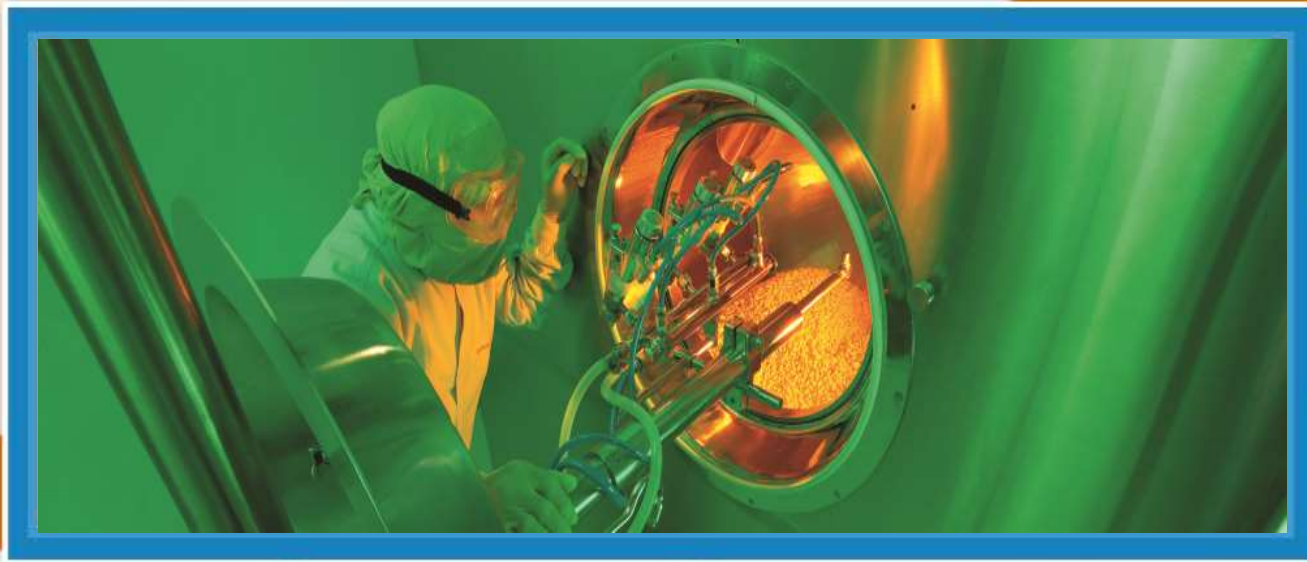


# PHARMACEUTICALS



**JUNE 2017 (As of 23 June 2017)**

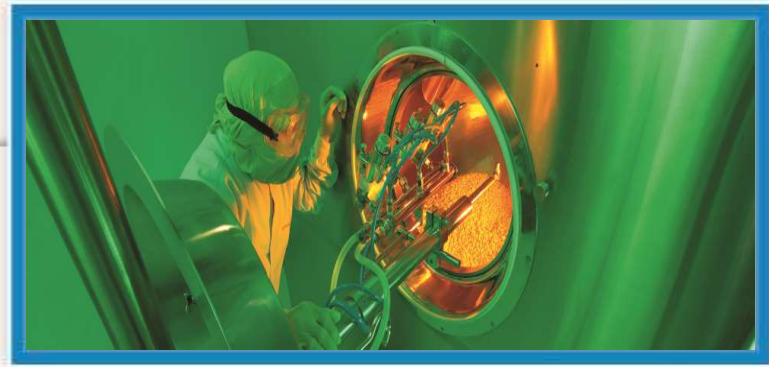
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# PHARMACEUTICALS



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## EXECUTIVE SUMMARY

Leading pharma producer

- Indian pharmaceutical sector accounts for about 2.4 per cent of the global pharmaceutical industry in value terms & 10 per cent in volume terms

One of the highest exports

- India accounts for 20 per cent of global exports in generics. In FY16, India exported pharmaceutical products worth USD16.89 billion, with the number expected to reach USD40 billion by 2020
- Pharma exports in India grew at 9.44 per cent in FY16, registering an amount of US\$16.9 billion. The exports are expected to register double digit growth in FY17, with exports growing at 8 per cent in January 2017

Among fastest growing industries

- The country's pharmaceutical industry is expected to expand at a CAGR of 12.89 per cent over 2015–20 to reach USD55 billion

Rapidly growing healthcare sector

- Indian healthcare sector, one of the fastest growing sectors, is expected to advance at a CAGR of 17 per cent to reach USD250 billion over 2008–20

Growing generics market

- The generics market stood at USD26.1 billion in 2016 from USD21 billion in 2015. India's generics market has immense potential for growth

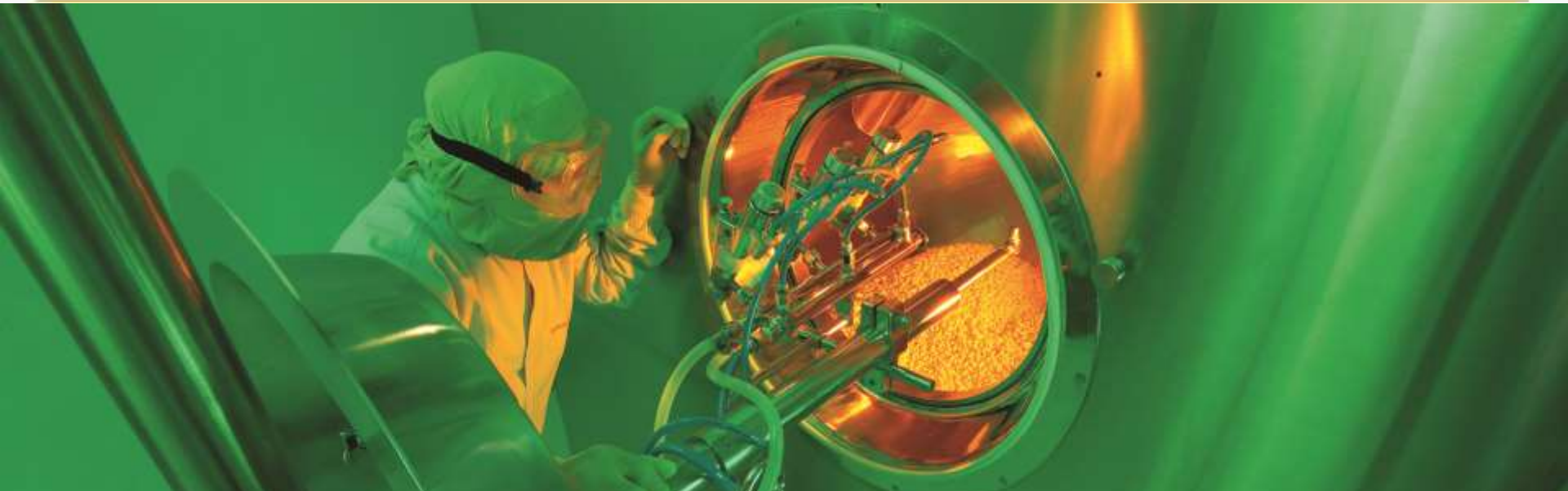
Ranked 4<sup>th</sup> in terms of attracting FDI

- Pharmaceutical sector in India attracted 4 per cent of the total FDIs into India, with, cumulative FDI inflows worth USD14.70 billion were made during April 2000 to March 2017

*Source:* India Biz, PWC, Department of Industrial Policy and Promotion, Deloitte, PharmaBiz, Frost and Sullivan Report on Indian Pharmaceutical Market, McKinsey, TechSci Research

Notes: API - Active Pharmaceutical Ingredient, USFDA - United States Food and Drug Administration, CAGR - Compound Annual Growth Rate

# PHARMACEUTICALS



## ADVANTAGE INDIA

2016

Market size:  
USD27.57 billion

### Cost efficiency

- Low cost of production and R&D boosts efficiency of Indian pharma companies
- India's cost of production is approximately 60 per cent lower than that of the US & almost half of that of Europe
- Due to lower cost of treatment, India is emerging as a leading destination for medical tourism
- As of February 2017, India's ability to manufacture high quality, low priced medicines, presents a huge business opportunity for the domestic industry.

### Economic drivers

- Economic prosperity to improve drug affordability
- Increasing penetration of health insurance
- With increasing penetration of chemists, especially in rural India, OTC drugs will be readily available

2020F

Market size:  
USD55 billion

### Advantage India

### Diversified portfolio

- Accounts for over 10 per cent of the global pharmaceutical production
- Over 60,000 generic brands across 60 therapeutic categories. Manufactures more than 500 different APIs
- 35.7 per cent of all drug master filings from India is registered in the USA in 2015

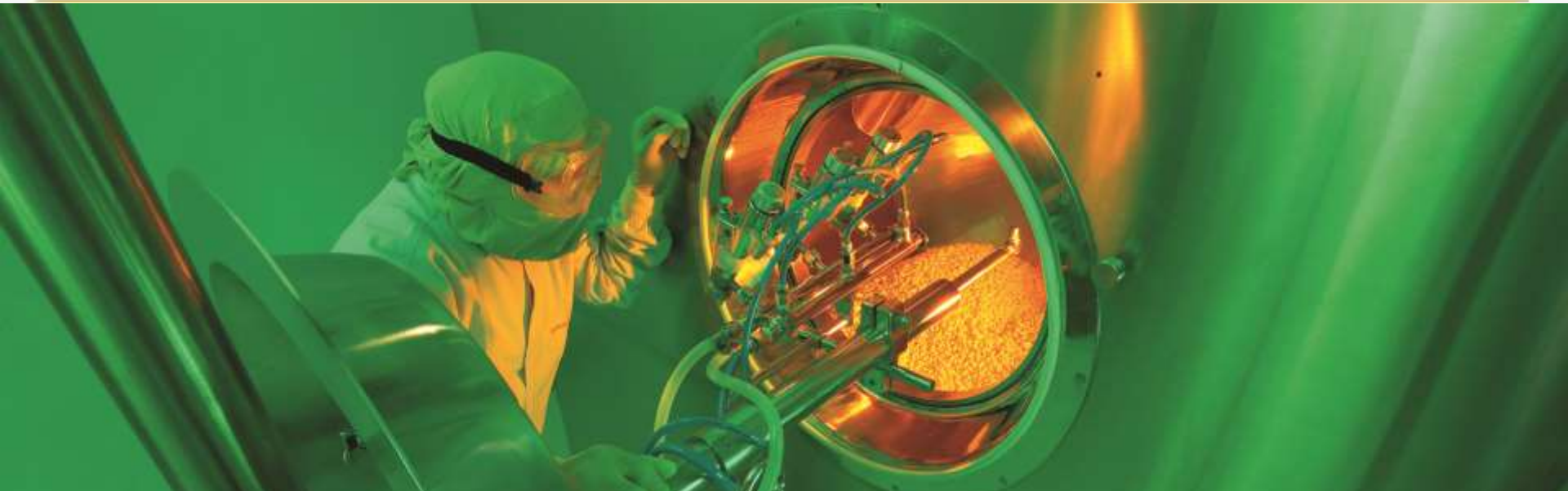
### Policy support

- Government unveiled 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacture
- Reduced approval time for new facilities to boost investments
- In this sector, 100 per cent FDI is allowed under automatic route

Source: PwC, McKinsey, Pharmaceuticals Exports Promotion Council of India, TechSci Research

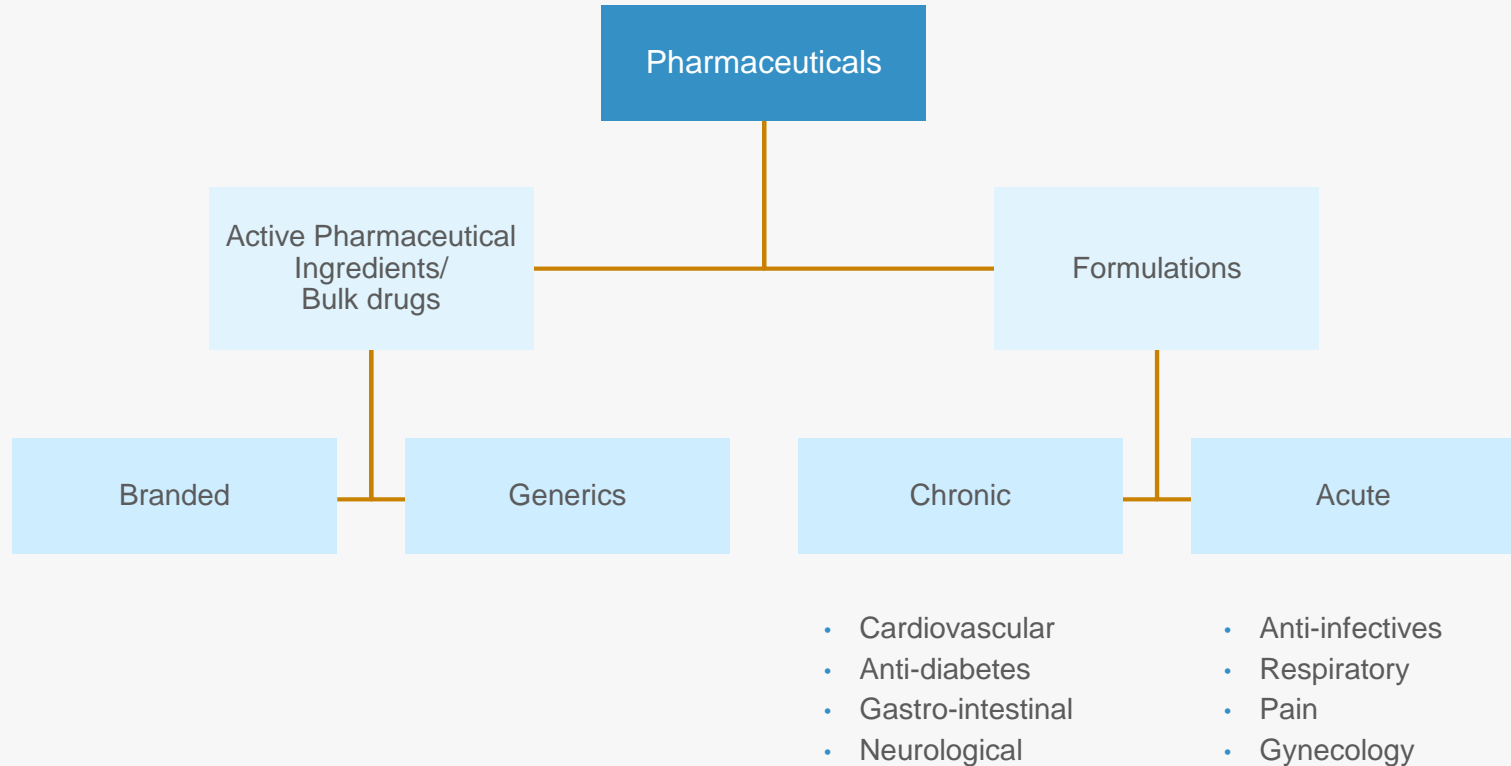
Notes: 2020 revenue forecasts are estimates of McKinsey, API - Active Pharmaceutical Ingredients, F - Forecast, OTC - Over-The-Counter

# PHARMACEUTICALS



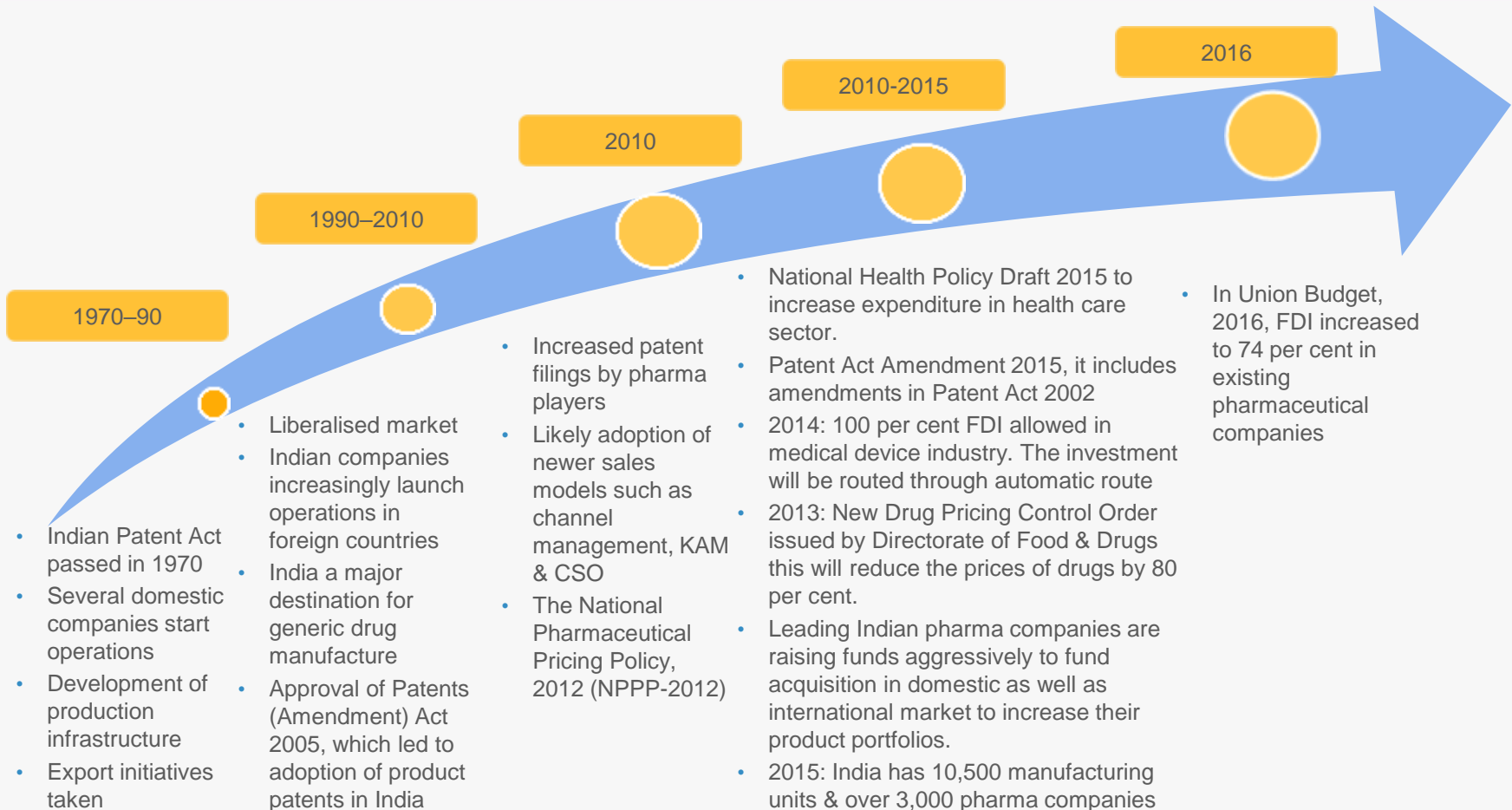
## MARKET OVERVIEW AND TRENDS

## STRUCTURE OF PHARMA SECTOR IN INDIA



Source: Dun & Bradstreet, TechSci Research

## EVOLUTION OF INDIAN PHARMACEUTICAL SECTOR





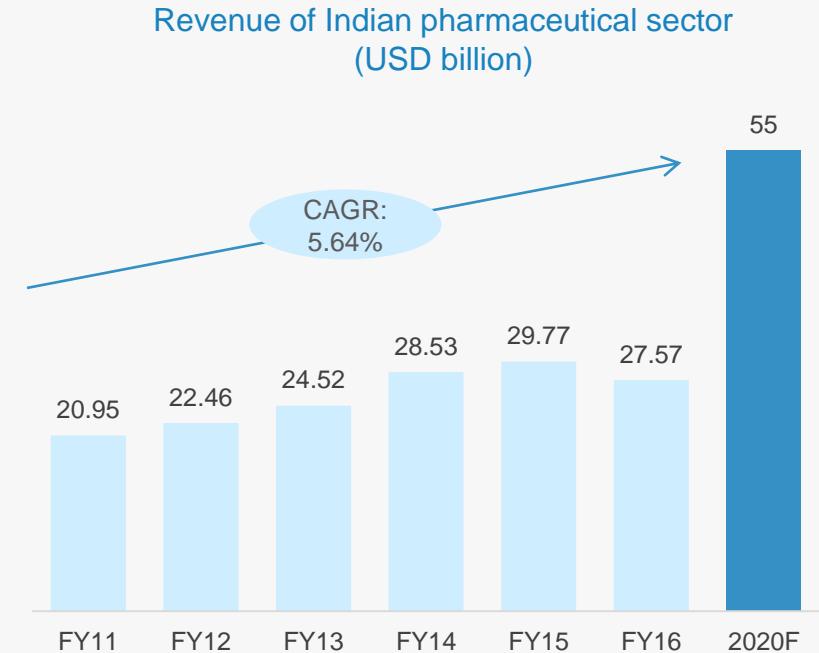
## API IS THE LARGEST SEGMENT OF THE INDIAN PHARMACEUTICALS SECTOR



Source: BMI, Datamonitor, Kemwell Biopharma, Chemical Pharmaceutical Generic Association, ICRA Report estimates, TechSci Research, pharmanewspwire.com  
Note: OTC - Over The Counter

## INDIAN PHARMA SECTOR REVENUES TRENDING NORTH

- \* The Indian pharmaceuticals market witnessed growth at a CAGR of 5.64 per cent, during 2011-16, with the market increasing from USD20.95 billion in 2011 to USD27.57 billion in 2016.
- \* By 2020, India is likely to be among the top 3 pharmaceutical markets by incremental growth & 6<sup>th</sup> largest market globally in absolute size
- \* India's cost of production is significantly lower than that of the US & almost half of that of Europe. It gives a competitive edge to India over others.
- \* Increase in the size of middle class households coupled with the improvement in medical infrastructure & increase in the penetration of health insurance in the country will also influence in the growth of pharmaceuticals sector.



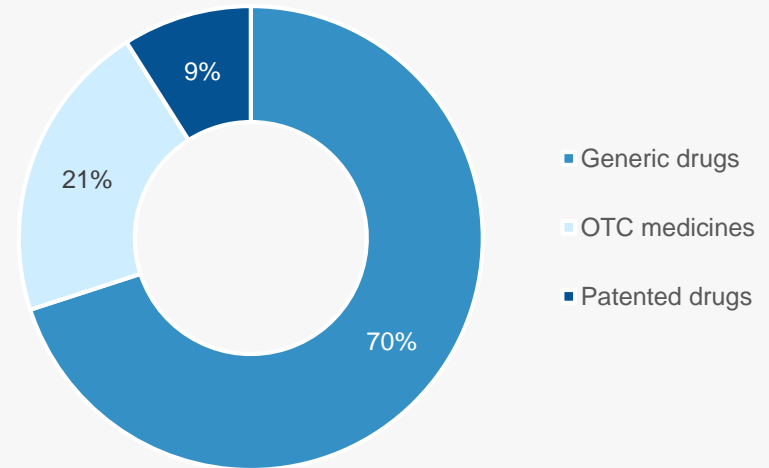
Source: Department of Pharmaceuticals, PwC, McKinsey, TechSci Research

Notes: F - Forecast, CAGR - Compound Annual Growth Rate

## GENERIC DRUGS FORM THE LARGEST SEGMENT OF INDIAN PHARMA MARKET

- \* With 70 per cent of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector
- \* India supplies 20 per cent of global generic medicines market exports, in terms of volume, making the country the largest provider of generic medicines globally and expected to expand even further in coming years
- \* Over the Counter (OTC) medicines and patented drugs constitute 21 per cent and 9 per cent, respectively, of total market revenues of USD20 billion

Revenue share of Indian pharmaceutical sub-segments in 2015 (%)

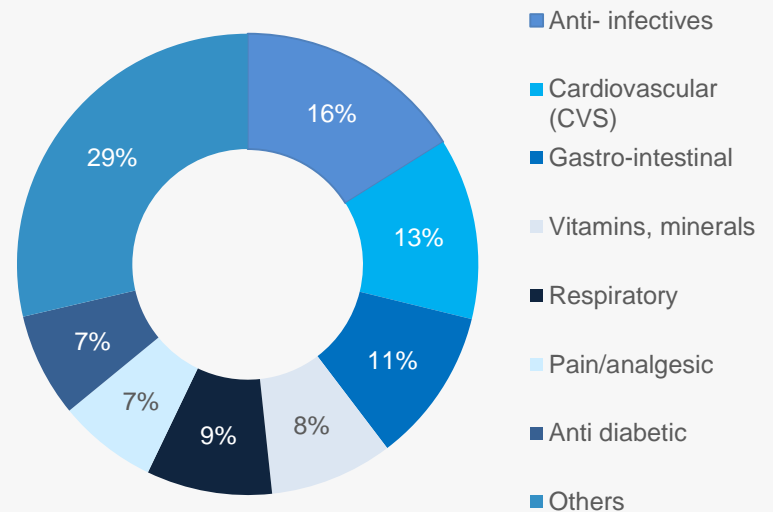


Source: Business Monitor International, FCCI Indian Pharma Summit 2014-15, TechSci Research

## ANTI-INFECTIVE DRUGS LEAD THE PHARMA MARKET

- \* Anti-infective drugs command the largest share (16 per cent) in the Indian pharma market
- \* The cardiovascular segment represents 13 per cent of the market share; its contribution is likely to rise due to the growing number of cardiac cases in India
- \* Gastro-intestinal contributes around 11 per cent of the total value of pharma industry in India. With increasing number of research in gastroenterology, segment is going to grow at significant pace in coming years
- \* Top 5 segments contribute nearly 57 per cent to the total drugs consumption

Indian pharmaceutical market segments by value (FY15)

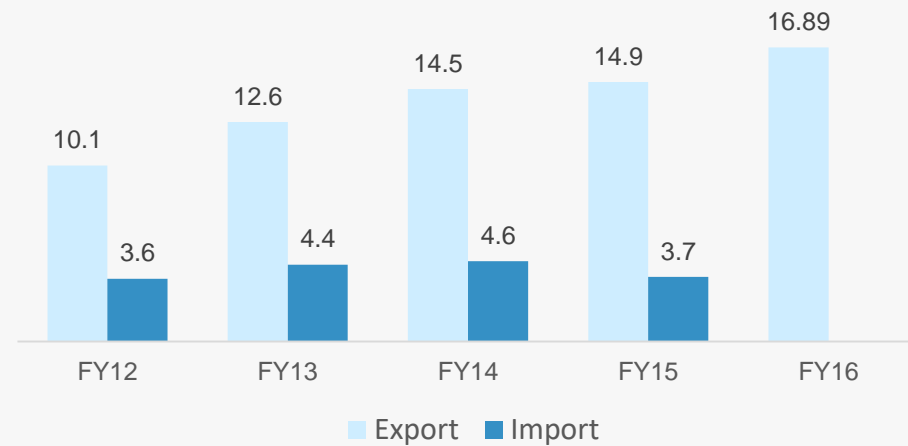


Source: All Indian Origin Chemists & Distributors, Department of Pharmaceuticals, TechSci Research

## PHARMA EXPORT TO CONTINUE WITNESSING HIGH GROWTH

- \* Indian pharma companies are capitalising on export opportunities in regulated & semi-regulated markets
- \* In FY16, India exported pharmaceutical products worth USD16.89 billion, with the number expected to reach USD40 billion by 2020
- \* Department of Pharmaceuticals targets to export USD18.02 billion worth of pharmaceuticals in 2016. Indian drugs are exported to more than 200 countries in the world, with the US as the key market
- \* India is the world's largest provider of generic medicines; the country's generic drugs account for 20 per cent of global generic drug exports (in terms of volumes)

Trade data of Indian pharma sector (USD billion)

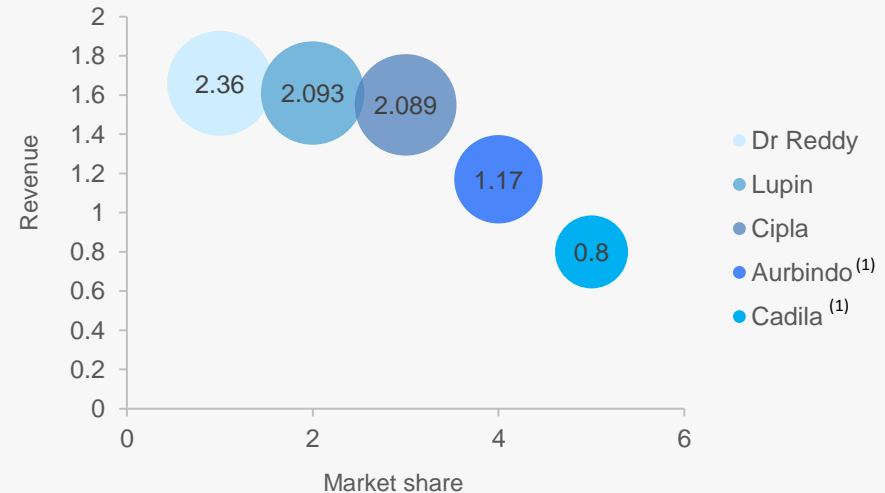


Source: Department of Commerce India, Department of Pharmaceuticals, India Business News, BMI, TechSci Research  
 Notes: CAGR - Compound Annual Growth Rate,  
 \*Import - From April 2014 to Dec 2014  
 \* Export – From April 2014 to Dec 2014

## COMPETITIVE MARKET; TOP FOUR FIRMS ACCOUNT FOR OVER 20 PER CENT MARKET SHARE

- \* Dr Reddy's accounted for the largest share in the Indian pharma market, with sales of USD2.36 billion during March 2016
- \* Lupin had the 2<sup>nd</sup> largest share in the Indian pharma market with sales of USD2.09 billion in FY16
- \* Cipla, with a revenue base of USD2.089 billion for March 2016 sales, ranked 3<sup>rd</sup> in the market
- \* Aurobindo ranked 4<sup>th</sup> in the market, with a revenue base of USD 1.17 billion for March 2015 sales
- \* While these top 4 companies garnering 20 per cent market share, top 10 companies accounted for nearly 39 per cent of the market share in 2015

Market share, revenue, growth rates of leading companies (%), FY16



Note: The bubbles denote MAT March 2014 sales in USD million

Source: All Indian Origin Chemists & Distributors, Equity Master, BMI, TechSci Research

Notes: Market share is in terms of revenue,

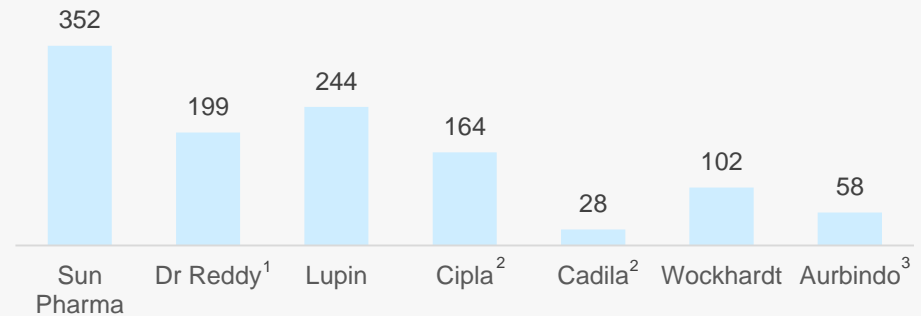
<sup>(1)</sup> Data is for March 2015

Market share is being calculated on the basis of FY15 revenue

## PHARMA GIANTS RAISE THEIR R&D SPENDING

- \* In FY16, highest expenditure on research & development has been done by Sun Pharma, followed by Dr. Reddy
- \* Sun Pharma's R&D spending is 9.1 per cent of the total sales in the March quarter of FY16, which grew at a rate of 23 per cent YoY, in comparison with March quarter of FY15.
- \* In FY17, Lupin's R&D spending is expected to be 12-15 per cent of sales, growing from 12 per cent in FY16

R&D spending by top six pharma giant FY16  
(USD million)



Source: Company websites TechSci Research

Notes: R&D - Research and Development

<sup>1</sup> - Data is up to Dec 2015,

<sup>2</sup> - Data is up to September 2015,

<sup>3</sup> - Data is for FY15

## NOTABLE TRENDS IN THE INDIAN PHARMACEUTICALS SECTOR ... (1/2)

### Research and development

- Indian pharma companies spend 8-11 per cent of their total turnover on R&D
- Expenditure on R&D is likely to increase due to the introduction of product patents; companies need to develop new drugs to boost sales

### Export revenue

- India's pharmaceutical export market is thriving due to strong presence in the generics space
- Pharmaceuticals Exports Promotion Council expects pharma exports exceeded USD15 billion in 2015 & reached USD16.89 billion in 2016

### Joint Ventures

- Multinational companies are collaborating with Indian pharma firms to develop new drugs
- Cipla formed an exclusive partnership with Serum Institute of India to sell vaccines in South Africa
- 6 leading pharmaceutical companies have formed an alliance 'LAZOR' to share their best practices, so as to improve efficiency & reduce operating costs

### Expansion by Indian players abroad

- Cipla, the largest supplier of anti-malarial drugs to Africa, sets up a USD32 billion plant in Africa for the production of anti-retroviral & anti-malarial drugs

Source: TechSci Research  
Note: R&D - Research and Development



## NOTABLE TRENDS IN THE INDIAN PHARMACEUTICALS SECTOR ... (2/2)

### PPP in R&D

- Indian Government invited multi-billion dollar investment with 50 per cent public funding through its public private partnership (PPP)
- In April 2017, Clavita Pharma Pvt. Ltd., signed an MoU with GITAM University for research activities, exchange of visits between professionals of Clavita and GITAM University faculty, organise joint meetings and training programmes

### Draft Patents (Amendment) Rules, 2015

- The time limit given for submitting the application for grant has been reduced to 4 months from 12 months, providing an extension of 2 months

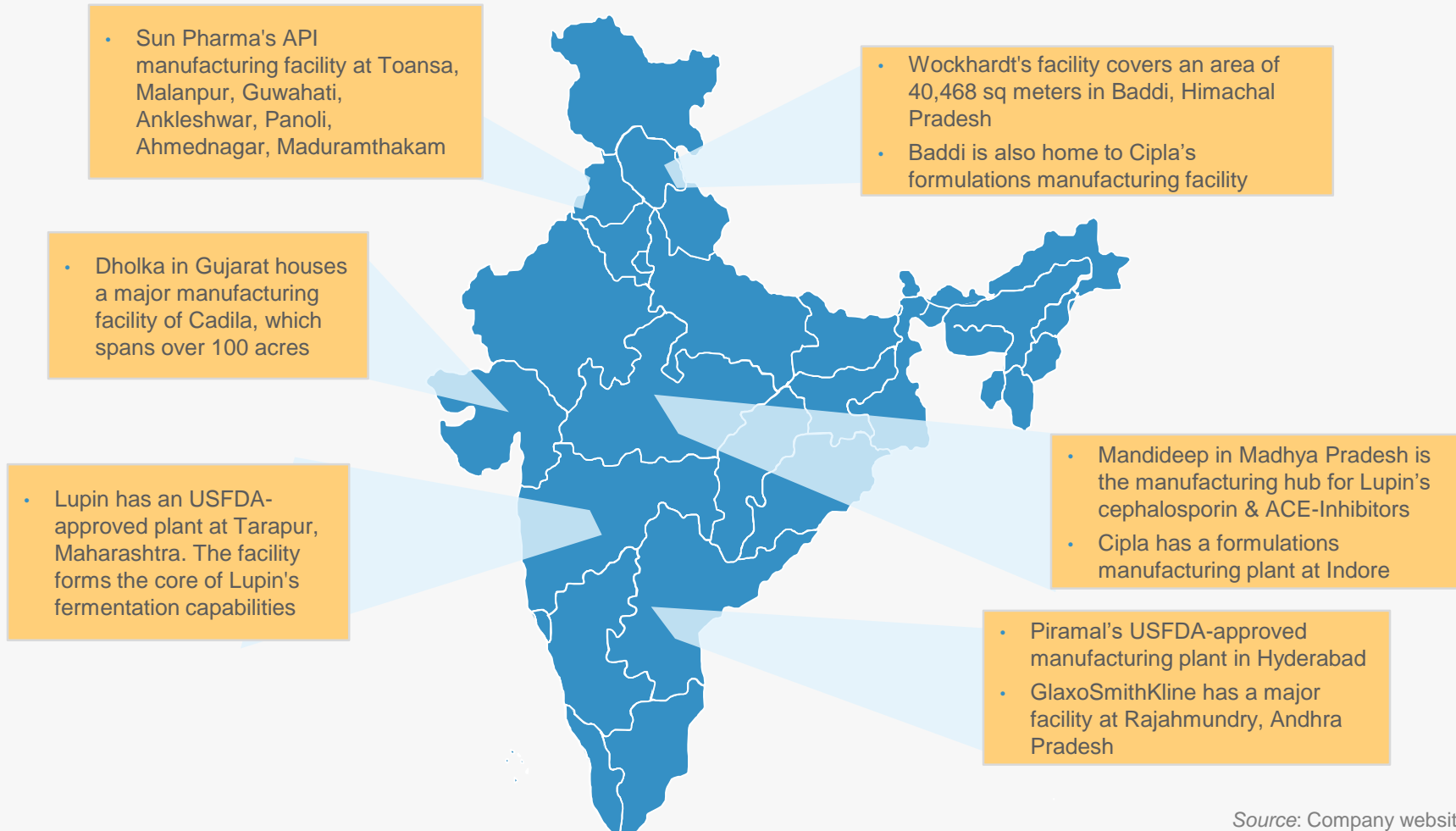
### Product Patents

- The introduction of product patents in India in 2005 gave a boost to the discovery of new drugs. India reiterated its commitment to IP protection following the introduction of product patents
- In December 2016, Suven Life Sciences was granted product patent for the treatment of neurodegenerative diseases

### Less time for approval

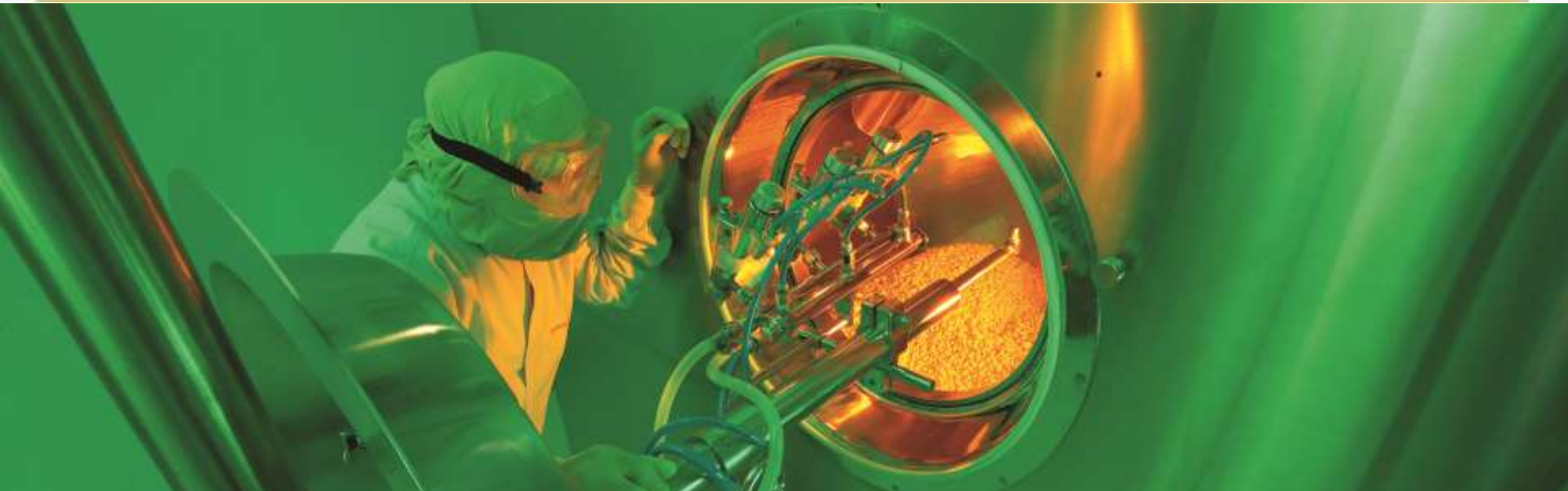
- In order to compete with global players in pharmaceutical industries, approval process of drugs have been simplified by the authorities & approval time for new facilities has been drastically reduced

## STATES HOSTING KEY PHARMACEUTICAL VENTURES



Source: Company websites

# PHARMACEUTICALS



# PORTERS FIVE FORCES ANALYSIS

## PORTER'S FIVE FORCES ANALYSIS

### Competitive Rivalry

- Growth opportunities for pharma companies are expected to grow in next few years, with many drugs going off-patent in the US and other countries, thus increasing competition
- Indian pharma companies will face competition from big pharma companies, backed by huge financial muscle

### Threat of New Entrants

- Strict government regulations thwart entry of new players
- Difficult to survive because of high gestation period

### Substitute Products

- Threat to substitute products is low; however, homeopathy and Ayurvedic medicines can act as substitute

### Bargaining Power of Suppliers

- Difficult-to-manufacture APIs such as steroids, sex hormones and peptides give bargaining power to suppliers. However, generic APIs do not have much of that power

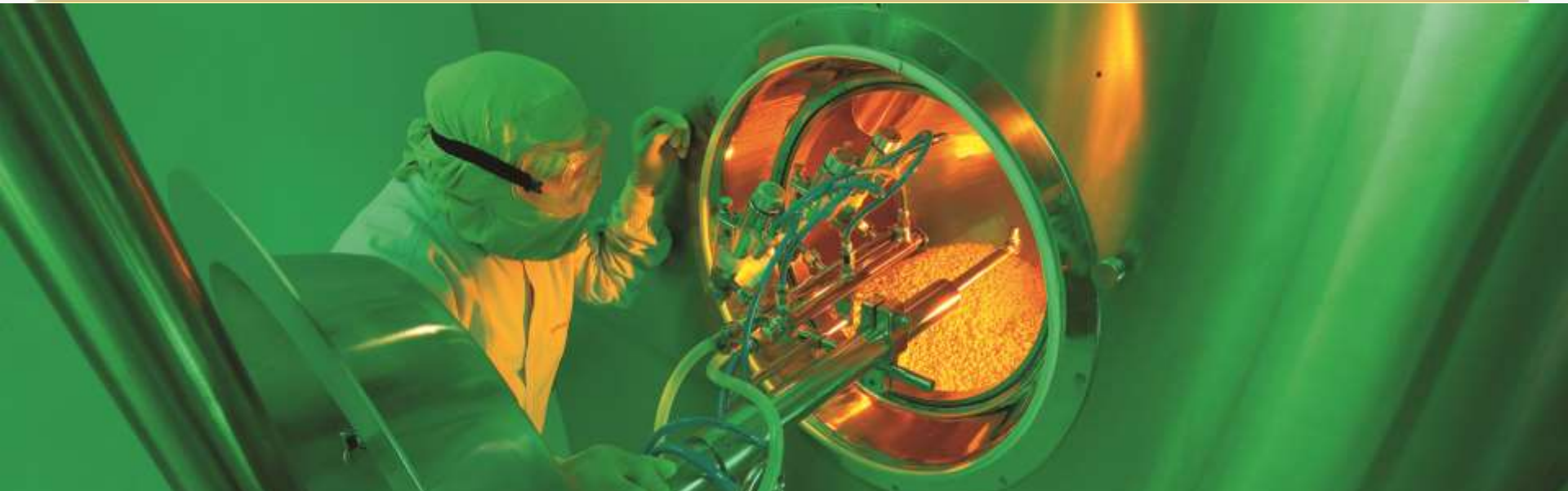
### Bargaining Power of Customers

- Generic drugs offer a cost-effective alternative to drugs innovators and significant savings to customers
- Biosimilars offer significant cost saving for insurance companies in India



Source: TechSci Research

# PHARMACEUTICALS



## STRATEGIES ADOPTED

## STRATEGIES ADOPTED

### Cost leadership

- Sun Pharma is trying to achieve cost leadership by
  - Vertical Integration: Complex API, which require special skills & technology, are developed & scaled up for both API & dosage forms

### Differentiation

- Players in the sector are trying to strengthen their position in the market & expand themselves by investing heavily in R&D activities, such as:
  - Dr Reddy's acquired OctoPlus N.V, a Netherlands-based company, to get access to the Poly Lactic-Co-Glycolic Acid (PLGA) technology for the formulation of complex injectables
  - In January 2017, Piramal Enterprises acquired a portfolio of anti-spasticity & pain management drugs from US based drug maker – Mallinckrodt, for USD 203 million.
  - In May 2017, Lupin has launched erectile dysfunction drug named as Cialis. The company has quoted the market worth for USD58.01 million in India. This tablet is available in 20 mg & 10 mg strengths.

### Focus on new markets

- Lupin is making inroads into new markets such as Latin America, Russia & other East European countries
- Sun Pharma decided to focus on specialty & chronic therapies such as neurology, oncology, dermatology segments
- In January 2017, a subsidiary of Biocon in Malaysia received an order to supply insulin worth USD 68.42 million

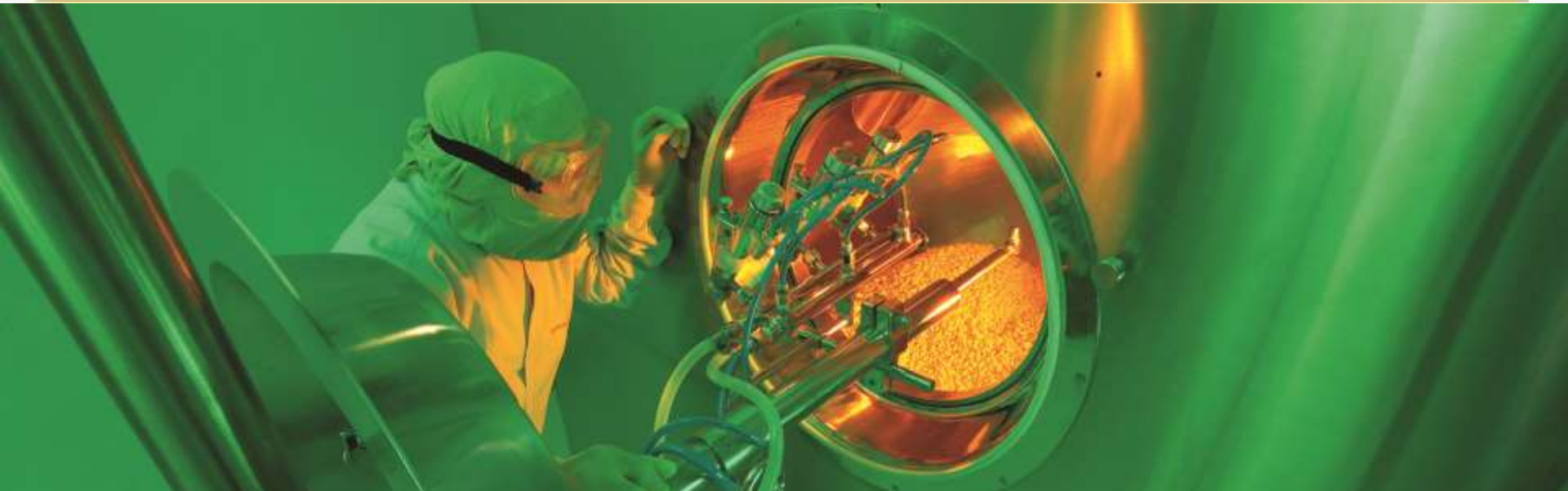
## LEVERS FOR SUCCESS



Source: TechSci Research

Notes: R&D – Research and Development, JV – Joint Venture, M&A – Mergers and Acquisitions

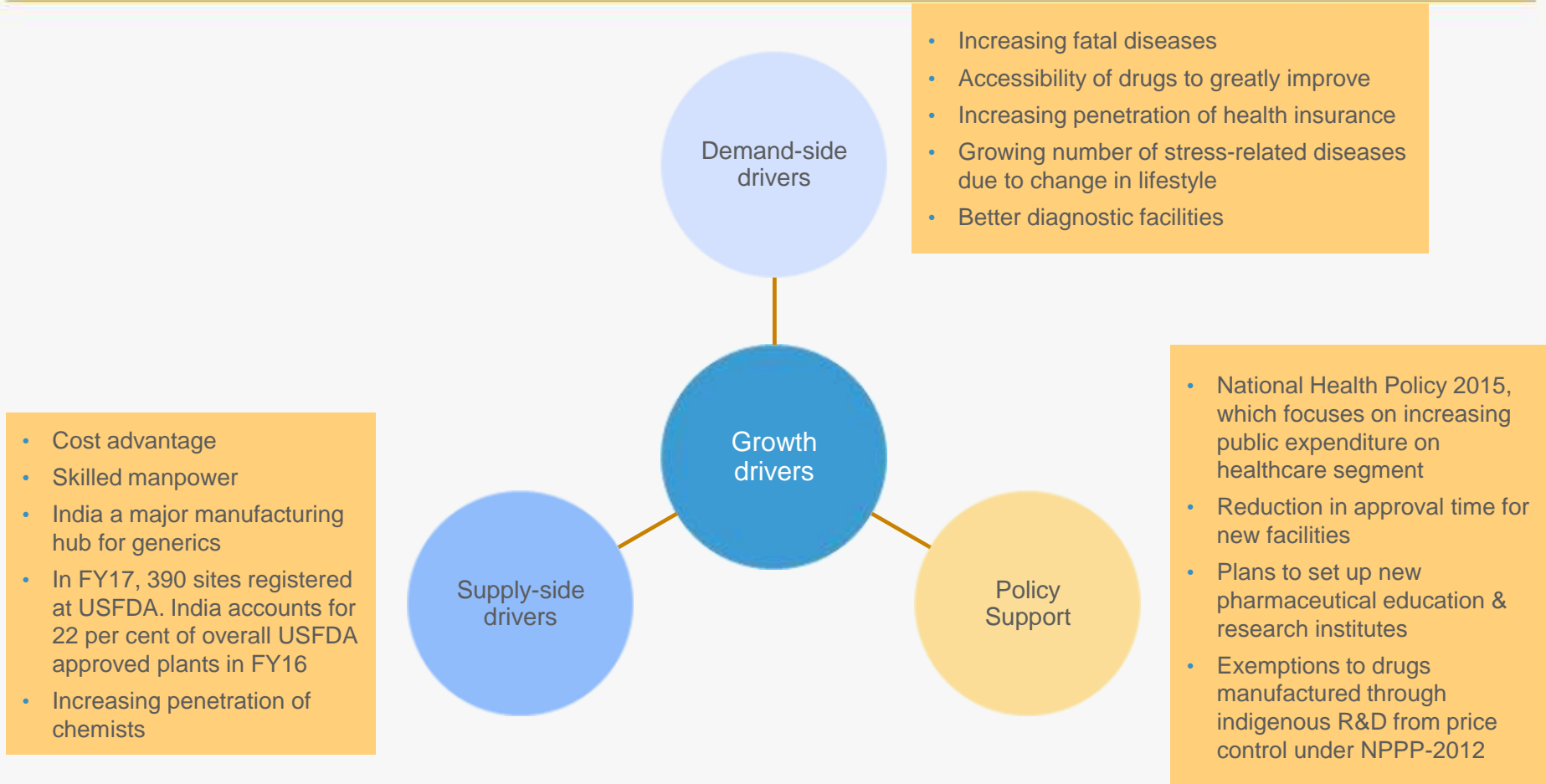
# PHARMACEUTICALS



# GROWTH DRIVERS



## SECTOR DRIVEN BY CONFLUENCE OF DEMAND, CAPABILITIES AND POLICY



Source: Pharmaceutical Export Promotion Council

Notes: BPL - Below Poverty Line, USFDA - United States Food and Drug Administration, NPPP-2012--The National Pharmaceutical Pricing Policy, 2012

## SUPPLY-SIDE DRIVERS OF INDIAN PHARMA SECTOR

### Launch of patented drugs

- Following the introduction of product patents, several multinational companies are expected to launch patented drugs in India
- Growth in the number of lifestyle diseases in India could boost the sale of drugs in this segment
- High Court allowing to export patent drugs, to foreign players in the Indian market.

### Medical infrastructure

- Pharma companies have increased spending to tap rural markets and develop better medical infrastructure
- Hospitals' market size is expected to increase by USD200 billion by 2024
- In October 2016, the government gave a nod to set up the country's 1<sup>st</sup> medical devices manufacturing park in Chennai

### Scope in generics market

- India's generic drugs account for 20 per cent of global exports in terms of volume, making it country the largest provider of generic medicines globally. The generics drug market accounts for around 70 per cent of the India pharmaceutical industry & it is expected to reach USD27.9 billion by 2020

### Over-The-Counter (OTC) drugs

- India's OTC drugs market is expected to rise at a CAGR of 16.3 per cent to USD6.6 billion over 2008–16 and is further expected to grow on the account of increased penetration of chemists, especially in rural regions

### Patent Expiry

- The total sales value of the drugs with expiring patent in 2015 is USD66 billion and drugs with expiry protection in 2014 valued around USD34 billion

## COST EFFICIENCY AND COMPETENCY CONTINUE TO BE INDIA'S FORTE

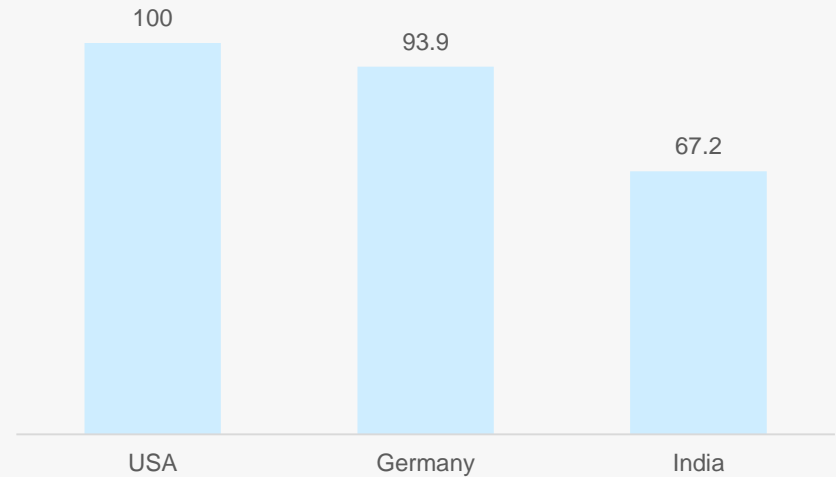
### Cost efficiency

- \* India's cost of production is nearly 33 per cent lower than that of the US
  - \* Labour costs are 50–55 per cent cheaper than in Western countries
  - \* The cost of setting up a production plant in India is 40 per cent lower than in Western countries
- \* Cost-efficiency continues to create opportunities for Indian companies in emerging markets & Africa

### Competency

- \* India has a skilled workforce as well as high managerial & technical competence in comparison to its peers in Asia
- \* India has the 2<sup>nd</sup> largest number of USFDA-approved manufacturing plants outside the US
- \* India has 2,633 FDA-approved drug products
- \* India has over 546 USFDA-approved company sites, the highest number outside the US

Manufacturing Cost Index by Country, 2016



Source: Deloitte, BMI, Financial Express, TechSci Research  
Note: USFDA - United States Food and Drug Administration

## DEMAND DRIVERS OF INDIAN PHARMA SECTOR

### Accessibility

- Over USD200 billion to be spent on medical infrastructure in the next decade
- New business models expected to penetrate tier-2 & 3 cities
- Over 160,000 hospital beds expected to be added each year in the next decade
- India's generic drugs account for 20 per cent of global exports in terms of volume, making the country the largest provider of generic medicines globally

### Acceptability

- Rising levels of education to increase acceptability of pharmaceuticals
- Patients to show greater propensity to self-medicate, boosting the OTC market
- Acceptance of biologics & preventive medicines to rise
- A skilled workforce as well as high managerial & technical competence
- Surge in medical tourism due to increased patient inflow from other countries

### Demand drivers

### Affordability

- Rising income could drive 73 million households to the middle class over the next 10 years
- Over 650 million people expected to be covered by health insurance by 2020
- Government-sponsored programmes set to provide health benefits to over 380 million BPL people by 2017
- By 2017, the government plans to provide free generic medicines to half the population at an estimated cost of USD5.4 billion

### Epidemiological factors

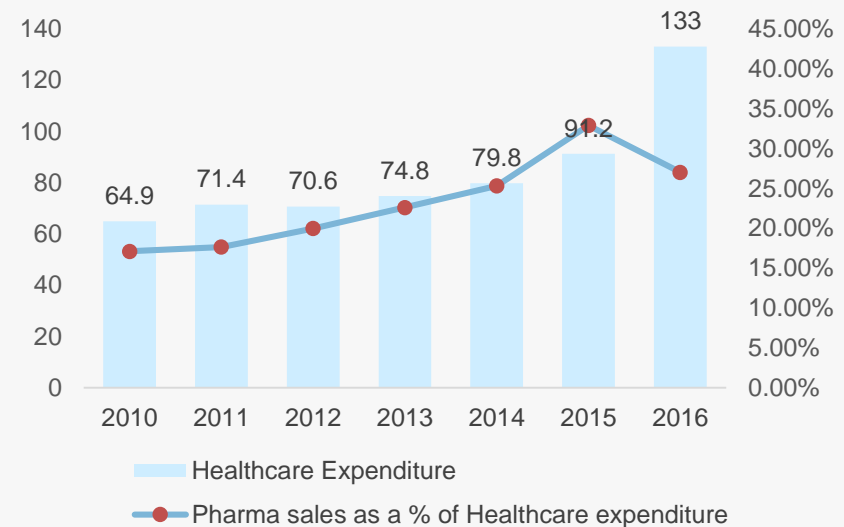
- Patient pool expected to increase over 20 per cent in the next 10 years, mainly due to rise in population
- New diseases & lifestyle changes to boost demand
- Increasing prevalence of lifestyle diseases

Source: ICRA Report on Indian Pharmaceutical Sector, Pharmaceutical Industry: Developments in India- Deloitte, Mckinsey Pharma Report 2020, TechSci Research  
Note: RSBY - Rashtriya Swasthya Bima Yojna

## ANTICIPATED STEEP GROWTH IN EXPENDITURE ON PHARMACEUTICALS

- \* During 2010-16, total healthcare spending is expected to increase at a CAGR of 12.70 per cent to USD133 billion in 2016.
- \* Moreover, pharmaceutical sales, as a percentage of total healthcare expenditure, are likely to reach 27 per cent by 2016 from 32.88 per cent in 2015 owing to increased healthcare expenditure on R&D of patented drugs
- \* In May 2017, Hyderabad-based pharmaceutical firm Hetero Drugs Ltd. launched a velpatasvir and sofosbuvir combination drug for the treatment of Hepatitis-C in India, after getting full compliance from the regulatory authorities.

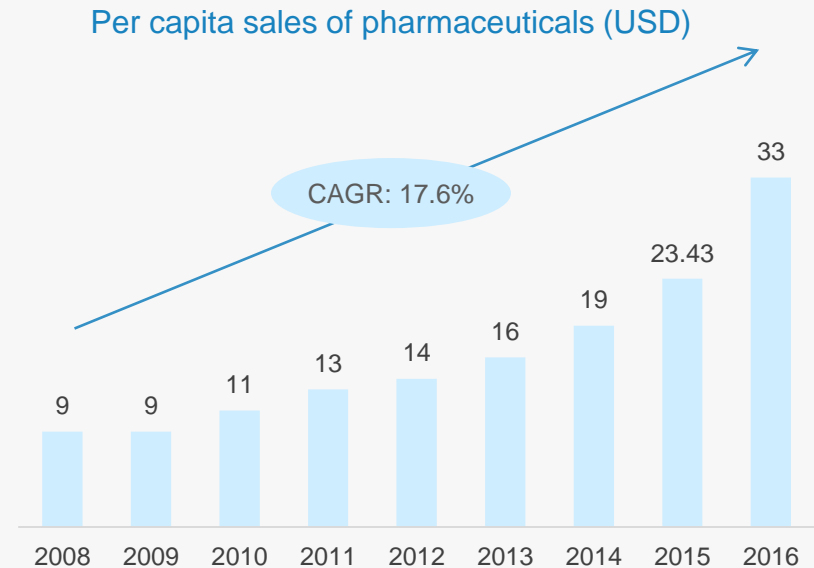
Pharma sales as a per cent of total health care spending



Source: Deloitte, BMI, PWC, TechSci Research  
Notes: CAGR - Compound Annual Growth Rate

## GROWING PER CAPITA SALES OF PHARMACEUTICALS

- \* Growing per capita sales of pharmaceuticals in India offers ample opportunities for players in this market
- \* Per capita sales of pharmaceuticals is expected to expand at a CAGR of 17.6 per cent to USD33 by 2016
- \* Economic prosperity would improve affordability for generic drugs in the market & improve per capita sales of pharmaceuticals in India



Source: BMI, TechSci Research  
Notes: CAGR - Compound Annual Growth Rate

## FAVOURABLE POLICY MEASURES SUPPORT GROWTH

### Reduction in approval time for new facilities

- Steps taken to reduce approval time for new facilities
- NOC for export licence issued in 2 weeks compared to 12 weeks earlier

### Collaborations

- In 2016, Strides Arcolab & US-based Gilead Sciences Inc. entered into a licensing agreement for manufacturing & distributing Gilead Sciences' cost-efficient TenofovirAlafenamide (TAF) product in order to treat HIV patients in developing economies

### Support for technology upgrades and FDIs

- Zero duty for technology upgrades in the pharmaceutical sector through the Export Promotion Capital Goods (EPCG) Scheme
- In March 2017, the government to create a digital platform to regulate and track the sale of quality drugs, and it can be used by people living in the country as well as abroad

### Industry infrastructure

- Under the Union Budget 2017-18, the government has announced to set up 1.5 lakh Health Care Centres & open 2 new AIIMS in Jharkhand & Gujarat. In 2016, the government has planned to set up 6 pharma parks at an investment of about USD27 million

### Pharma Vision 2020

- Pharma Vision 2020 by the government's Department of Pharmaceuticals aims to make India a major hub for end-to-end drug discovery

### Exceptions

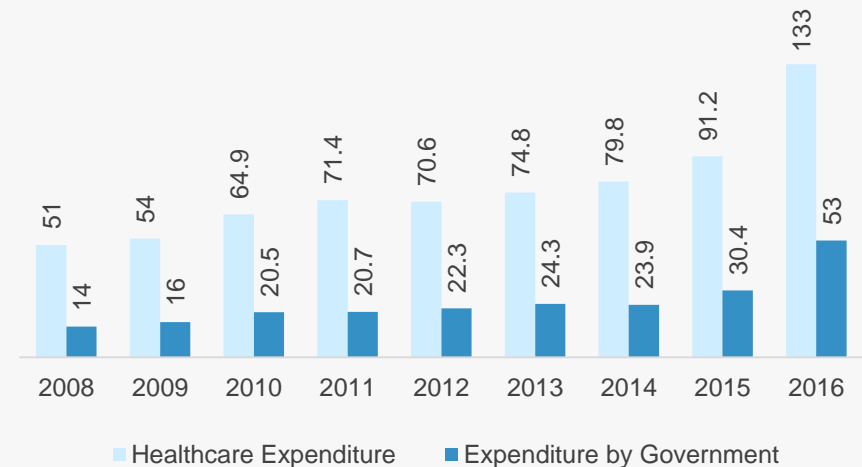
- Full exemption from excise duty is being provided for HIV/AIDS drugs & diagnostic kits supplied under National AIDS Control Programme funded by the Global Fund to fight AIDS, TB & Malaria (GFATM). The customs duties on the said drugs are also being exempted

Source: Union Budget 2017-18, TechSci Research

## GOVERNMENT EXPENDITURE IN THE PHARMA SECTOR ON AN UPTREND

- \* Government expenditure on health in the country increased from USD14 billion in 2008 to USD53 billion in 2016.
- \* The expenditure is expected to expand at a CAGR of 18.1 per cent over 2008–16 to USD53 billion.
- \* Under Union Budget 2017-18, new 5000 postgraduate seats were announced by the government, in medicine, to ensure availability of specialist doctors.
- \* Medical technology park in Vishakhapatnam, Andhra Pradesh has already been set up with an investment of USD183.31 million. States like Himachal Pradesh, Gujarat, Telangana & Maharashtra are showing interest for making investments in these parks.
- \* German technical services provider TUV Rheinland's Indian subsidiary has partnered with Andhra Pradesh MedTech Zone (AMTZ) to create an infrastructure for Electro-Magnetic Interference (EMI/EMC) at an investment of US\$ 12.64 million over a course of four to five years.

Rising share of government expenditure (USD billion)



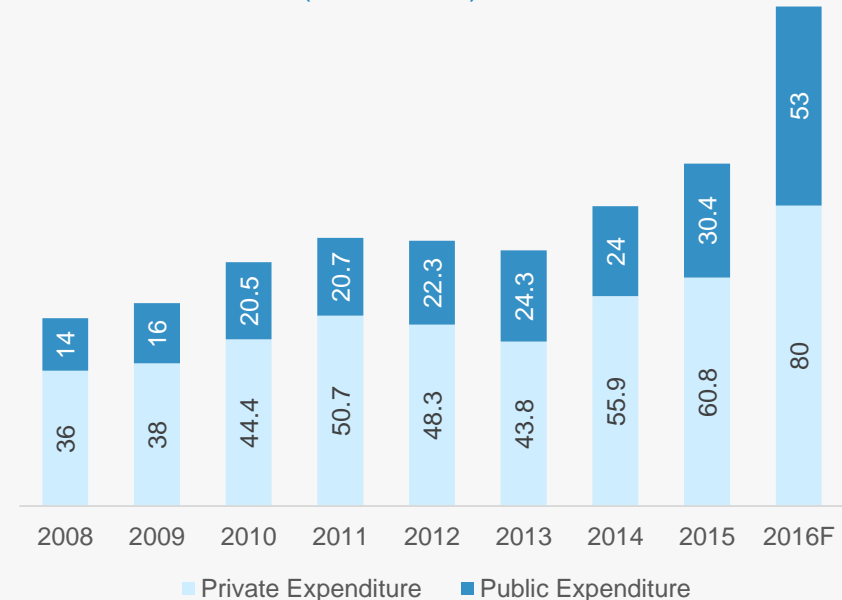
Source: Business Monitor International, Union Budget 2015-16, TechSci Research  
Notes: CAGR - Compound Annual Growth Rate



## RISING EXPENDITURE SHARE BY PRIVATE SECTOR

- \* The share of private sector spending increased from USD36 billion in 2008 to USD60.8 billion in 2015
- \* Supported by favourable government policies, the private sector's share is expected to reach USD80 billion by 2016
- \* With increasing urbanisation & problems related to modern-day living in urban settings, currently, about 50 per cent of spending on in-patient beds is for lifestyle diseases; this has increased the demand for specialised care
- \* To standardise the quality of service delivery, control cost and enhance patient engagement, healthcare providers are focusing on the technological aspect of healthcare delivery
- \* Digital Health Knowledge Resources, Electronic Medical Record, Mobile Healthcare, Electronic Health Record, Hospital Information System & PRACTO are some of the technologies gaining wide acceptance in the sector
- \* A new trend is emerging as luxury offerings in healthcare sector. More than essential requirements, healthcare providers are making offerings of luxurious services. For example: pick & drop services for patient by private helicopters & luxurious arrangements for visitors to patient in hospital

Public and private expenditure on healthcare (USD billion)

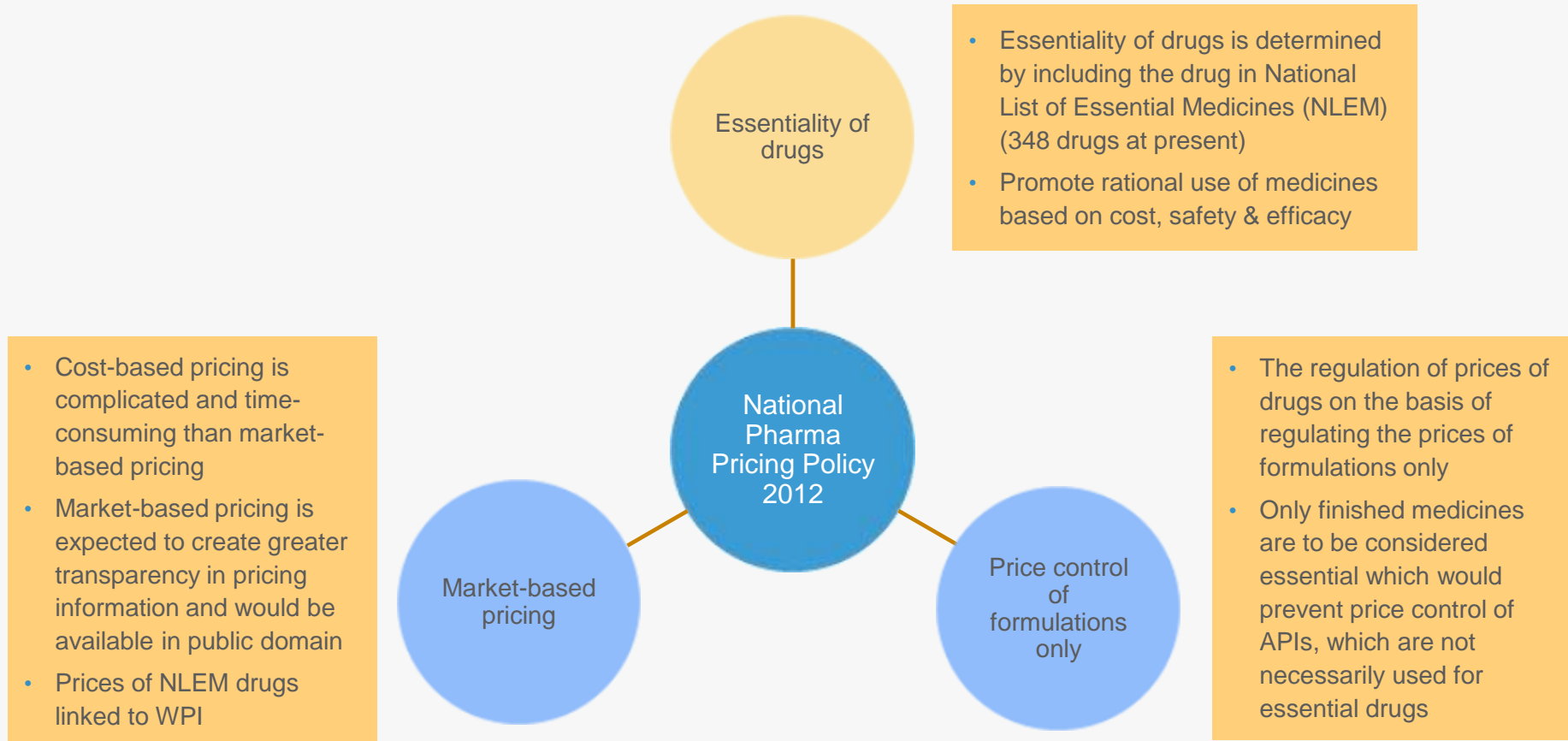


Source: Business Monitor International, TechSci Research

## HEALTH INSURANCE PENETRATION EXPECTED TO SURGE

- \* Increasing penetration of health insurance is likely to be driven by government-sponsored initiatives such as RSBY and ESIC
- \* Government-sponsored programmes expected to provide coverage to nearly 380 million people by 2020
- \* Private insurance coverage would increase nearly 15 per cent annually till 2020
- \* In FY15, 27 per cent of the total population has been covered under government sponsored health insurance schemes
- \* From March to November 2015, gross direct premium income for health insurance segment reached USD2.58 billion. Private sector accounted for 36.3 percent of the total gross direct premium income (March to November 2015)
- \* Increase in private sector insurance would play an important role in affordability for high cost

## NATIONAL PHARMA POLICY TO BRING GREATER TRANSPARENCY



Source: National Pharmaceuticals Pricing Policy 2012

## INVESTMENTS, JVs INFUSING SUPERIOR CAPABILITIES IN INDIAN FIRMS ... (1/2)

- \* Pharma, healthcare & biotech have witnessed significant increases in M&A activities over the years.
- \* over the last 3 years, pharmaceuticals segment has accounted for more than 70 per cent of M&A deals

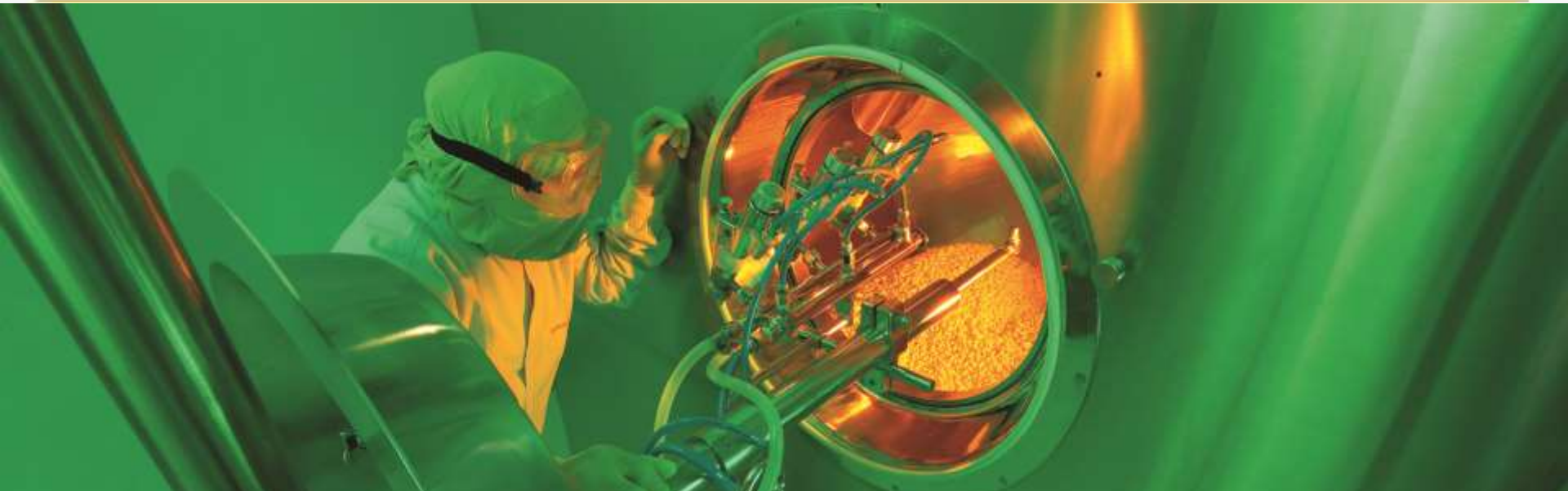
Date announced	Indian company	Foreign company	Value (USD million)	Type
February 2017	Piramal	Mallinckrodt	170	Specialty products
July 2016	Continental Hospitals Ltd.	HH Healthcare Berhad	192.84	73.4% Stake
February 2016	Cipla	InvaGen Pharmaceuticals Inc. and Exelan Pharmaceuticals Inc.	550	100% Stake
November 2015	Famy Care Ltd	Mylan Inc – Mylan Laboratories Limited	750	100% Stake
October 2015	Nitin Lifesciences	Recipharm	109.8	75% stakes in equity
July 2015	Lupin	Temmler	Not disclosed	Acquisition
May 2015	Cadila Healthcare	Claris Lifesciences	556.8	To be acquired
July 2015	Lupin	Gavis & Novel Laboratories	880	Acquisition
April 2014	Sun Pharma	Ranbaxy	320	Acquisition
November, 2014	Curatio Healthcare	Sequoia Capital	15.8	Acquisition
July, 2013	Cipla	Cipla Medpro	512	Acquisition
January, 2013	GlaxoSmithkLine Consumer	GlaxoSmithkLine Plc.	1,088	Acquisition
September, 2011	Natco Pharma	Litha	NA	JV
May, 2010	Glenmark	Sanofi	615	JV
March, 2011	Dr Reddy's	Iso Ray	NA	Licensing rights
April, 2011	Sun Pharma	Merck	NA	Marketing
September, 2010	Piramal	Abbot	3,720	Business buyout
December, 2012	Shantha Biotech	Sanofi Aventis	783	Acquisition

## INVESTMENTS, JVs INFUSING SUPERIOR CAPABILITIES IN INDIAN FIRMS ... (2/2)

Date announced	Indian company	Foreign company	Value (USD million)	Type
March, 2017	Sun Pharma	Thallion Pharmaceuticals	19.77	Acquisition
January, 2017	Zydus Cadila	Zoetis	NA	Acquisition
December, 2014	Panacea Biotec Ltd	Apotex Inc	NA	JV
August, 2012	Strides Arcolab Ltd	Gilead Sciences Inc	NA	Licensing agreement
July, 2011	Ranbaxy	Gilead Sciences Inc	NA	Licensing agreement
August, 2013	Jubilant Biosys	Endo Pharmaceuticals	NA	Drug development
October, 2012	Piramal Healthcare Ltd	Fujifilm Diosynth Biotechnologies	NA	Drug development
March, 2009	Biocon	Bristol-Myers Squibb	NA	Exclusive marketing
March, 2013	Unichem Laboratories	Mylan	30	Acquisition
October, 2012	SMS Pharmaceuticals	Mylan	33	Acquisition of manufacturing unit
March, 2012	Biocon	Abbott Laboratories	NA	Contract research
September, 2012	Agila Specialties	Mylan, A Canonsburg	1,850	Acquisition
February, 2012	Jubilant Biosys	Mnemosyne Pharmaceuticals Inc	NA	Drug development
January, 2011	Zydus Cadila Healthcare	Bayer	NA	Marketing arrangement
December, 2012	Claris Lifesciences	Otsuka Pharmaceutical	250	JV
November, 2012	Zydus Cadila Healthcare	Abbot Laboratories	NA	Licensing agreement
July, 2011	Lupin	Eli Lilly	NA	Marketing arrangement

Source: ICRA Research on Indian Pharmaceutical Sector, India Ratings Research Outlook on Indian Pharmaceutical, BMI, TechSci Research  
Notes: JV - Joint Venture, ADC - Antibody Drug Conjugates

# PHARMACEUTICALS



# OPPORTUNITIES

## OPPORTUNITIES ABOUND IN CLINICAL TRIALS AND HIGH-END DRUGS

### Clinical trials market

- India is among the leaders in the clinical trial market
- Due to a genetically diverse population and availability of skilled doctors, India has the potential to attract huge investments to its clinical trial market
- From 2009 to 2015, 3043 clinical trial has been carried out in India

### High-end drugs

- Due to increasing population & income levels, demand for high-end drugs is expected to rise
- Demand for high-end drugs would reached USD7.5 billion in 2016
- Growing demand could open up the market for production of high-end drugs in India

### Penetration in rural market

- With 70 per cent of India's population residing in rural areas, pharma companies have immense opportunities to tap this market
- Demand for generic medicines in rural markets has seen a sharp growth. Various companies are investing in the distribution network in rural areas

### CRAMS

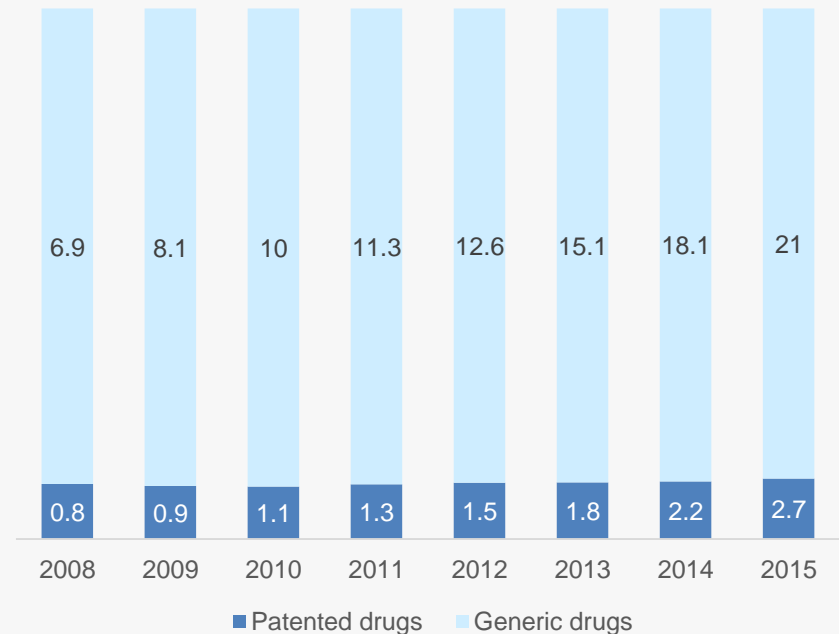
- The Contract Research & Manufacturing Services industry (CRAMS) – estimated at USD8 billion in 2015, is expected to reach has a huge potential for investments
- The market has more than 1,000 players

Source: BMI, TechSci Research

## DRUG SALES TO MORE THAN DOUBLE BY 2015 ACROSS SEGMENTS

- \* The share of generic drugs is expected to continue increasing; it could represent about 85 per cent of the prescription drug market by 2016
- \* Domestic generic drug market is expected to reach USD27.9 billion in 2020
- \* Due to their competence in generic drugs, growth in this market offers a great opportunity for Indian firms
- \* Generic drug market is expected to grow in the next few years, with many drugs going off-patent in the US & other countries
- \* Domestic generic drug market has reached USD26.1 billion in 2016
- \* In April 2017, Jubilant Life Sciences received a final approval from the US health regulator for olmesartan medoxomil tablets, which is used for the treatment of hypertension. The approved product is a generic version of Benicar of Daiichi Sankyo.

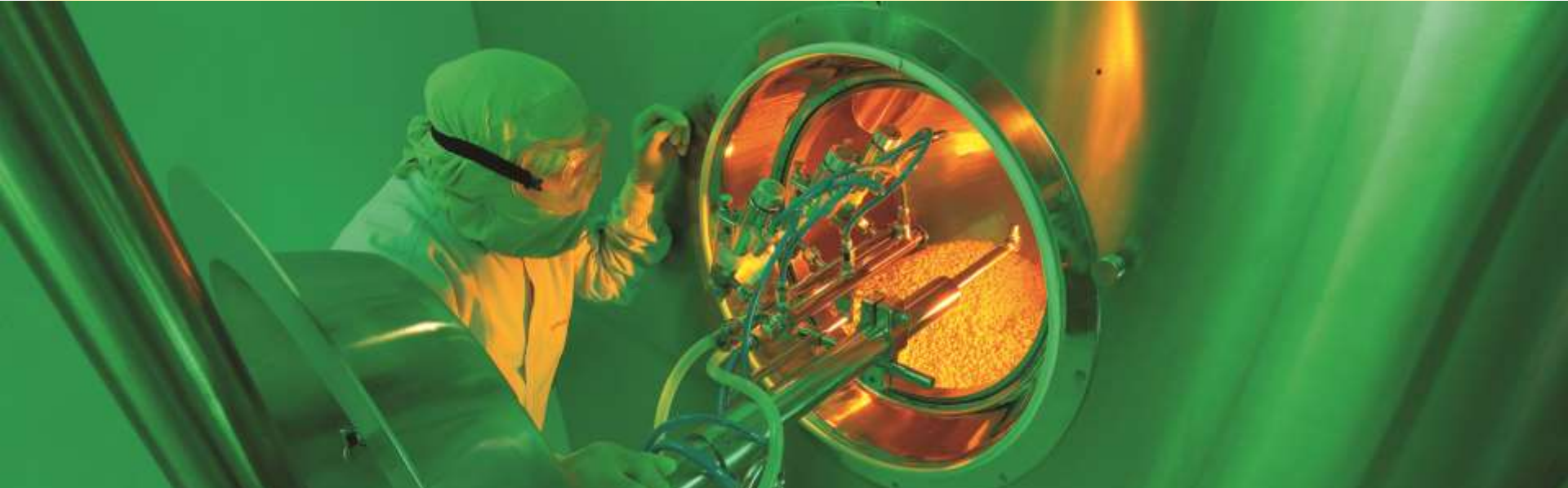
Share of patented and generic drugs in prescribed drug market (USD billion)



Source: BMI, TechSci Research  
Note: F - Forecast



# PHARMACEUTICALS

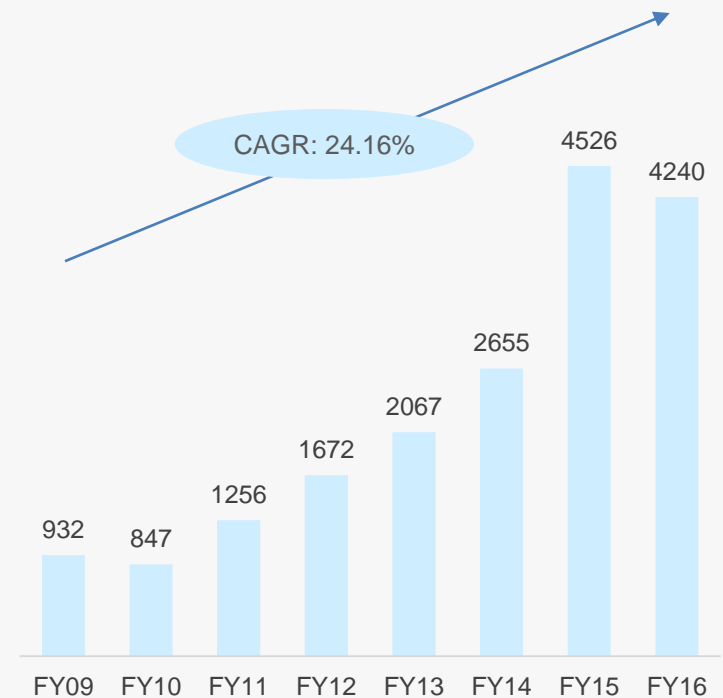


# SUCCESS STORIES

## SUN PHARMA: LEVERAGING ITS GENERICS MARKET CAPABILITIES ... (1/2)

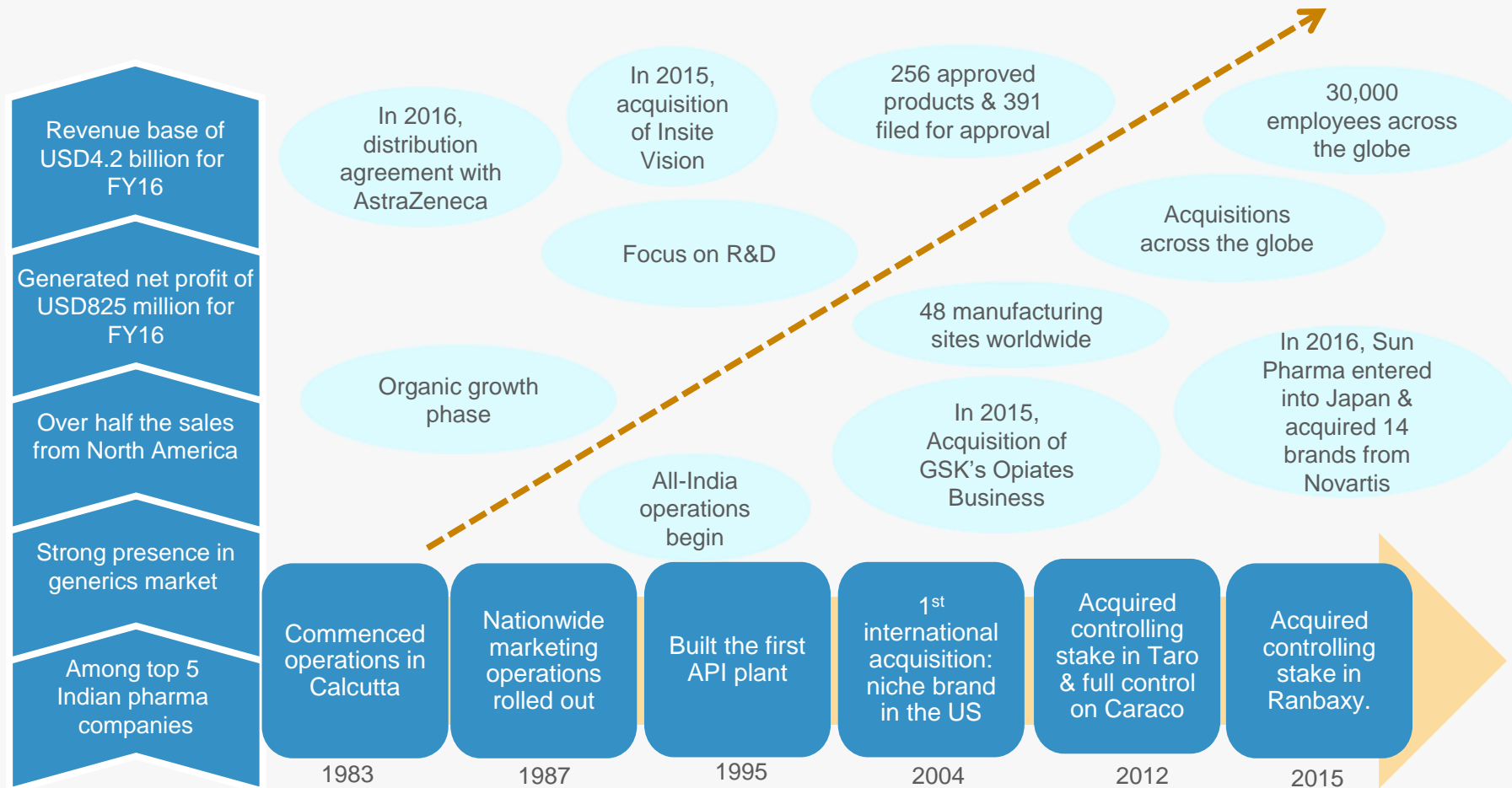
- \* Sun Pharma was set up in 1983, with a compact manufacturing facility for tablets & capsules
- \* It set up its 1<sup>st</sup> API plant at Panoli in 1995
- \* It has 48 manufacturing facilities across 5 continents & employs more than 30,000 people as on FY16
- \* Nearly 74 per cent of its sales came from international markets in 2016
- \* Revenues of Sun Pharma increased from USD932 million in FY09 to USD 4.2 billion in FY16, witnessing growth at a CAGR of 24.16 per cent over FY09-16
- \* In March 2015, Sun Pharma completed the acquisition of Ranbaxy Laboratories Ltd to become the 5<sup>th</sup> largest global specialty pharma company, No 1 pharma company in India, & ensure a strong positioning in emerging markets
- \* The company reported net profit of USD 335.8 million for the period July2016 - September 2016
- \* As of October 2016, the company acquired 100 per cent equity in the US-based eye care specialist 'Ocular Technologies Sarl' for USD 40 million

Sun Pharma net sales (USD million)



Source: Sun Pharma website, TechSci Research  
CAGR - Compound Annual Growth Rate

## SUN PHARMA: LEVERAGING ITS GENERICS MARKET CAPABILITIES ... (2/2)

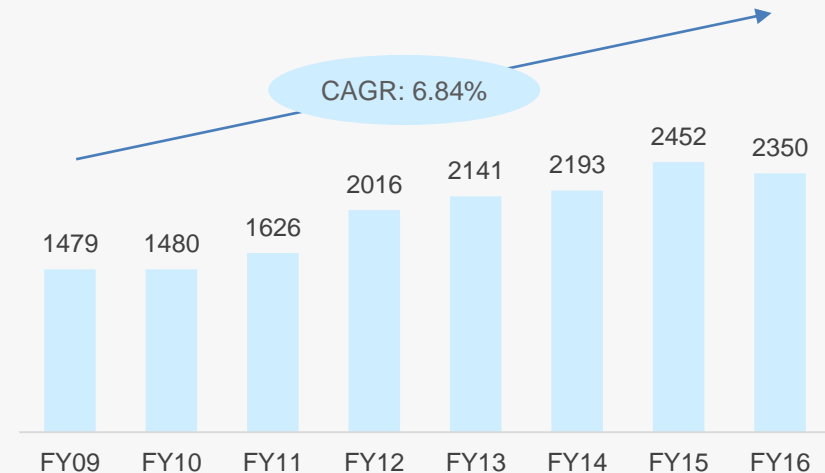


Source: Sun Pharma website

## DR REDDY'S: PROVIDING AFFORDABLE AND INNOVATIVE HEALTHCARE ... (1/2)

- \* Dr Reddy's began as an API manufacturer in 1984, producing high-quality APIs for the Indian domestic market
- \* It has presence in almost all therapeutic segments
- \* It has an integrated business model in 3 segments: Pharmaceutical Services & Active Ingredients (PSAI), Global generics and Proprietary products
- \* Dr Reddy's has access to numerous emerging markets through partnerships with GlaxoSmithKline (GSK)
- \* Its product offering spans the entire value chain, from process development of APIs to submission of the finished dosage dossier to regulatory agencies
- \* The company's revenues increased from USD1.5 billion in FY09 to USD2.4 billion in FY16, at a CAGR of 6.84 per cent over FY09-16
- \* Dr Reddy's is investing heavily on R&D to differentiate itself in the market. In FY15 - 16 Dr Reddy's spent around 13.8 per cent of sales on R&D

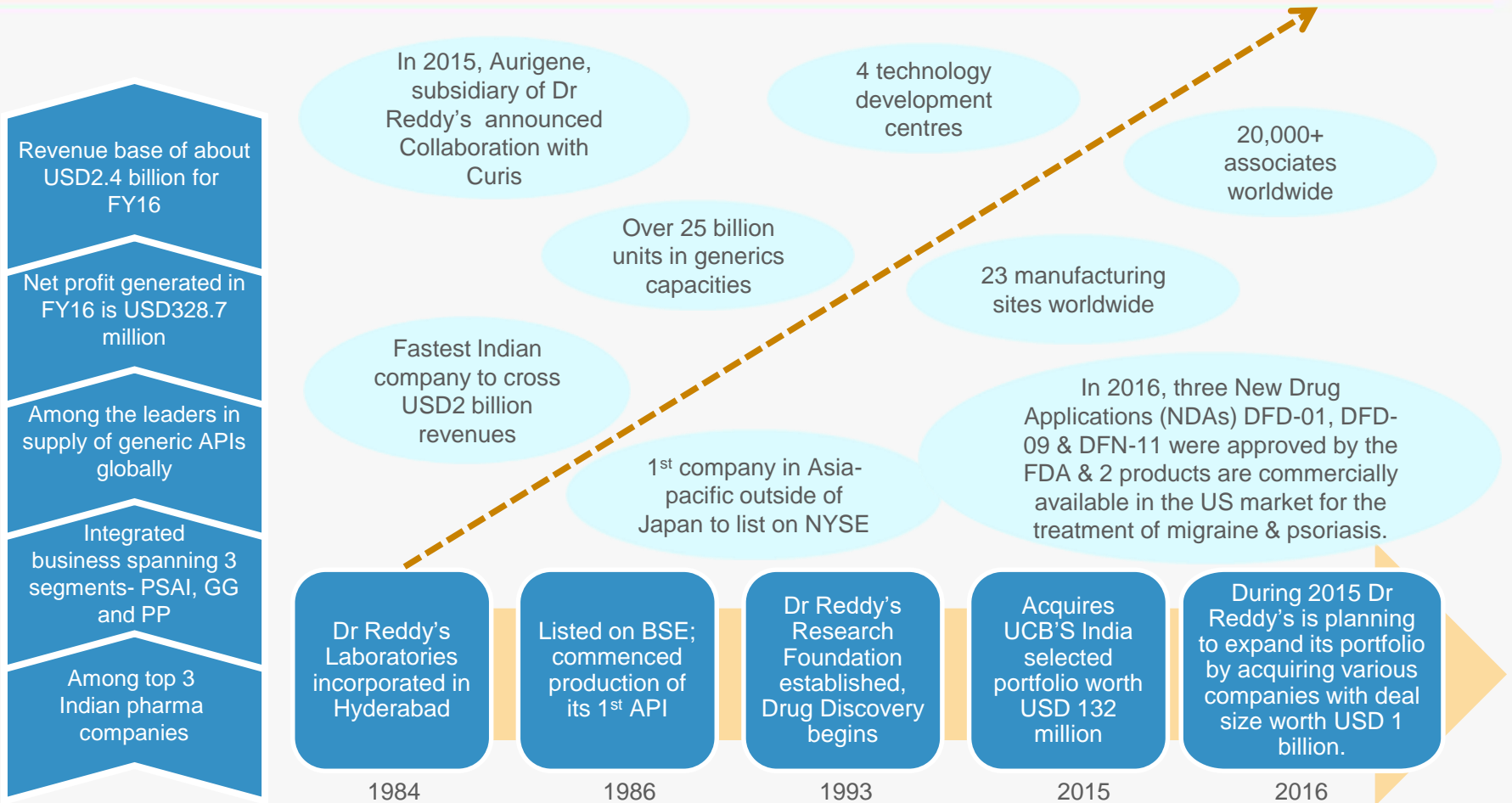
Dr Reddy's net sales (USD million)



Source: Dr Reddy's website,  
Notes: FY16\* (April to September 2015)  
CAGR - Compound Annual Growth Rate,  
R&D - Research and Development

# PHARMACEUTICALS

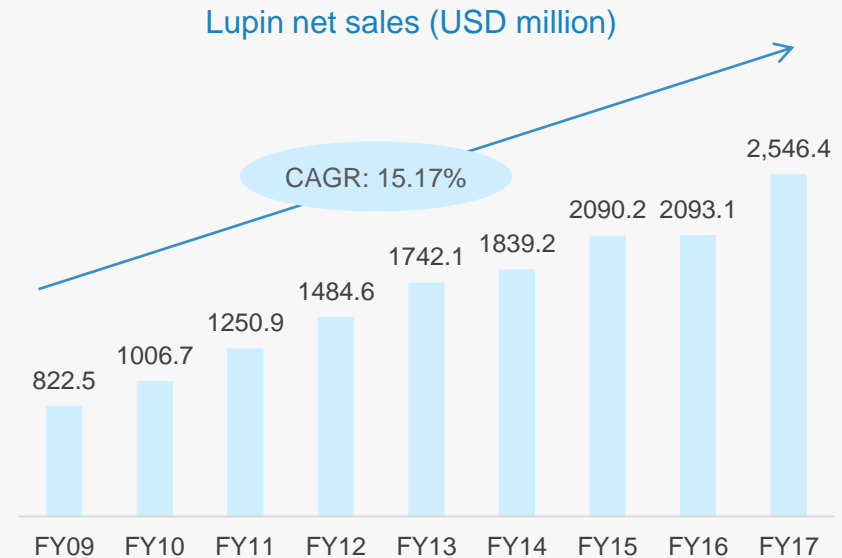
## DR REDDY'S: PROVIDING AFFORDABLE AND INNOVATIVE HEALTHCARE ... (2/2)



Source: Dr Reddy's website, Annual Report  
Notes: PSAI - Pharmaceutical Services and Active Ingredients, GG - Global Generics, PP - Proprietary Products, JV - Joint Venture

## LUPIN: ON A HIGH GROWTH PATH ... (1/2)

- \* Lupin is a renowned pharma player producing a wide range of quality, affordable generic & branded formulations & APIs
- \* Lupin is the 7<sup>th</sup> largest generic pharmaceutical company globally in terms of market capitalization
- \* Its revenues increased from USD822.5 million in FY09 to USD2.54 billion in FY17, at a CAGR of 15.17 per cent during FY09-17
- \* Advanced market formulations comprised nearly 46 per cent of its revenues in FY16
- \* Lupin is 3<sup>rd</sup> largest drug manufacturer in India by sales
- \* In February 2017, Lupin has received the final approval from USFDA to market potassium sulfate, sodium sulfate & magnesium sulfate oral solutions, which are used to treat a form of cancer.
- \* In March 2017, Lupin received an approval from United States Food & Drug Administration (US FDA) to market generic version of tobramycin inhalation solution 'Tobi', which is useful to treat cystic fibrosis patients along with P. aeruginosa.

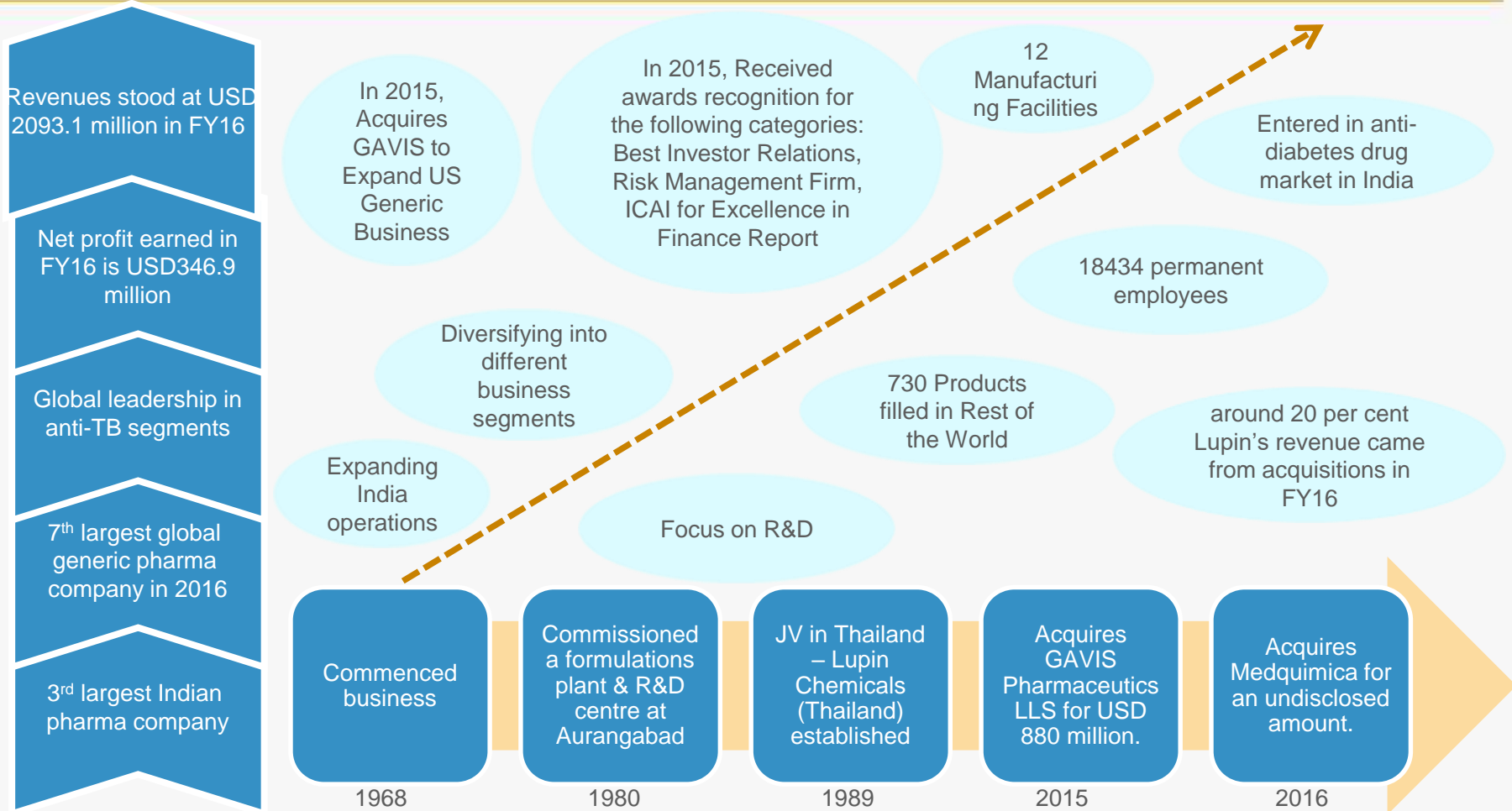


Source: Lupin website

Notes: CAGR - Compound Annual Growth Rate,  
API - Active Pharmaceutical Ingredient, CNS - Central Nervous System,  
NSAIDS - Non-Steroidal Anti-inflammatory Drugs, TB - Tuberculosis

# PHARMACEUTICALS

## LUPIN: ON A HIGH GROWTH PATH ... (2/2)

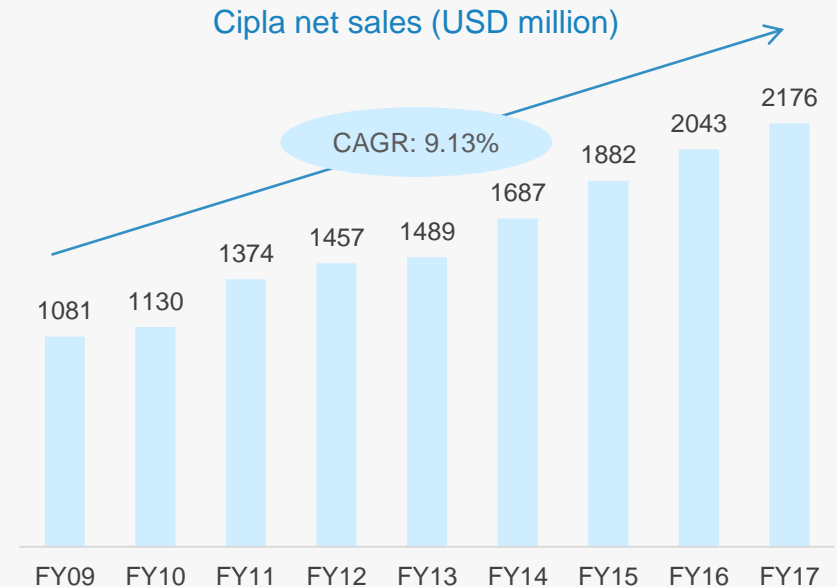


Source: Lupin website, Annual Report

Notes: ANDAS - Abbreviated New Drug Application, DMFs - Drug Master Files, \* - As of Half Year Ended September 2015

## CIPLA: MAKING HEALTHCARE ACCESSIBLE ... (1/2)

- \* Established in 1935, Cipla has over 34 state-of-the-art manufacturing units. Cipla's R&D division focuses on new product development & new drug delivery systems across a range of therapies
- \* It is one of the few companies producing medicines for rare diseases such as Idiopathic Pulmonary Fibrosis, Pulmonary Arterial Hypertension, Thalassaemia & Multiple Sclerosis
- \* Cipla outperformed other global pharma majors by offering patented anti-AIDS drugs at affordable prices
- \* It has presence in over 170 countries, with an employee strength of over 20,000; moreover, it is the 6<sup>th</sup> largest player in South Africa
- \* Its revenues increased from USD1.11 billion in FY09 to USD2.17 billion in FY17, at a CAGR of 9.13 per cent over FY09-16
- \* It is the 1<sup>st</sup> company to develop drug for the treatment of H1N1 flu
- \* Cipla entered into an agreement to acquire two US based pharmaceutical companies, InvaGen Pharmaceuticals Inc., and Exelan Pharmaceuticals Inc., for USD500 million

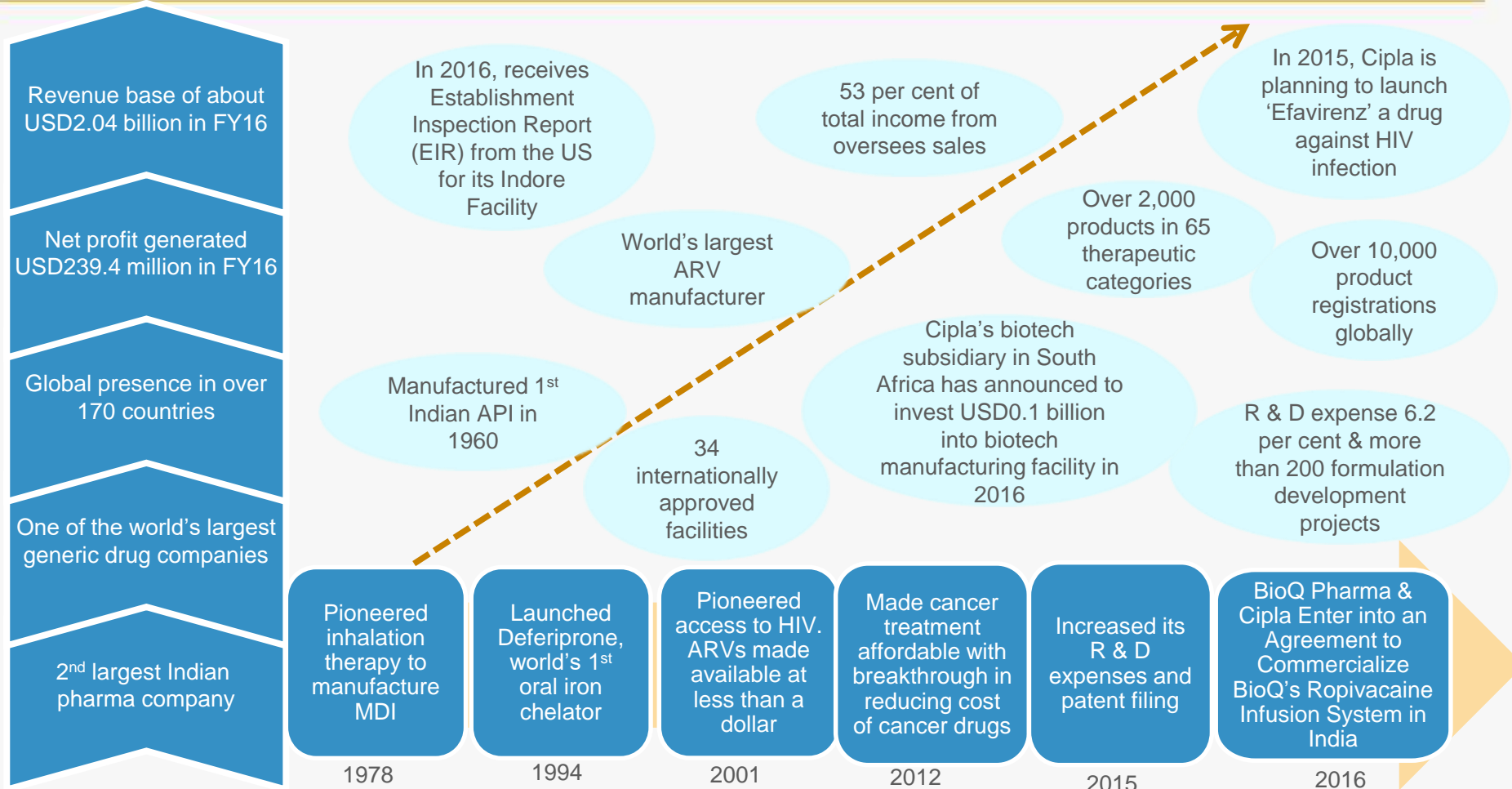


Source: Cipla website, Cipla brochure, Cipla corporate profile

Notes: CAGR - Compound Annual Growth Rate,  
API - Active Pharmaceutical Ingredient, OTC - Over The Counter



## CIPLA: MAKING HEALTHCARE ACCESSIBLE ... (2/2)

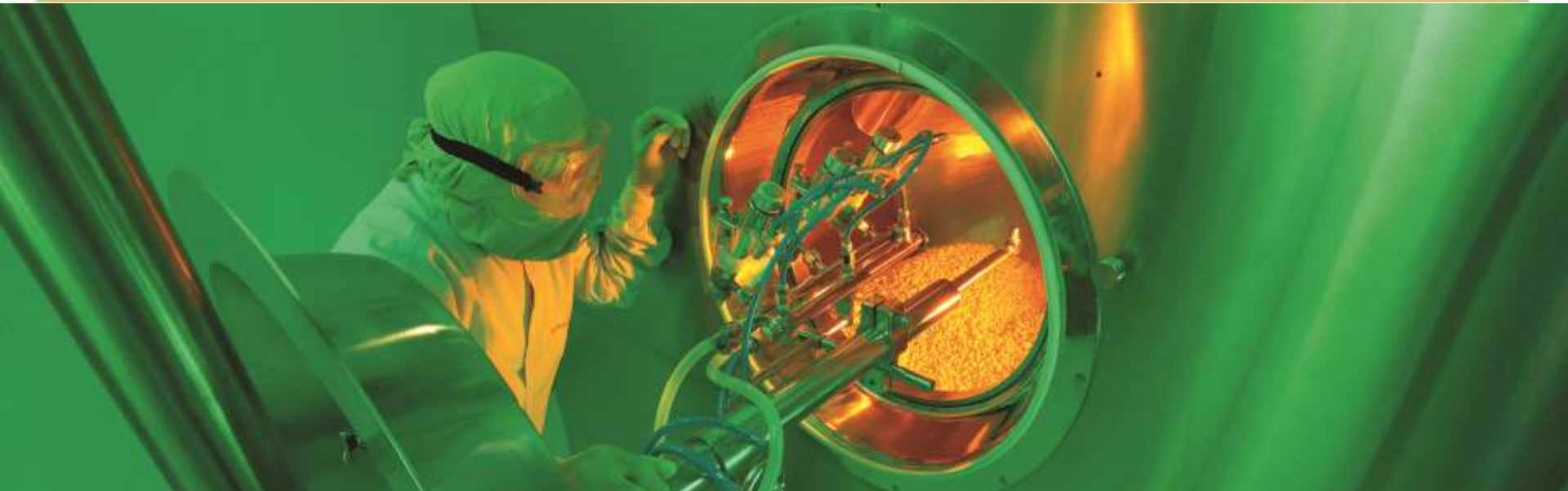


Source: Cipla website, Annual Report Note; FY16\* (Up to September 2015)

Notes: MDI - Metered Dose Inhaler, ARV - Anti-retroviral

For updated information, please visit [www.ibef.org](http://www.ibef.org) 49

# PHARMACEUTICALS



## USEFUL INFORMATION

## INDUSTRY ASSOCIATIONS ... (1/2)

### **The Indian Pharmaceutical Association**

Kalina, Santacruz (E),  
Mumbai – 400 098  
Phone: 91-22-2667 1072  
Fax: 91 22 2667 0744  
E-mail: [ipacentre@ipapharma.org](mailto:ipacentre@ipapharma.org)  
[www.ipapharma.org](http://www.ipapharma.org)

### **Indian Drug Manufacturers' Association**

102-B, Poonam Chambers, Dr A.B. Road  
Worli, Mumbai – 400 018  
Phone: 91-22-2494 4624/2497 4308  
Fax: 9122 24950723  
E-mail: [idma1@idmaindia.com](mailto:idma1@idmaindia.com)  
[www.idma-assn.org](http://www.idma-assn.org)

### **Organisation of Pharmaceutical Producers of India**

Peninsula Chambers, Ground Floor,  
Ganpatrao Kadam Marg, Lower Parel,  
Mumbai – 400 013  
Phone: 9122 24918123, 24912486, 66627007  
Fax: 9122 24915168  
E-mail: [indiaoppi@vsnl.com](mailto:indiaoppi@vsnl.com)  
[www.indiaoppi.com](http://www.indiaoppi.com)

## INDUSTRY ASSOCIATIONS ... (2/2)

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### **Bulk Drug Manufacturers Association**

C-25, Industrial Estate, Sanath Nagar

Hyderabad – 500018

Phone: 91 40 23703910/23706718

Fax: 91 40 23704804

E-mail: [info@bdmai.org](mailto:info@bdmai.org)

[www.bdmai.org](http://www.bdmai.org)

- \* **CRAMS:** Contract Research and Manufacturing Services
- \* **API:** Active Pharmaceutical Ingredients
- \* **FDI:** Foreign Direct Investment
- \* **GOI:** Government of India
- \* **INR:** Indian Rupee
- \* **USD:** US Dollar
- \* **BPL:** Below Poverty Line
- \* **RSBY:** Rashtriya Swastha Bima Yojna
- \* **ESIC:** Employees State Insurance Corporation
- \* Wherever applicable, numbers have been rounded off to the nearest whole number

## EXCHANGE RATES

Exchange rates (Fiscal Year)

Year	INR equivalent of one USD
2004-05	44.81
2005-06	44.14
2006-07	45.14
2007-08	40.27
2008-09	46.14
2009-10	47.42
2010-11	45.62
2011-12	46.88
2012-13	54.31
2013-14	60.28
2014-15	61.06
2015-16	65.46
2016-2017E	66.95

Exchange rates (Calendar Year)

Year	INR equivalent of one USD
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016 (Expected)	67.22

Source: Reserve bank of India,  
Average for the year

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