BioSpectrum the business of Bio & Health Sciences ASIA EDITION

# Biopharma, medtech drive growth in India

30 May 2012 | Analysis | By BioSpectrum Bureau

**Biopharma, medtech drive growth in India**

The pharmaceutical market in India is highly competitive because of affordable medicine with low-priced, locally-produced generics. India accounts for less than two percent of the global pharmaceutical market in terms of value and contributes about 10 percent of the global pharmaceutical production. The average per capita spending remains one of the lowest in the region.

According to Business Monitor International (BMI), the pharmaceuticals expenditure for the year 2010 stood at $13.8 billion and touched $15.6 billion in 2011, registering a growth of 13.2 percent. Healthcare spending too witnessed a growth of 12.2 percent from $65.1 billion in 2010 to $73 billion in 2011. The medical devices market in India stood at $2.9 billion in 2010 and registered a growth of 19.1 percent to touch $3.4 billion in 2011. The Indian market for medical equipment was valued at around $2.6 billion in 2011, witnessing a growth of 15.6 percent over 2010. The biotechnology market in India, including bioservices, biopharmaceuticals, bioagriculture, and industrial enzymes, stood at $4.13 billion in 2011.

India's biopharmaceutical sector is currently experiencing double-digit growth and this is expected to continue, driven by the vaccines and therapeutics market. Growth drivers include education and increased awareness of disease prevention, increase in disposable income and government participation in immunization programs.

India is known as the diabetes capital of the world and the number of diabetes patients in India is expected to grow to 70 million by 2025. Therefore, continued growth is expected in the diagnostic and therapeutic segments, including cancer and diabetes. Cancer therapies are lucrative for many Indian companies due to high unmet need, increased awareness and the comparative affordability of domestically produced drugs.

Though the medical devices market in India witnessed a double-digit growth, it still remains disproportionately small, with low per capita spending of less than $2.

High quality products are sought after, particularly in the private sector, and the high-tech end of the medical device market is

dominated by multinationals. The increased demand for medical equipment and supplies is expected to come mainly from private sector hospitals and medical centers.
India, with its population in excess of one billion and a growing middle class with access to high quality healthcare, will encourage foreign companies to invest in medtech industry. Continued investment in the private sector infrastructure coupled with increased healthcare funding from the government should result in a steady increase in the market for medical equipment.

**Policy initiatives**

The Government of India has been keen on supporting the growth of the pharmaceutical and biotech industry. During the beginning of the year, the finance minister announced extension of 200 percentage weighted tax deduction by companies on research and development (R&D) expenses for five years; setting up of $1,000 million (`50 billion) 'India Opportunities Venture Fund' with Small Industries Development Bank of India (SIDBI) for micro, small, and medium enterprises (MSMEs); 100 percent coverage for national immunization program; and reduction in import duty on some key medical equipment and stents to 2.5 percent.

The government also announced its intention to publish details of every medicine patented in the country on its website. The move was intended to bring in transparency to enable local companies to challenge patent holders and market generic version of high-priced patented drugs.

In October 2011, the government considered launching a universal health insurance scheme in the country. The government plans to partially fund the scheme, which will allow registered citizens to use healthcare facilities in public sector and in private hospitals. The planning commission fixed a goal to increase total public expenditure on health to 2.5 percent of the GDP by end of the 12th five-year plan. The public health expenditure is expected to reach 1.8 percent by the end of the 11th five-year plan.

The government planned to regulate the manufacturing and marketing of imported stents and other medical devices. According to officials from the Drug Control Administration (DCA) and Central Drugs Standard Control Organization (CDSCO), the National Pharmaceutical Pricing Authority (NPPA) is gathering information on stents and other medical devices to prepare a price regulation strategy. Officials said that the government will base its strategy on recommendations and findings from the NPPA. Senior cardiologists and distributors of imported medical devices believe that 'capitated pricing' mechanisms, used in the US and a few European countries, could become the norm in India.

In the last couple of years, many multinational companies are looking at acquiring the Indian companies to expand their base in the country. This has raised concerns as government feels that this could adversely affect generic drug prices in the country. To safeguard the interests of the local firms and patients at large, the Ministry of Health is keen on creating the foreign direct investment process.

A draft policy on National Pharmaceutical Pricing Policy (NPPP) was prepared and released in 2011. The proposed NPPP focuses on the national list of essential medicines (NLEM), which is periodically revised. This is a move towards fixing prices from the principle of cost-based pricing to a market-based pricing model, for more transparent and fair pricing as well as to increase competition in the marketplace. A huge population, a booming economy, a low-cost generic drug program, and relative political stability will support the growth of the industry. However, industry might see some hurdles such as faltering urbanization, income disparities, insufficient state involvement in healthcare, and a sub-standard intellectual property regime in the country.