

Bioscience Industry clocks \$139 bn, grows 8.37%

03 July 2012 | Analysis | By Nandita Singh

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The bioscience industry in the Asia Pacific region, in 2011, got pulled back into a low growth cycle. In a replay of 2009 slowdown, it was a single digit show in 2011 too. The industry recorded a growth of 8.37 percent over 2010, clocking 139 billion in revenue, adding just a little over 10 billion to the overall revenue of 128.26 billion in 2010.

Some of the reasons for this are the trickle effect of global slowdown, recession in the West and the deepening crisis in Europe, the slow pace of ongoing economic reforms in the Asian countries itself and the weakening of the respective currencies against US dollar. All this and some other region-specific causes came together to result into a negative growth for a number of leading companies, most notably in India and Malaysia, followed by Australia and China.

One of the two leading bioscience markets in the region, India, recorded a mere 4 percent overall growth dragging down the outlook of the region. China continues to shine though. In fact, it improved its lead over India recording 33 percent growth over its 2010 publicly listed companies' revenue contribution. The country dominated the region's Top 20 tally with 10 companies, India followed with 5 companies, rest of the top 20 companies were from Australia, except a lone ranger from South Korea - Dong-A, which made it to the rank with a 28 percent growth over its 2010 revenue.

The No. 1 company China's Sinopharm grew almost 60 percent on the back of its rapidly expanding pharmaceutical distribution network while another of the region's biggie Australia's CSL at No. 2 recorded a 13 percent decline in the

revenue. In fact, of the 417 publicly listed companies surveyed about 80 companies recorded a high double digit degrowth in 2011.

One of the major reasons for the decline across many of these companies is the strategy shifts, restructuring and realignments that these were executing to consolidate and reorient their businesses to deal with market uncertainties and to address future growth concerns. In that light this decline is not a sign of coming degrowth but a sign of positive, sustainable business growth that will surface three years down the line.

The bright spot in the *BioSpectrum Asia Bioscience Industry Survey 2011* was the Mesoblast growth story. This company from Australia took the top spot as the fastest growing company in Asia recording revenue of \$37 million in 2011 a leap from its 2010 revenue of just over \$1 million.

The number of billion-dollar companies at 11 remained the same as in Asia Top 20 list of 2010. However, the other 9 are also inching their way up and by 2014 all of Asia's Top 20 bioscience companies will cross the one-billion-dollar mark.

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While overall growth in the India market has been at 4 percent but in terms of business mix and revenue split across the industry, it is most vibrant and sustainable of all Asian countries with Top 20 companies broadly accounting for 67 percent of industry revenue and the rest comes from other companies. The corresponding figure for China is 85 percent from Top 20 companies and in Australia this figure is 98 percent.

However, there is no doubt that India which was a shining story of growth until a few years ago has put on show a below expectation performance and in the next few years needs to buckle up and pick up pace of growth as competition is coming from even smaller players like Malaysia and Taiwan. Both these countries are building niche competencies.

On the other hand, in the last five years, China has improved its market share in the listed companies' revenue to almost 50 percent in 2011 from about 17 percent in 2007. According to *BioSpectrum* projections, from here on the pace of growth for China bioscience industry will slacken and a slowdown will hit it by 2015 or even year earlier. However, by then India will pick up pace and the emerging economies in Asia led by India will continue to grow in dominance.

As far as Top 20 revenue segment split is concerned 93 percent of the Top 20 companies' revenue of \$44.66 billion came from pharma and the rest from medtech with biotech accounting for one percent of the overall industry share. Biopharma market share has been included in the pharma segment and in 2011 it has not recorded a significant shift from its 7 percent in 2010. This mix will continue to evolve in favor of biopharma over the decade.

Among the trends to watch out in 2012, dominant ones include, policy related developments that will drive the industry, structural shifts in the companies and their business composition and the increased consolidation activity. The bioservices segment of clinical research, contract research and contract manufacturing will also see the shifts in their relationships with sponsors. MNCs will reassess their risks of business in Asia and redefine their Asia strategy with a greater focus on consolidation of their business in Asia.

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