewith or incidental thereto" This Bill has been drafted by the Central Government and is now being considered carefully by the various State Governments of India because food, agriculture and health of people and animals are matters for which each state is responsible (state subjects)

TSB Catapult Centre Cell Therapy

According to the Technology Strategy Board Catapult website, the global cell therapy industry is expected to be worth £3.1billion by 2014, with even greater growth predicted beyond that. One of the areas where SMEs face challenges is stem cell research. The Technology Strategy Board (TSB) is opening a new Catapult Centre to focus on Cell Therapy. This centre will be in London, receive £10Million per annum from the TSB in collaboration with the Department of Business Innovation and Skills. The centre is scheduled to open in spring this year. The Catapult Cell Therapy will be a single, autonomous entity, nationally inclusive, independent of higher education institutions, and will play a significant role in speeding up development and accelerating routes to market.

Private firm starts running NHS hospital for first time

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Hinchingbrooke Hospital in Cambridgeshire has become the first NHS hospital to be managed by a private firm. While units within the NHS have been run by the private sector, this is the first hospital to be completely managed by a private firm. The independent firm, Circle, won the contract in November 2011 when it beat 18 other contenders. After Hinchingbrooke Hospital ran up debts of over £40 Million, it was at risk of being closed. Bringing in a private firm to manage the hospital has seemed like the only viable alternative from closure.

COMPANY PROFILE

Below are some recent developments in the UK and India:

- PraxisUnico, the leading research commercialisation body, has joined forces with Stevenage Bioscience Catalyst (SBC) - the UK's first open innovation bioscience campus – and the Technology Strategy Board to deliver a seminar and networking forum to support aspiring entrepreneurs and young healthcare businesses..
- News reports state that the India biotechnology sector will look at mergers and acquisitions as the route to expand operations.
- Some of the recent deals in this sector include Acquarius India and Seedfund's \$10Mn investment in Vaatsalya Healthcare Solutions. Glocal Healthcare System, a lowcost hospital chain, raised its first round of investment of \$3.36 Mn from Elevar Equity and Sequoia Capital, while Aureos Capital India invested \$10 Mn in BSR Super Speciality Hospitals.

CASE STUDY - ZILICO

Founded in 2006, Zilico is a medical device company based in Sheffield, UK. Zilico is developing the next generation of cancer diagnostics that will provide real-time diagnosis with its lead product in cervical cancer. These products reduce the inherent subjectivity of current methods.

Two applications are currently under development: the first is a device aimed at the colposcopy market to accurately detect precancerous and cancerous lesions. Zilico has completed an EU multicentre trial in May 2011 of this product and expect to launch it in Q4 of 2012 in Europe and subsequently in other markets. The second is aimed at the cervical screening market to provide real time diagnostics and Zilico is establishing performance specification for clinical trials. Zilico is currently raising awareness for their product across the markets that they are targeting.

The ability to see results in real time has significant implications for large countries such as India where a clinician would be able to utilise this in primary healthcare. Zilico has been in India for the last three years, spending time presenting their product at scientific meetings, with key opinion leaders and in discussions with some of the country's largest healthcare providers in India. Zilico was shortlisted in FICCI HEAL 2011.

The CEO, Sameer Kothari, in an interview with UKIBC talked about his experiences in India. Sameer stated that for organisations that are looking at India as a market, it is important to go out to India and to be out there. Face to face meetings provide greater confidence especially when launching a new product, and it is also useful to experience and see

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first-hand the environment and settings that a company's product will get used in. For Zilico, the main feedback they took away was the need to make their product more robust and rugged for the Indian rural conditions. Zilico has lined up a set of 4 hospitals that are keen to utilise the device in an Indian setting when it is launched. India is a significant opportunity but one has to invest time and money in order to bear fruits.