

# The Emerging Face of India Pharma Inc.



## - *New Horizons*

**KPMG Consulting Pvt Ltd**

**Presentation at the PHARMAEXPO 2003**

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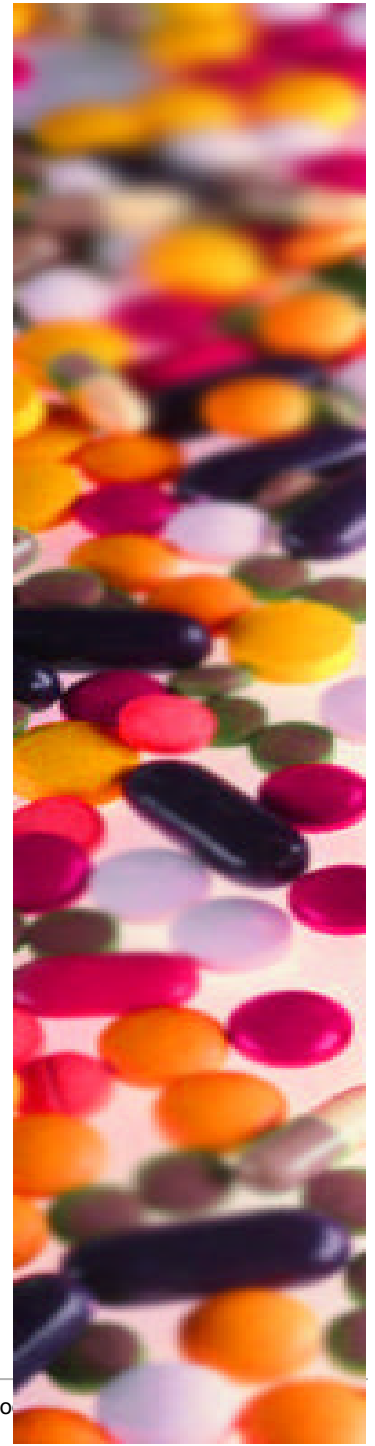
# Agenda

## Taking Stock

Advantage India...  
emerging opportunities

## Charting Future Direction

Imperatives for success





Advantage India...emerging opportunities

# Taking Stock

# Taking Stock... an Industry snapshot

**How has the industry grown?**

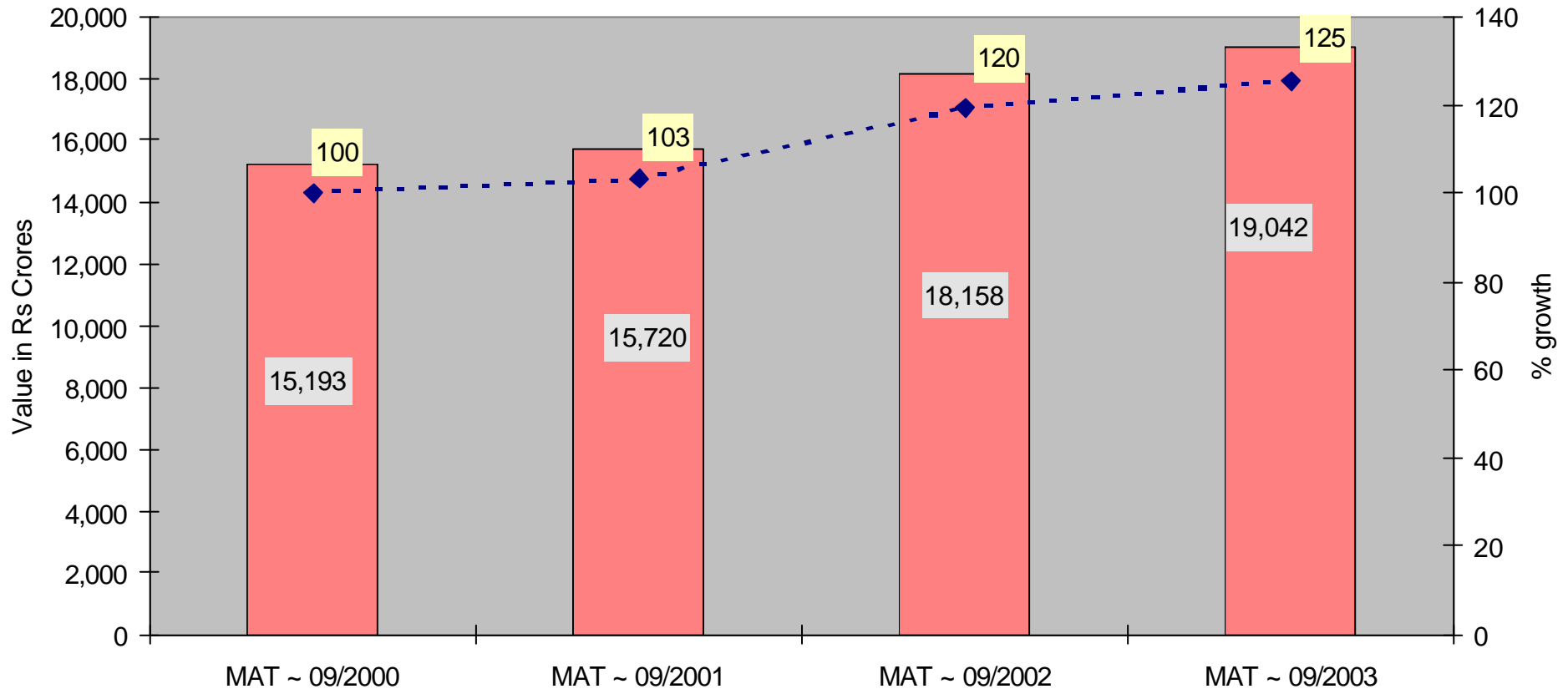
**Which therapeutic segments are driving the growth?**

**Who are the key contributors to the growth?**

**What is driving growth?**

**Volumes? Price? New products?**

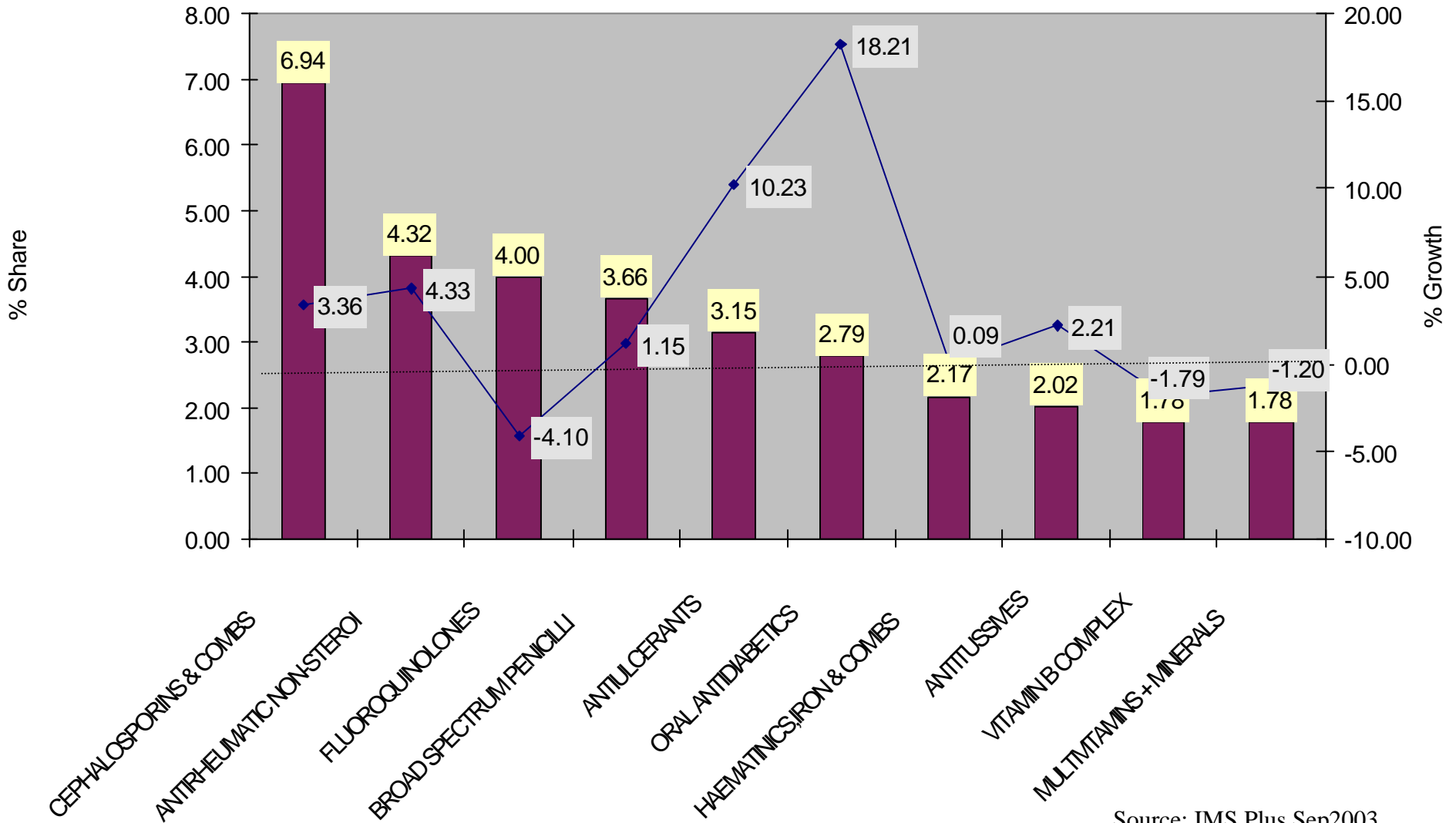
## How has the industry grown?



Indian Pharmaceutical market has seen a consistent growth  
CAGR = 5.81%

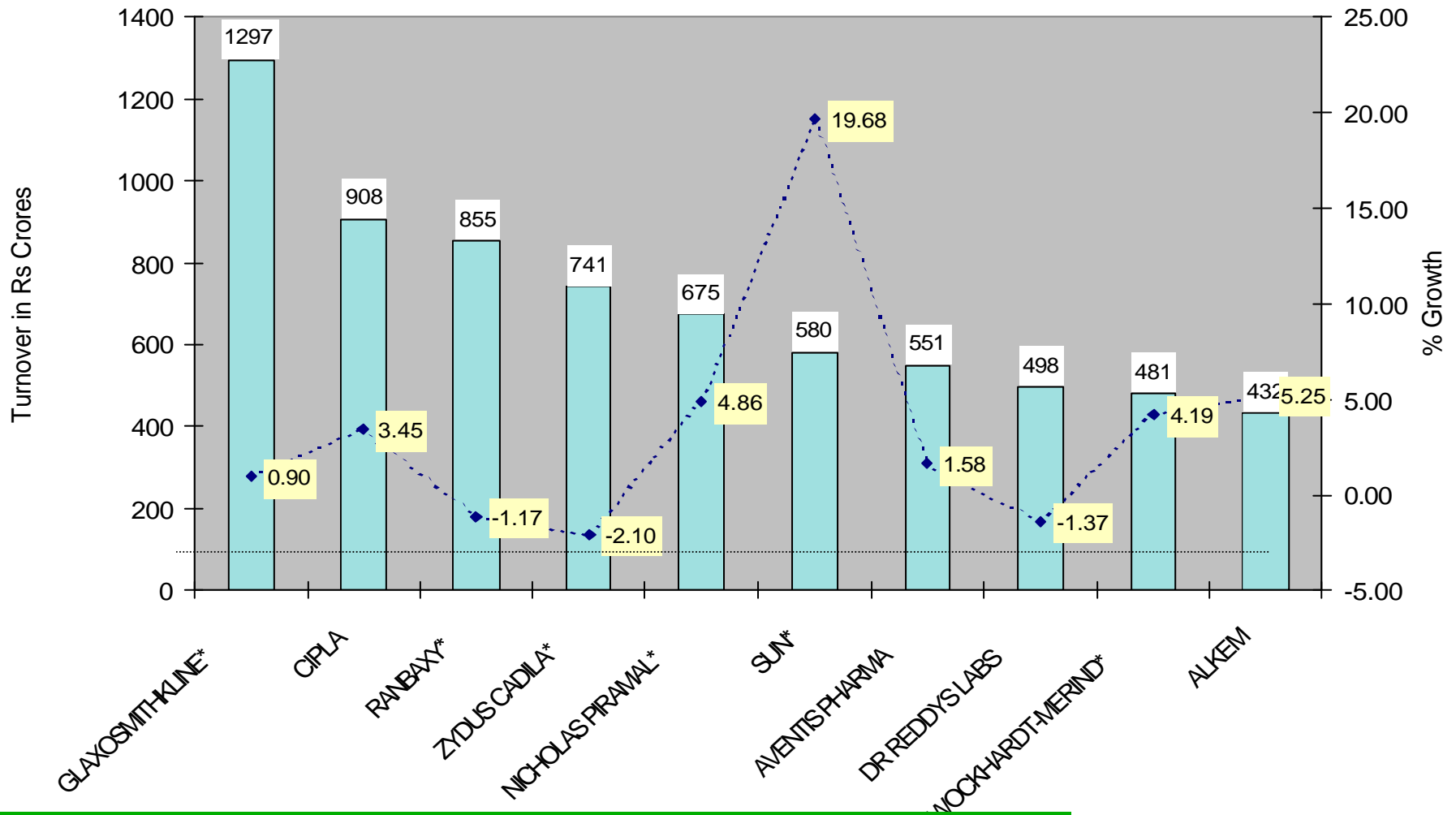
Source: IMS Plus Sep2003

# Which therapeutic segments are driving the growth?



Source: IMS Plus Sep2003

# Who are the key contributors to the growth?

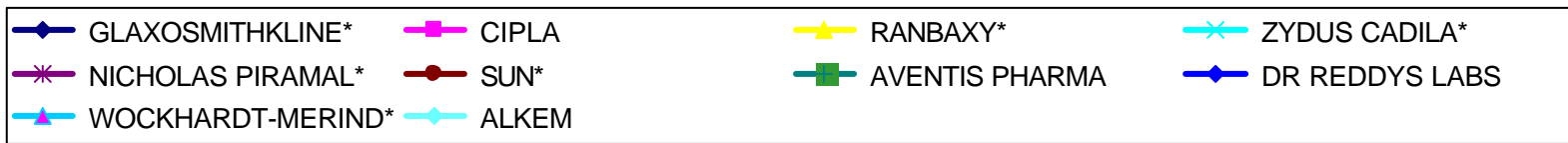
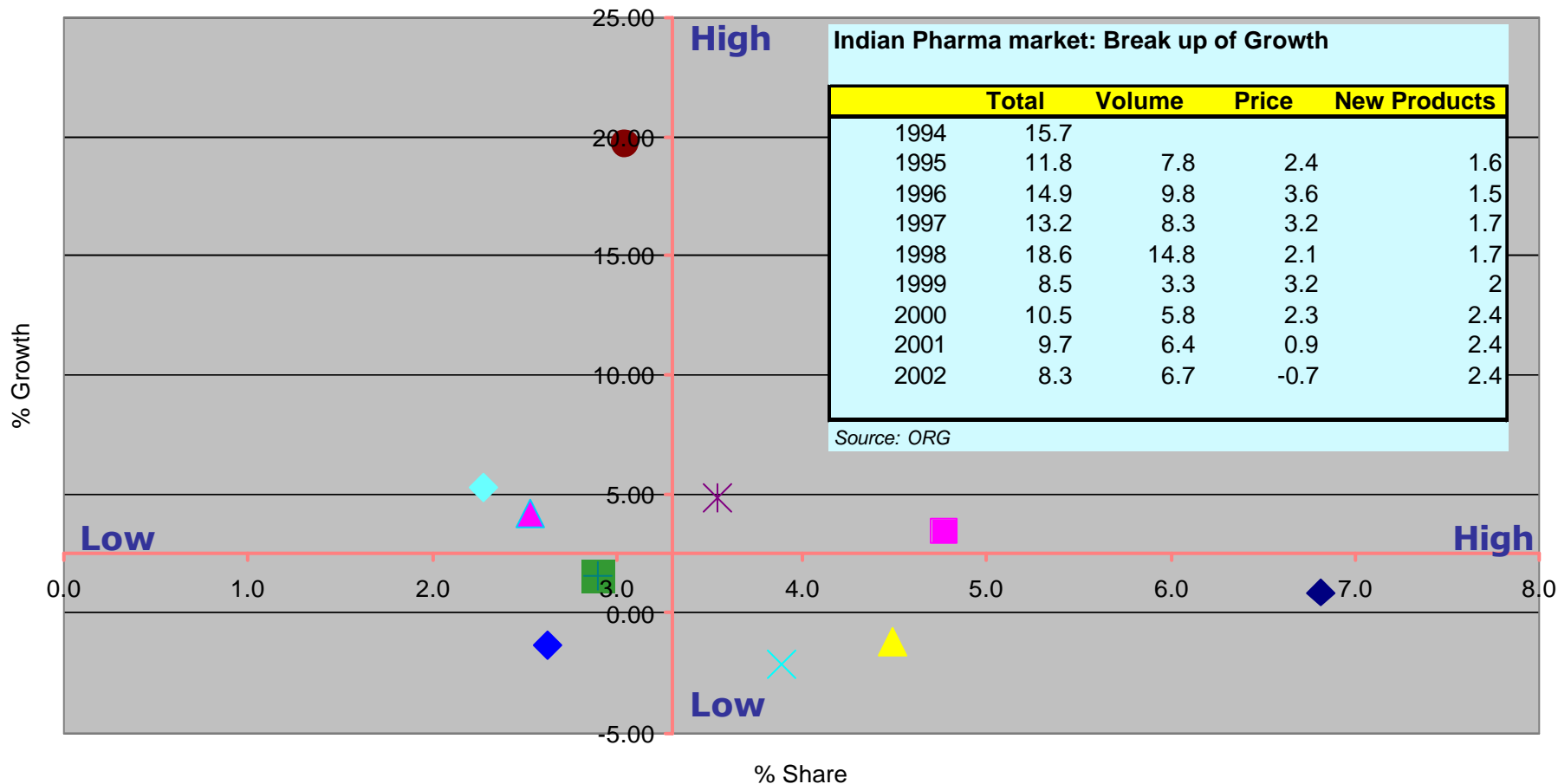


- Top 10 Corporations contribute to 37% of the Total market
- 8 out of the Top 10 are Indian Manufacturers.

Source: IMS Plus Sep2003

# What is driving growth?

Volumes? Price? New products?

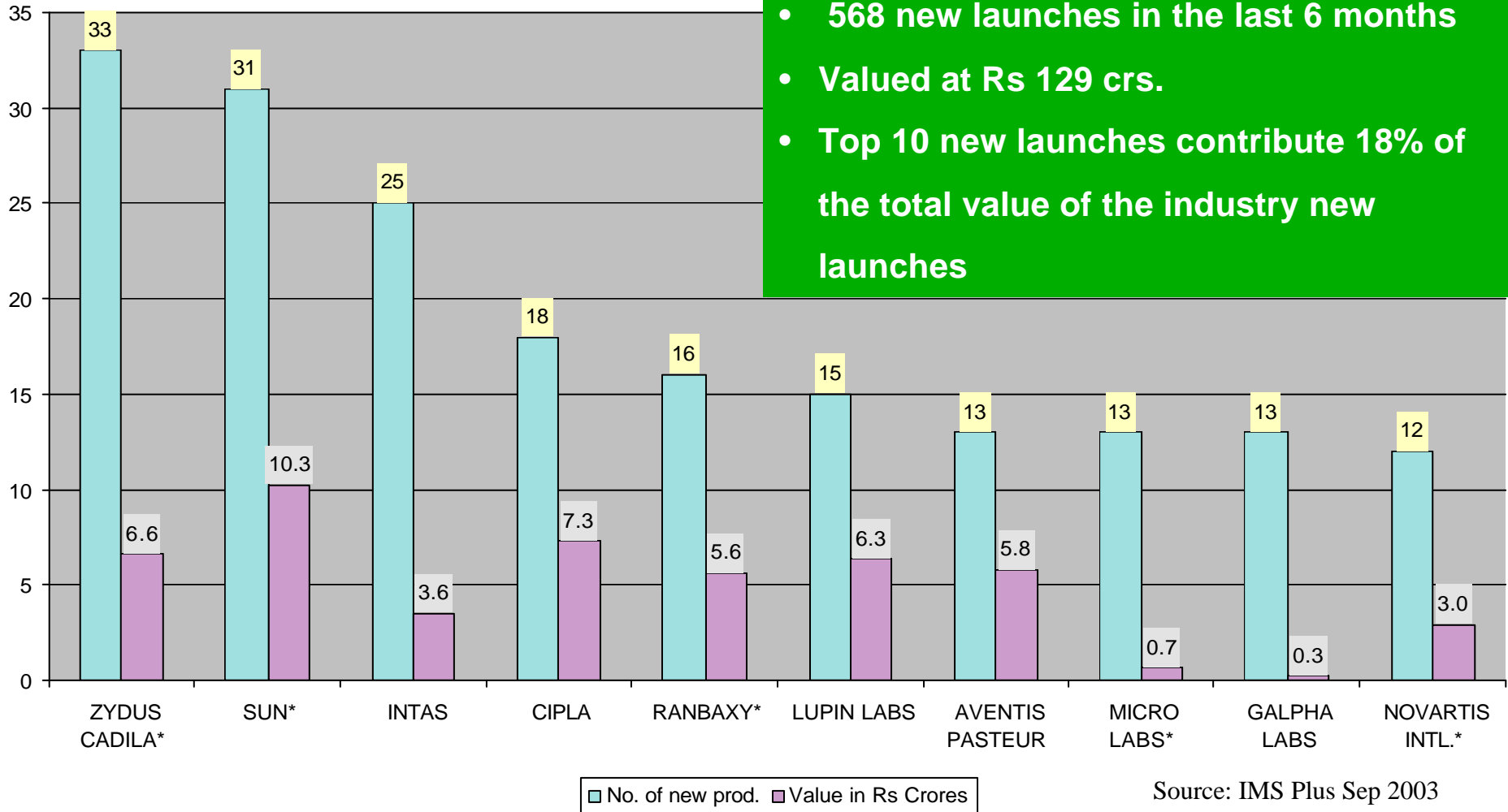


Source: IMS Plus Sep2003



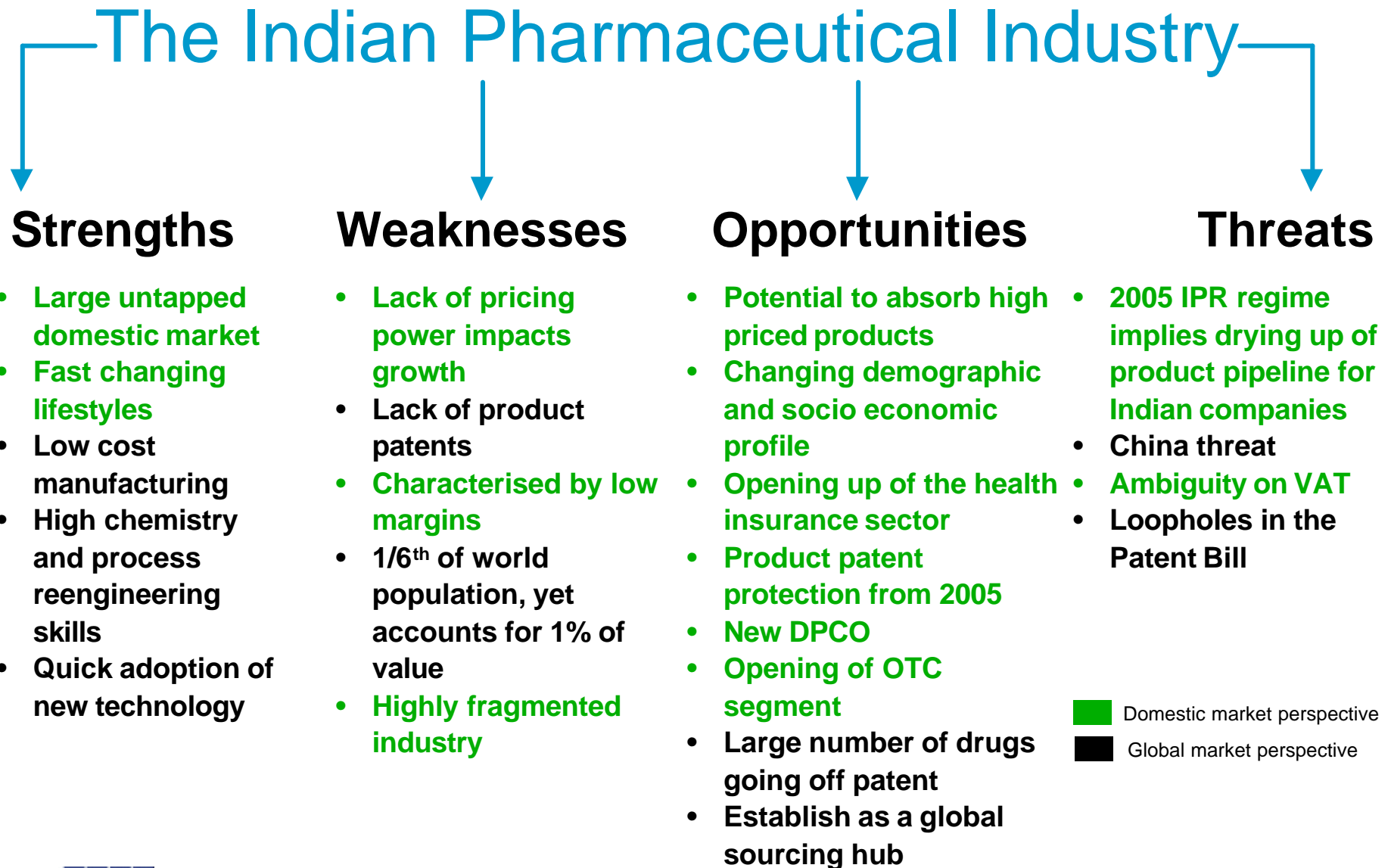
# What is driving growth? New products?

- 568 new launches in the last 6 months
- Valued at Rs 129 crs.
- Top 10 new launches contribute 18% of the total value of the industry new launches

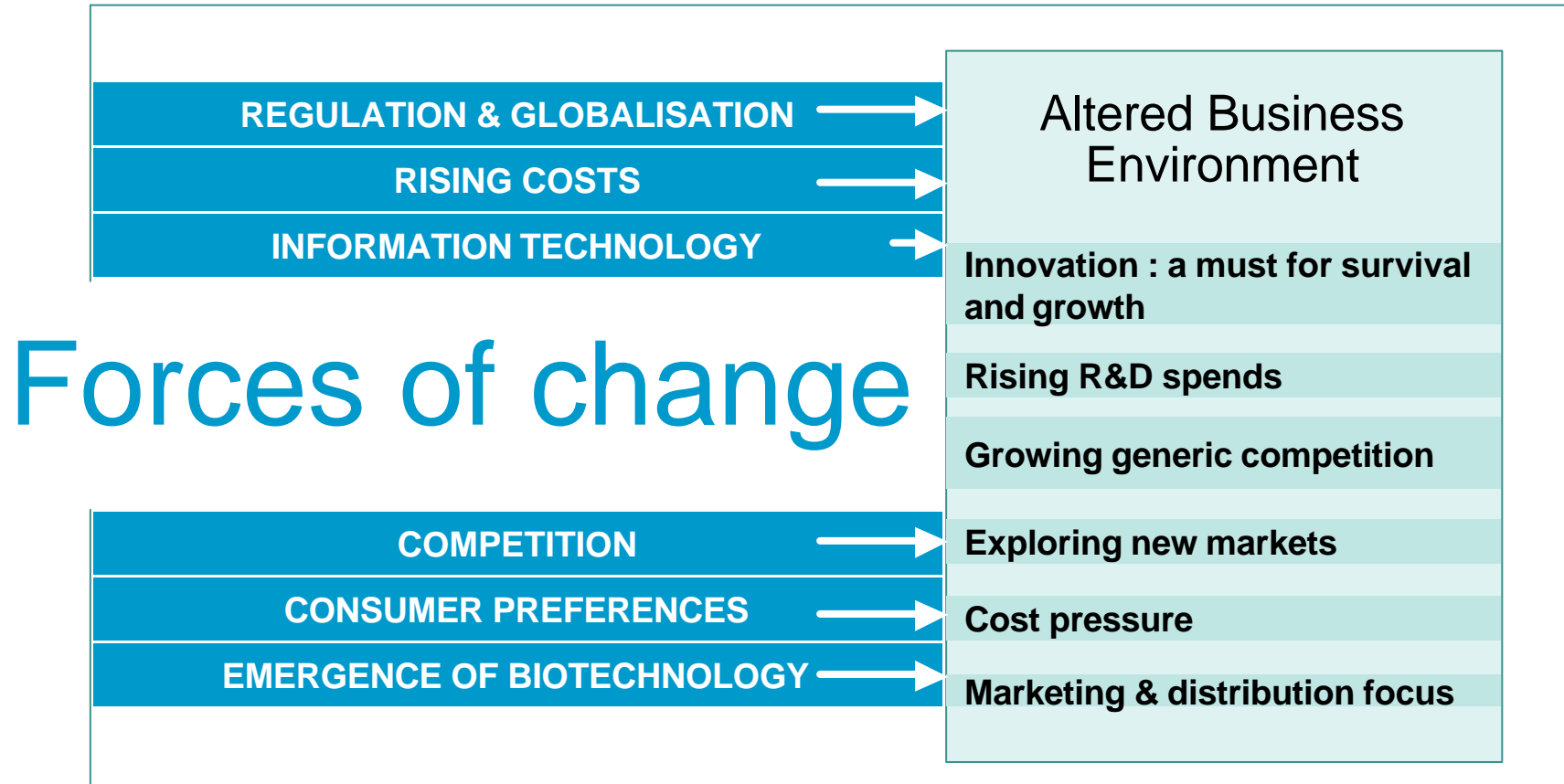


Source: IMS Plus Sep 2003

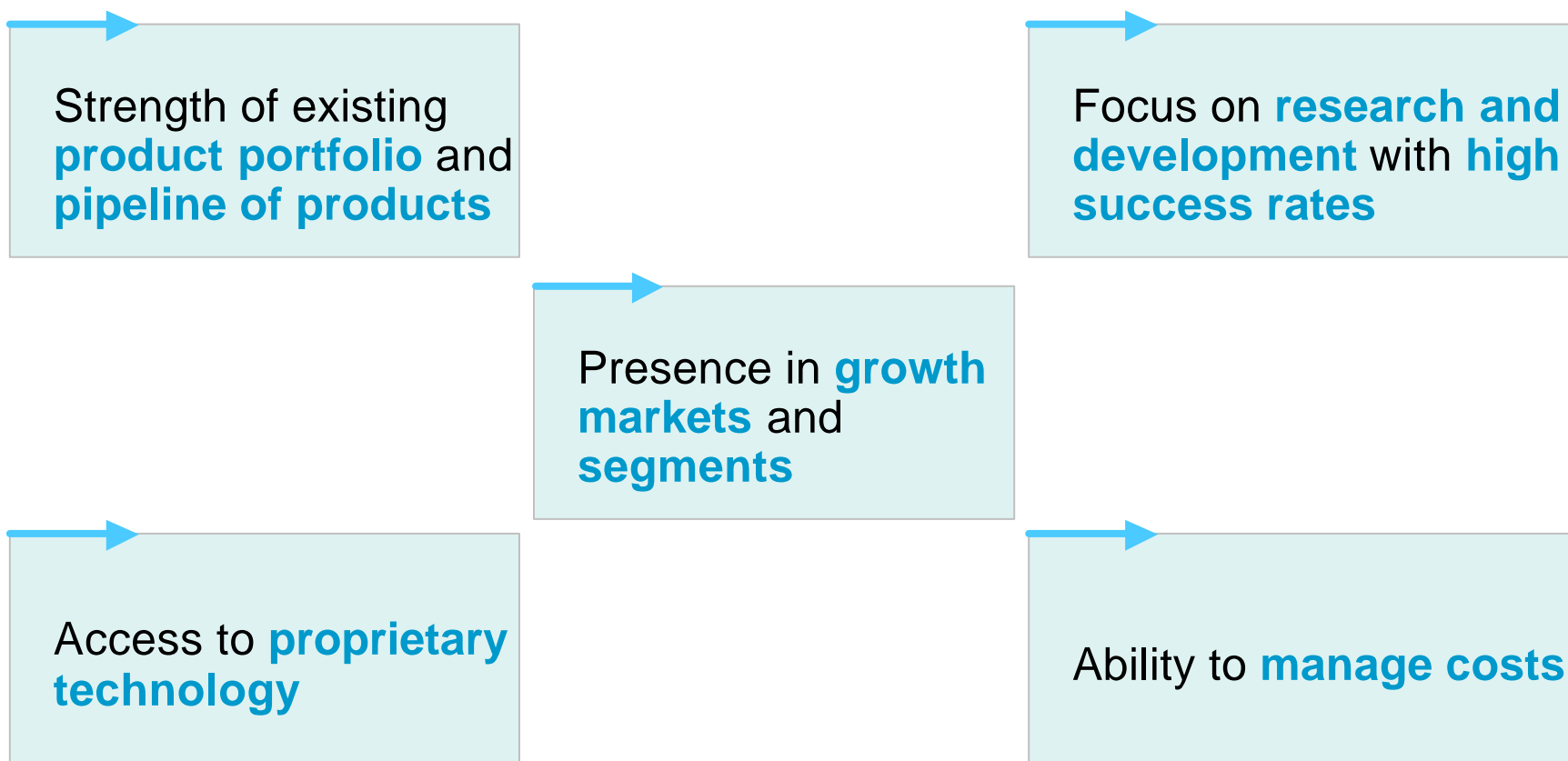
Let us view the industry as it stands today, along different dimensions



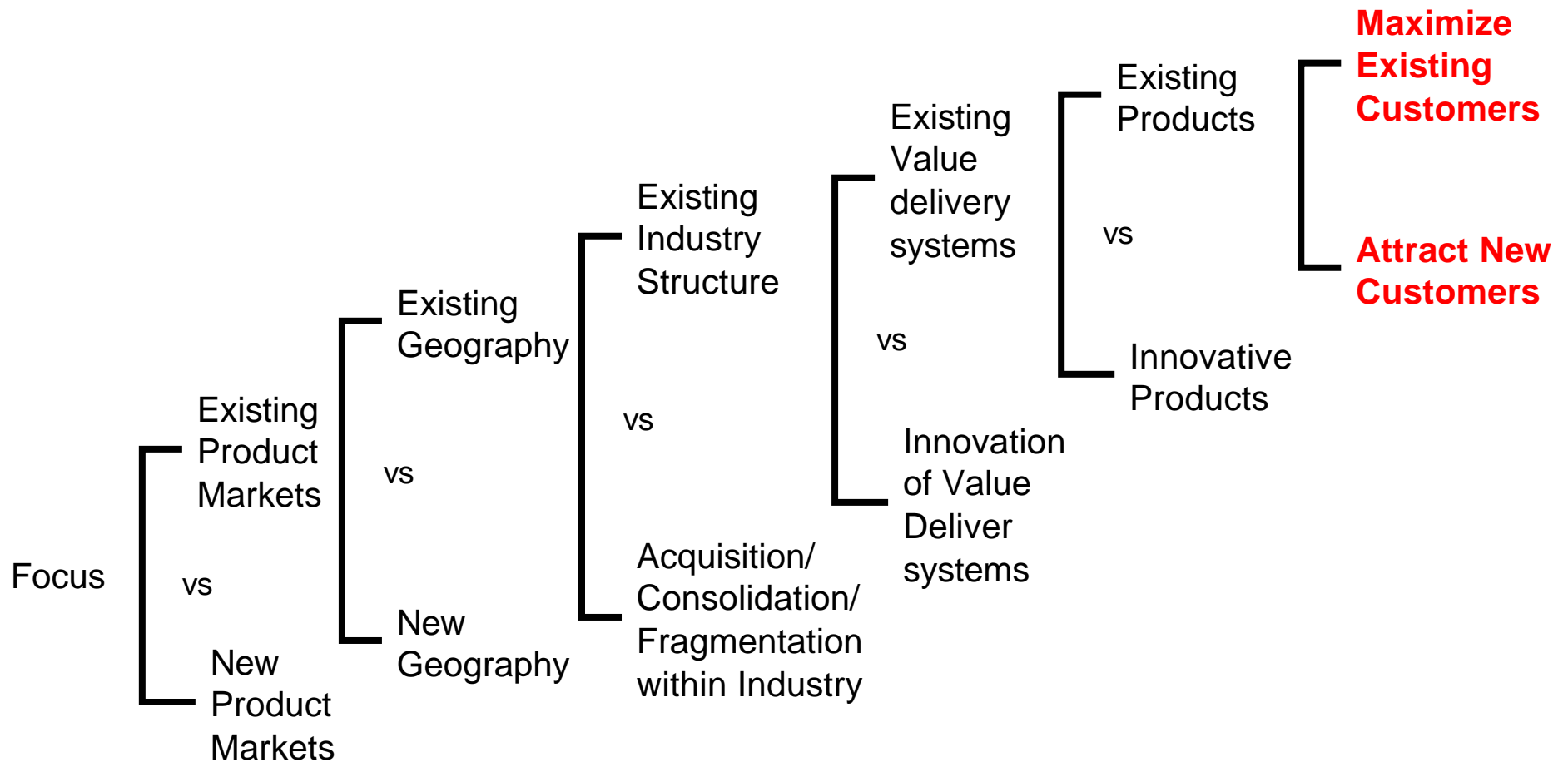
# Several forces of change have altered the Indian Pharmaceuticals business environment



In this context, success of players will hinge on...

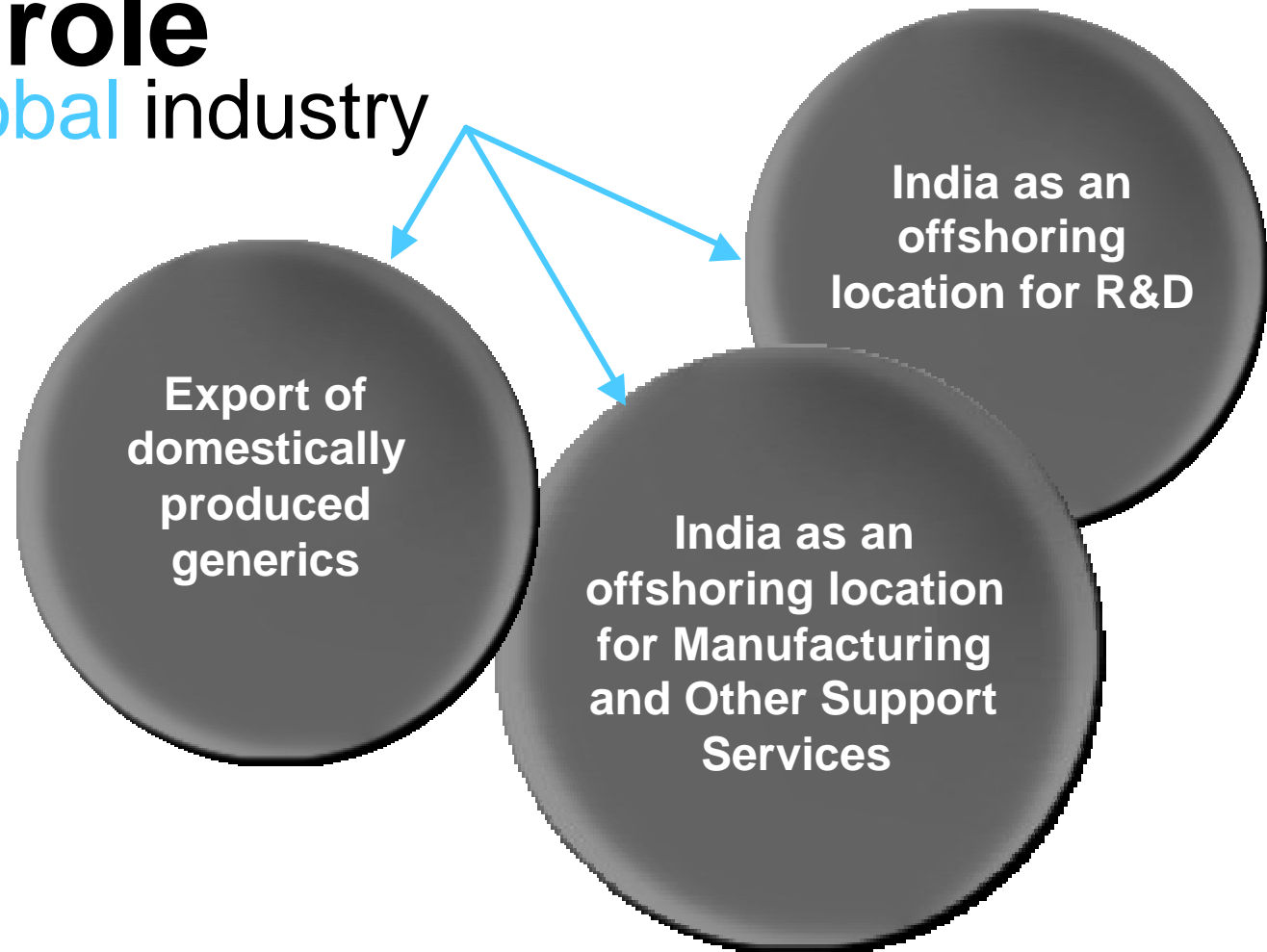


# Thus striking the right balance between...



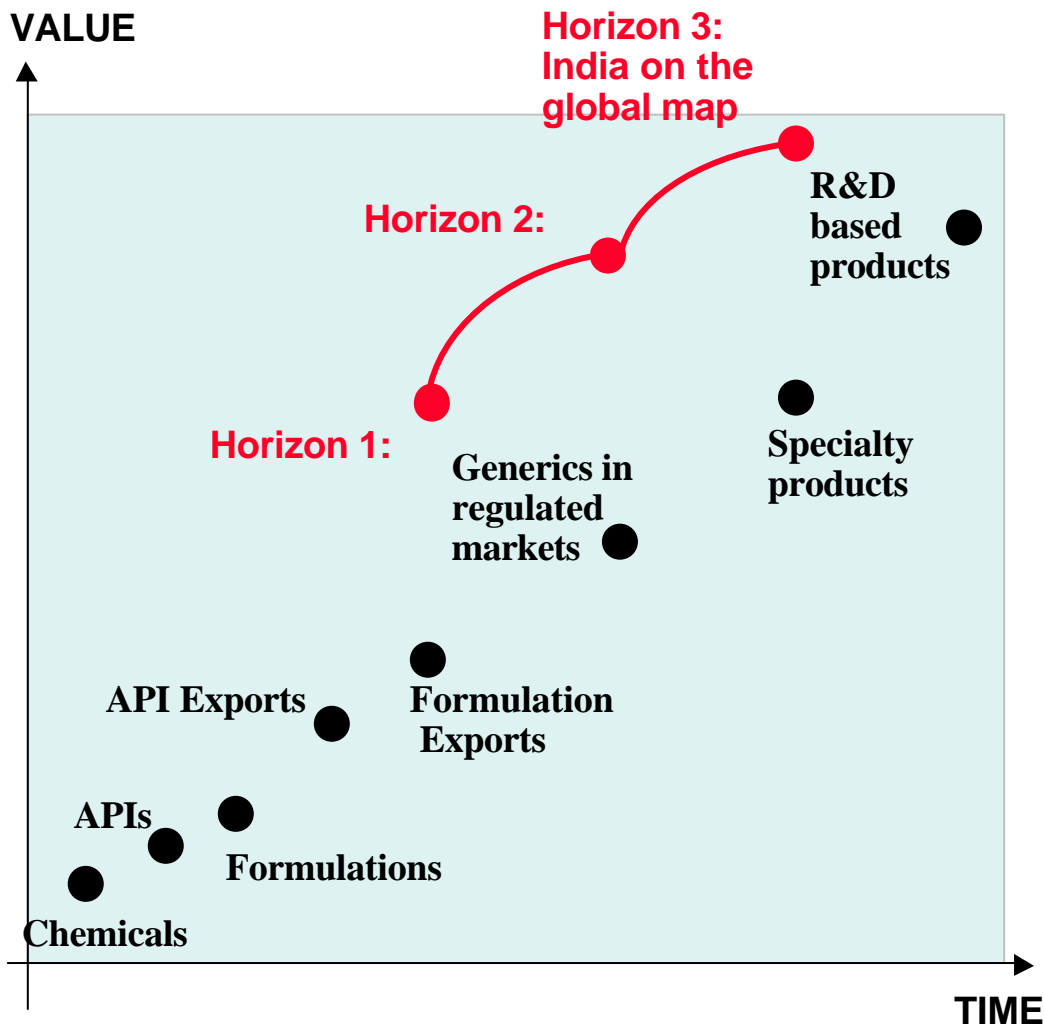
Several opportunities exist for India to ...

Enhance its  
**role**  
in the **global** industry



Export of domestically produced generics

# The fast evolving Indian pharma industry has leveraged its strengths to move up along the value chain



- In FY2005 Indian companies expected to file **60 ANDAs**
- Ranbaxy and DRL already filing about 18-20 ANDAs a year, with 37% share of DMFs filed with USFDA
- **FY 02 exports- \$2.5 Bn**
- However, earnings affected by:
  - position in cycle
  - competition
  - costs
  - investment intensity
  - R& D capability

India offers a number of advantages for offshoring of R&D

## → The Rationale

VAST ACCESS TO SKILL BASE →

FLUENCY IN ENGLISH →

RAPID TIME TO MARKET →

# India advantage

COST ADVANTAGE →

INCREASING FOCUS →

FISCAL & OTHER INCENTIVES →

India as an  
offshoring  
location for  
R&D



# Global Pharmaceutical / Biotechnology organisations and leading R&D service providers are targeting India as a resource base...

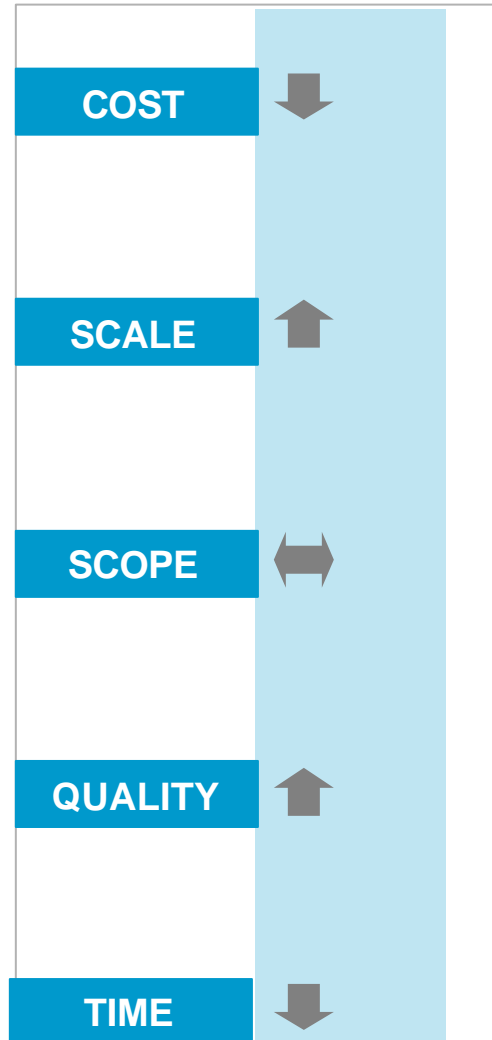
Cases	Activity	Business Model	Location/s	Investment	Perceptions/Future Plans
GlaxoSmithKline	1) Research programs - Statistical and Data Management Centre	In-house	Bangalore		Plans to make India a base for clinical research as well as parts of basic research including contract research
Pfizer Inc	1) Academy for Clinical Excellence 2) Provide Clinical Research education and training for professionals to design and execute clinical research	Alliance with Suven Pharma Ltd (Hyderabad) and Bombay College of Pharmacy	Mumbai	USD 150,000	Plans to set up an R&D subsidiary in India to take up global R&D efforts
Novo Nordisk, Denmark	1) Clinical trials on diabetic drugs	Outsourced - Dr. Reddy's	Hyderabad	USD 10.5 mn	
Monsanto	1) Research on "drought-tolerant" genes for crops	Alliance - University of Agricultural Sciences (UAS)	Bangalore	USD 40,000	-
Gland Pharma, a JV company of Vetter Group, Germany	1) Research on manufacture of ampoules, vials and pre-filled syringes, and packaging needs of the pharma industry	In house	Hyderabad	USD 600,000	Pans to provide cost-effective packaging solutions to global pharmaceutical organisations
Saint Life Bio Pharma Ltd, California	1) Chemical design and synthesis 2) Bioassay and the entire pre-clinical activities through two business verticals, offshore research lab (ORL) and offshore informatics lab.	Dedicated research centre - service provider for global Pharma organisations	Bangalore	USD 6 mn, 100 scientists	-
Hoffmeister Pharma GmbH, a German pharma company	1) Research on AIDS drugs	JV company in India - plan stage	N/a	N/a	"India has vast untapped sources of herbal medications, and most important in areas of cannabinoid pharmacology"
Unilever	1) Research on Haircare, detergents, etc.	In-house	Bangalore	N/a	N/a
Bayer AG	N/a	N/a	N/a	N/a	Plans to increase Research activities and undertake clinical Research in India

Source: KPMG Research & Analysis

**...for drug development, clinical research and trials**

Further, India offers a unique value proposition for offshore manufacturing and other support services

## → The Rationale



### Cost Savings

- 40-50% net savings
- Higher productivity
- Scalable - workforce size
- Wide scope of functions - low to high value skills
- Process re-design potential
- Shared infrastructure/ cheaper real estate
- Government fiscal benefits

### Quality

- Lower error rate, quicker turnaround
- Specialization
- Greater quality visibility and enhanced ability to manage quality

### Time

- Faster turnaround using time zone differences (US 12 hrs, Europe 4-6 hrs)

### Revenue Enhancement

- Sales lift/ higher customer retention
- Revenue protection/ reconciliation activity

India as an offshore location for Manufacturing and Other Support Services

# Global corporates are successfully sourcing services from India that span across the value chain

**HR services**

- Payroll processing
- HR services including payroll, recruitment, HRIS etc.
- Payroll services

**Logos:** Hewitt, Standard Chartered, BRITISH AIRWAYS

**Technology Services**

- Software development
- Customization
- Hosting & maintenance
- Customer technology support

**Logos:** BT, CABLE & WIRELESS, NOKIA, SAP

**Operations**

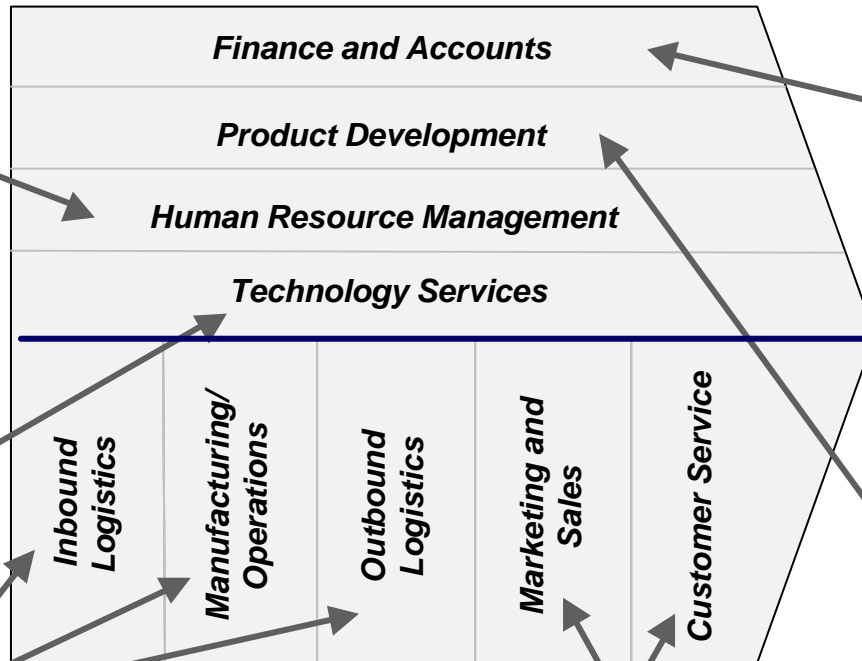
- Order tracking services
- Order tracking and logistic services
- Claims processing
- Credit card processing
- Ticket reservations

**Logos:** FedEx Express, PHILIPS, MAERK SEALAND, BRITISH AIRWAYS

**Marketing/Sales/Customer service**

- Outbound tele-sales support for their consumers
- Computer help desk
- Web-based interaction for answering customer inquiries
- Technical support to retail and business consumers.
- Inbound voice to consumers
- Inbound and outbound customer interaction
- Customer service

**Logos:** TESCO, Lufthansa, 3G, BT



**Finance and Accounting**

- Back-office
- Accounts payable
- Accounts payable/receivable, financial reporting
- Finance accounting
- Revenue accounting

**Logos:** Standard Chartered, ROYAL BANK OF CANADA SUNALLIANCE, Unilever

**R&D/Product design**

- Clinical Research
- VLSI design
- DSP chip design
- Avionics research
- Clinical Research
- R&D and finished goods
- R&D and engineering services

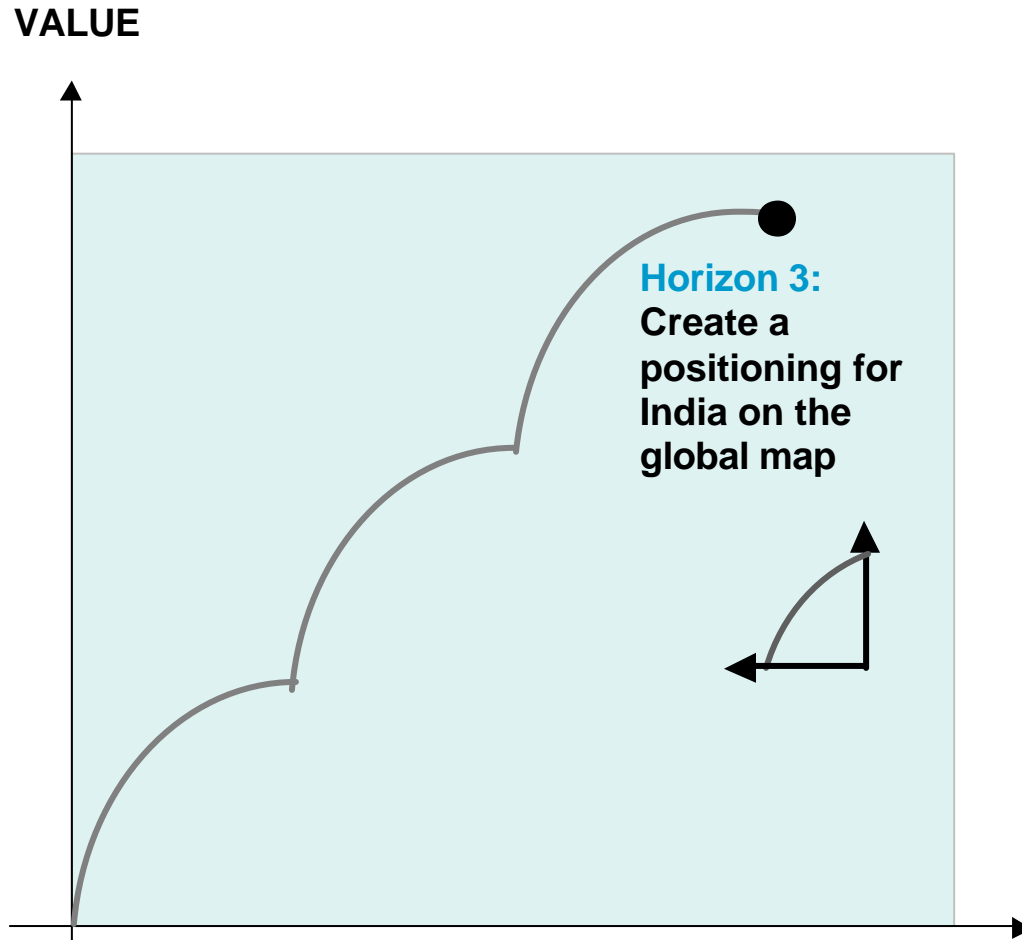
**Logos:** gsk GlaxoSmithKline, NOVARTIS, DAIMLERCHRYSLER, BOSCH, smiths, M, ABB





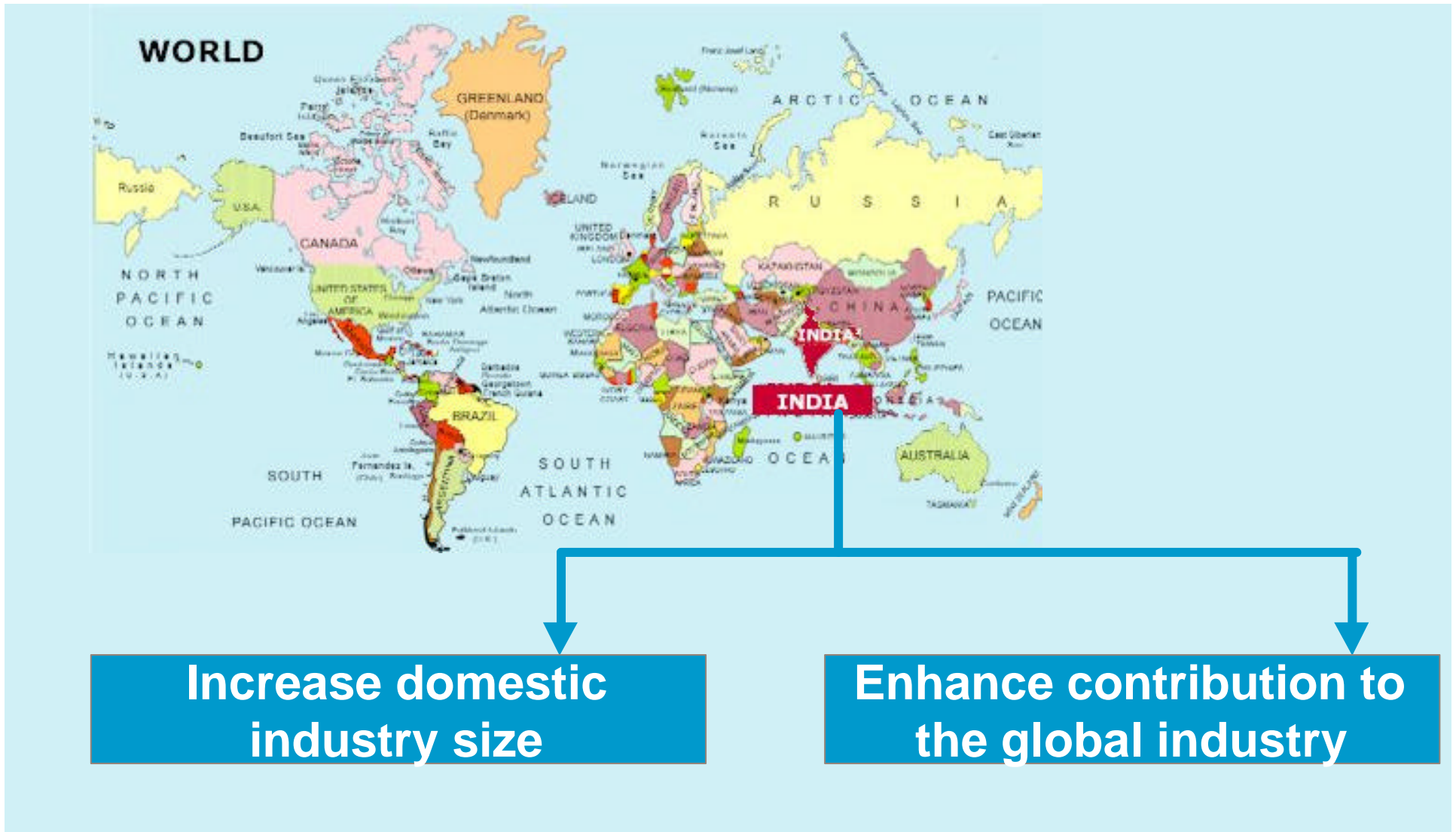
Imperatives for success  
**Charting Future Direction**

In the context of the global and domestic pharma industry landscape ...



**What will it  
take for India  
to create a  
positioning  
on the global  
roadmap?**

# A two-pronged approach needs to be taken to enhance the role of India in the global industry



# Players must adopt specific and measurable action steps to contribute towards growing the domestic market

## FINANCIAL

- Pricing strategy
- New high potential segments
- Development & Manufacturing cost optimization
- Return on selling & distribution expenses

## INTERNAL PROCESSES

- Innovation rate
- Robust marketing strategies
- Enhanced detailing and targeting strategies
- Channel effectiveness

## CUSTOMER

- Untapped customer segments
- Increase rural penetration
- Public private healthcare partnerships

## LEARNING & GROWTH

- Sales force effectiveness
- Competency building
- Business intelligence

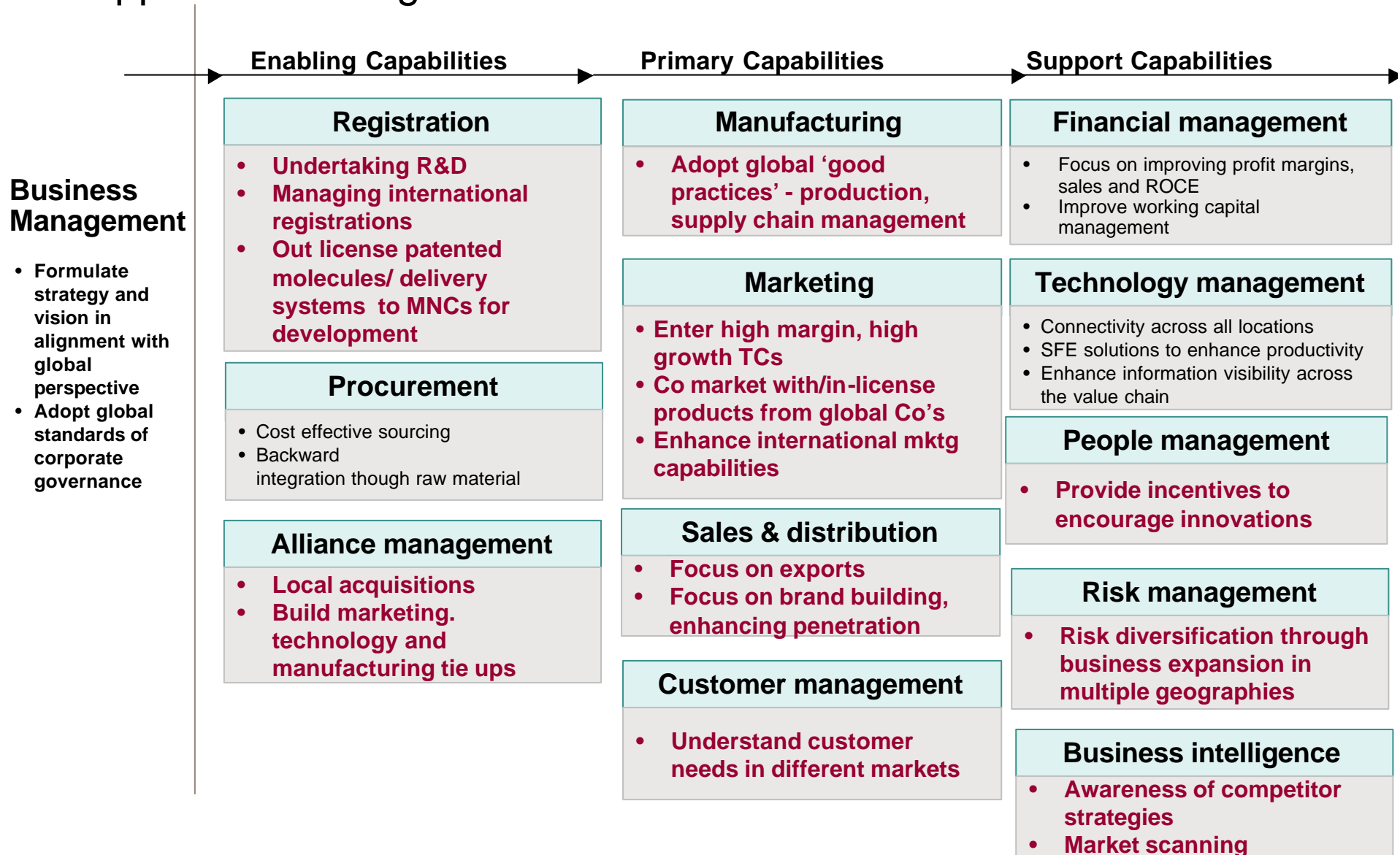
For the two-pronged approach to be successful, industry participants need to work in tandem

- Increase domestic industry size
- Enhance the role of India in the global industry

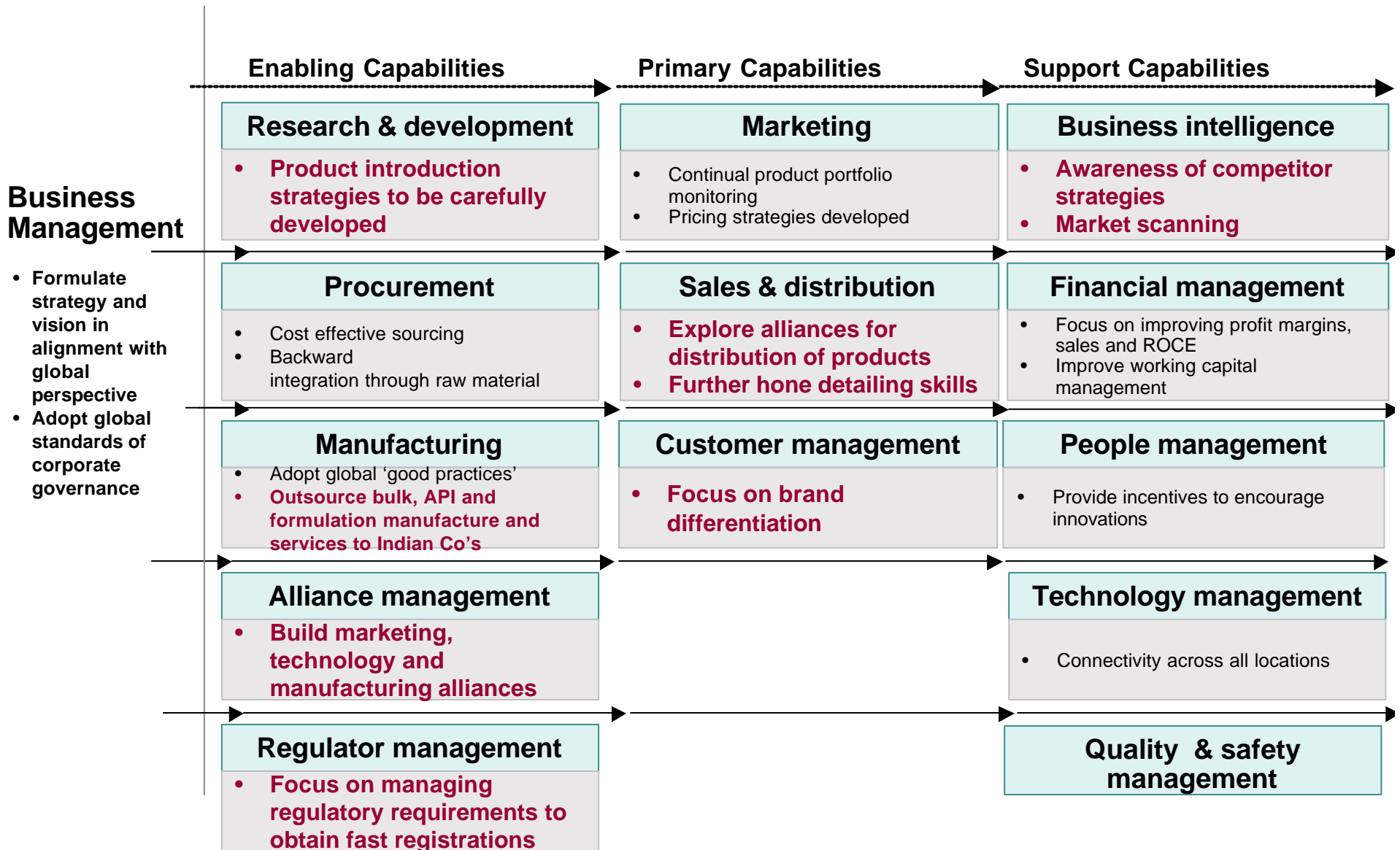




# Indian players should concentrate their efforts in nurturing international business related capabilities, while exploring opportunities to grow the domestic business

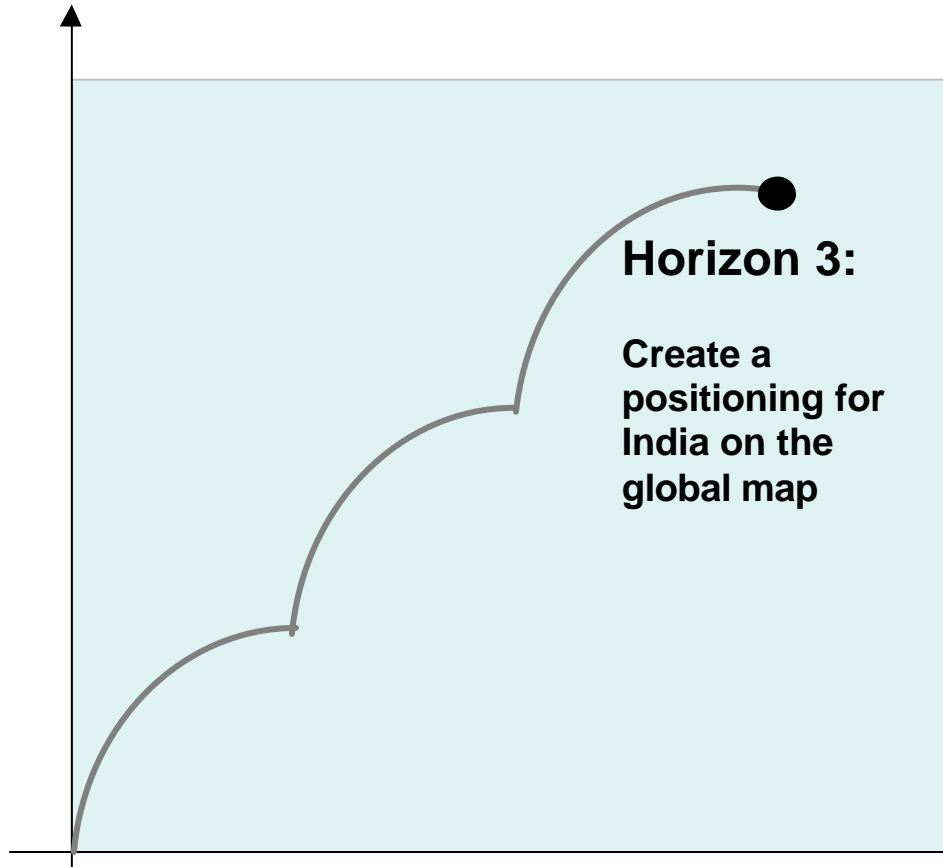


# Likewise, multinational players need to lay adequate emphasis on enhancing capabilities



Tapping available opportunities through a concerted effort by industry participants will determine ...

VALUE



... India's ability and time frame for moving to Horizon 3



# India Pharma Inc

Real opportunities! Real Options

## Contact Details

**Shalini Pillay**

**Associate Director, Business Advisory Services**

KPMG Consulting Private Limited

Telephone: +91 80 227 6000, Extn 2221

Direct : +91 80 221 5068

Facsimile: +91 80 227 3000

Email: [shalinipillay@in.kpmg.com](mailto:shalinipillay@in.kpmg.com)