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Downturn presents new lease of life for Indian drug firms

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The time when India merely provided the blue collar labour for the West's creative ideas is past, says Ajit Shetty, chairman of the board of directors of Janssen Pharmaceutica, the pharma subsidiary of Johnson & Johnson.

With some 80 drugs to its credit, including widely recognised names like imodium and motilium, Janssen is one of the world's most successful drug companies. And while the perception may persist that India is where global pharma go for their grunt work, Johnson & Johnson is aware that a new India strategy is in order.

"We are looking at how to leverage the creative expertise of Indian scientists to ensure that India becomes an integral part of our global strategy," says Shetty. Explaining how this intention might translate in practical terms, Shetty gives the example of a glucose monitoring machine.

The machines available in Europe come with "all the bells and whistles" he says. "But in India, we can develop a simplified model that is affordable not only for the Indian market, but for the rest of Asia as well as for the less well-off in Europe and the United States. That's at least 30 per cent of the population in these countries."

With the western world still reeling under the impact of the financial crisis, the affordability of healthcare has taken centre stage, making India's low-cost development and manufacturing capabilities of increasing interest to the established heavyweights of the sector.

The economic recession and its adverse impact on the finances of both governments and insurance companies have also given a fillip to generic drugs with obvious benefits for Indian firms. In Europe, for example, governments have begun penalising doctors who prescribe expensive drugs when cheaper generic alternatives are available.

The European Union's competition regulation authority is also in the process of a year-long investigation into the pharma sector after having conducted a survey that showed significant delays in the entry of many generics into the market had "negative effects on European consumers by depriving them of a broader choice of medicines at lower prices."

As a result, the trend in the pharma world is one where original drug manufacturers are increasingly entering the generics space themselves. Shetty points to both Novartis and Pfizer as examples.

Pfizer Inc, the world's largest drug maker, announced only earlier this month that it had struck a deal with India's Strides Arcolab Ltd, aiming to significantly expand its generics business.

For Johnson & Johnson, an entry into the generics market is a move that is being actively considered, although no final decision has been reached, according to Shetty.

“For the moment, our approach towards generics is opportunistic rather than strategic,” he says, adding that a few specific deals with generic companies have been struck, in Saudi Arabia, for example.

But the real challenge for big pharma, he says, is to find an answer to the problem of making health care more affordable while simultaneously encouraging innovation.

“Generics will always have their place but, without innovation, there is no future for pharma.” Shetty points out that, just as original drug companies are expanding their interest in generics, generic companies in India will inevitably expand into the original drug space.

“They might be some way off from developing their own compounds, but Indian companies like Biocon and Piramal are moving in that direction,” he says.

The upshot of these parallel trends, according to the Janssen chief, is that the next few years will see increasing interaction between Indian and global pharma heavyweights.

Shetty cites the example of an agreement Janssen entered into last year with the Indian firm Emcure to manufacture and distribute anti-HIV drugs in India and South-East Asia.

He also points out how Janssen turned to Indian scientists for their expertise in the development of an anti-tuberculosis drug that is showing promise in fighting drug-resistant strains of TB.

Janssen discovered the compound almost a decade ago and hopes to have the drug fully developed within the next year or so. If successful, the new drug will represent the first major breakthrough in the fight against TB in 40 years, according to Science magazine.

But because of the absence of expertise in the disease in Europe, Indian scientists have been asked to collaborate in its development.

These may be uncertain economic times, but what's clear is that for India pharma at least, this crisis is spelling some interesting opportunities.