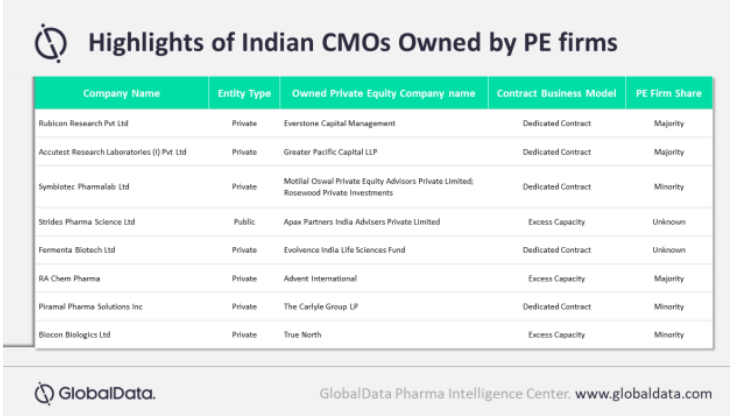
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ASIA EDITION

India's CMO market emerges as hotbedÃ?ÂÃ?ÂÃ?Â for global private equity investment

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Indian Pharma and Healthcare market is driven by favorable government policies and a thriving generic drugs market, says GlobalData.



Highlights of Indian CMOs Owned by PE firms

Company Name	Entity Type	Owned Private Equity Company name	Contract Business Model	PE Firm Share
Rubicon Research Pvt Ltd	Private	Everstone Capital Management	Dedicated Contract	Majority
Accutest Research Laboratories (I) Pvt Ltd	Private	Greater Pacific Capital LLP	Dedicated Contract	Majority
Symbiotec Pharmalab Ltd	Private	Motilal Oswal Private Equity Advisors Private Limited; Rosewood Private Investments	Dedicated Contract	Minority
Strides Pharma Science Ltd	Public	Apax Partners India Advisers Private Limited	Excess Capacity	Unknown
Fermenta Biotech Ltd	Private	Evolvence India Life Sciences Fund	Dedicated Contract	Unknown
RA Chem Pharma	Private	Advent International	Excess Capacity	Majority
Piramal Pharma Solutions Inc	Private	The Carlyle Group LP	Dedicated Contract	Minority
Biocon Biologics Ltd	Private	True North	Excess Capacity	Minority

GlobalData. GlobalData Pharma Intelligence Center. www.globaldata.com

India’s contract manufacturing organization (CMO) and pharma market has strongly attracted investment from global private equity firms in recent times, driven by favorable government policies and a thriving generic drugs market, says GlobalData, a leading data and analytics company.

In July 2020, US-based Advent International agreed to acquire a controlling stake in RA Chem Pharma from its parent Micro Labs for an undisclosed sum and US-based KKR agreed to acquire 54% stake in JB Chemicals & Pharmaceuticals for US$611m. In June 2020, US private equity major Carlyle acquired 20% stake in Piramal Pharma for US$490m. Earlier this year, True North invested US$100m to acquire 2.44% stake in Biocon Biologics.

Piramal previously sold several assets including its healthcare insights and analytics business due to debt issues. With Piramal reporting a consolidated pre-tax loss because of COVID-19, it triggered incremental provisioning in its financial services business in the first quarter of 2020.

Bhavani Nelavelly, Pharma Analyst at GlobalData, comments: “Both Advent and KKR have a well-established investment history in India and the recent deals reaffirm the growing interest of private equity firms in the Indian pharmaceutical industry. From the Piramal, JB Chemicals and RA Chem deals, it is evident that there are growing opportunities in CMO, complex generics and bulk drug manufacturers.”

According to GlobalData’s Pharma Intelligence Center Contract Service Provider database, there are over 1,600 contract manufacturing facilities (across almost one thousand companies) in India, and there is a great deal of potential for PE investment in the CMO industry.

There are over 700 contract facilities with API-Chemical manufacturing capabilities, which account for almost half of all Indian contract manufacturing facilities. Despite this capability being the most established in drug manufacturing, it is still attractive to investors considering the rise of private equity deals year-on-year between 2016 and 2018 in both deal number and combined value for chemical APIs.

India has the largest number of public dedicated CMOs with small molecule API manufacturing facilities by a considerable margin, highlighting its particular importance to the small molecule API manufacturing industry.

GlobalData's research reveals that Indian pharma companies are more likely to engage in contract/excess capacity API manufacture than companies in the other small molecule API hotspots such as in the US and China.

Ms Nelavelly concludes: "Over the past three years, India has witnessed growth in private equity investments as a result of relaxations offered by the government such as increasing the FDI limit from 49% to 74% in brownfield pharma ventures. Despite the significant growth in investments, there is still scope for improved pharma regulatory framework in terms of investments and high tax incentives to further attract the investors."