



Indian  
Pharmaceutical  
Market Outlook



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# Roadmapping the future of the Indian pharmaceutical market

Exploring the Indian pharmaceutical market and identifying opportunities for Indian market access to weave a kundli (horoscope) for the margadarshan (guide) of multinational companies looking to optimise access in India

## Introduction

- **India** has long fascinated the world - be it cultural heritage or unprecedented economic growth
- A similar fascination is excited by India's pharmaceutical market which is at times written off as just a self-pay generics-based market
- Yet, India, as the land of diversity, encompasses everything from a large population in poverty to a significant demography of wealthy individuals with first-world lifestyle disease prevalence. This diversity encompasses **much more than a volume market for generics.**
- Though this seems complex to outsiders it can be parsed to provide specific, commercially **attractive opportunities in India**



# Indian Pharmaceutical Market

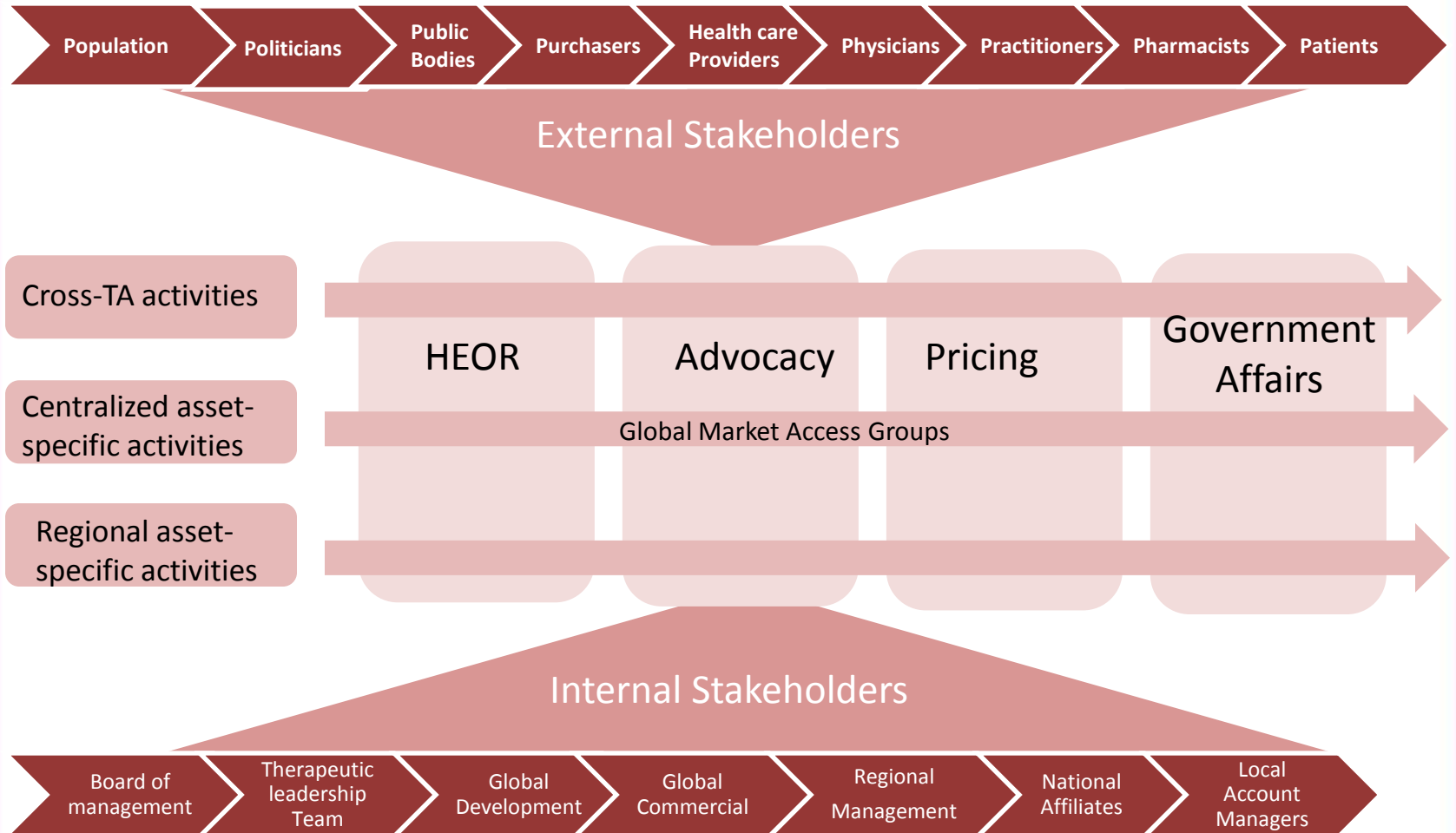
- While **Indian companies dominate the US generic market** with 33 per cent of 419 Abbreviated New Drug Application (ANDA) approvals from the US FDA in 2010 , India's own market is increasingly being penetrated by **high technology products** beyond off-patent small molecules, such as biosimilars and medical devices
  - **Biosimilar sales** in India are around \$200 mn, and expected to grow to **\$580 mn** by 2012, and the **Indian medical devices and equipment market** was valued at \$3.6 bn in 2010 and is expected to reach **\$6.41 bn** by 2014
- Additionally, in spite of the lack of a public reimbursement system in India, **Indian patients prove they can afford to pay** out of their own pockets for patented molecules like Roche's **Pagasys** for Hepatitis C and GSK's **Tykerb** for breast cancer.
- The Indian pharma market has witnessed a successful growth rate of 21.3 % for the 12 months ending September 2010
  - However, it is not just a growth story as the \$12.6 bn Indian pharma market is currently the **world's second largest by volume**

## Indian Pharmaceutical Market >> Leading Companies

- As per Bombay Stock Exchange (BSE) filings for the financial year 2010 - 2011, Cipla was the leading pharma company in 2010 while GSK was the top multinational pharma company in India.
- There were only two non-Indian companies in the top 10 — and those low down - suggesting a clear competitive space for an MNC pharma with the right access strategies.

Top 10 Pharma Companies in India-2010		
Company	Revenue (Rs billion)	Revenue (\$ billion)
Cipla	63.18	1.33
Ranbaxy	56.72	1.2
Dr Reddy's Laboratories	53.04	1.12
Lupin	45.09	0.95
Aurobindo Pharma	41.33	0.87
Sun Pharmaceutical	31.05	0.66
Cadila Healthcare	29.2	0.62
GSK	23.74	0.5
IPCA Laboratories	18.81	0.4
Aventis Pharma	11.6	0.24

# Market access landscape in India



## Market access landscape in India

- The **Indian pharma market is dominated by self-pay generics** so the market access disciplines familiar with mature Western markets like health economics and outcome research (HEOR), patient advocacy and reimbursement are in their infancy.
- However, **government affairs and pricing functions** can play a very important role in the Indian scenario

### HEOR (Health Economics and Outcome Research )

- The local need for HEOR is almost nonexistent in India. Due to absence of a public reimbursement system or significant Health Technology Assessment (HTA) body, physicians, who are free to prescribe a generic or a branded product as they please, are the direct customers of a pharma company
  - This is the reason why **physician marketing** remains a dominant lever for driving prescriber uptake in India

# Market access landscape in India >> Government Affairs

## Government affairs

- The Government of India is increasingly investing to improve the healthcare infrastructure in India, hence government affairs today plays an important role
- The ambitious health goals for the country demand the need for an alternate system, which encourages **private and non-state players to engage in partnerships** with the state-run healthcare delivery institutions
- With India investing enormously in healthcare infrastructure, the government has been inviting public private partnerships (PPP) and many **companies have adopted the PPP model** to establish themselves in India
  - The PPP model has largely contributed to **GE Healthcare's success** in India as attested by Chaitanya Sarawate, Head of Market Access India where he credited recent commercial success to **partnerships made with the government and with educational institutions**



# Market access landscape in India >> Pricing

## Pricing

- While India is not just a market for low priced medicines, it is crucial to be affordable here, because it is largely a self-pay (non-reimbursement) market
  - However, a shift attributed to **rising incomes** has created a section of society that is ready to pay a premium price for differentiated treatments and increased benefits
- As Sandeep Duttagupta, Market Access and Pricing, Emerging Markets, Pfizer observed to us, "In India, you are not deemed professionally successful unless you are a little bit obese!" Combining this **cultural characteristic** with a young educated middle class with **fast-growing disposable incomes** and **increased incidence of heart attacks** in the under-35 age group provides a **valuable opportunity for higher-priced branded healthcare products** who can justify their price.

## Market access landscape in India >> Pricing

- As confirmed by the head of Medical Affairs in India of a top 10 pharma MNC, many products outside the price control are exercised in India by Drugs Price Control Order (DPCO) leading to **market forces playing a greater role compared to** countries with a broader national pharma pricing scheme
  - However, regulations allow the **government to intervene and control prices in the public interest** even where the product lies outside the explicit scope of the DPCO
- Since medical devices and patented products are often highly priced in India, the Indian government is planning additional interventions
- The National Pharmaceutical Pricing Authority (NPPA) has proposed to **negotiate the prices of patented medicines** based on an external reference pricing system
  - Prices of the same medicines in other countries with comparable per capita incomes or purchasing power parity will be used as references

# Market access landscape in India >> Patient Advocacy

## Patient advocacy

- India is a democracy where people's movements have implemented lasting change. From the freedom struggle to the latest anti-corruption movement - **India** has exhibited **tremendous people power**
- With a **67 per cent broadband subscriber growth per year**, India is looking for information on the net like never before.
  - This cultural characteristic and technological trend combine with the fact that multiple agencies including regulatory bodies, scientific review committees, ethics committees and NGOs are all working towards **improved patient rights and protection** in India.
- The Head of Market Affairs of a top 20 pharma MNC in India has a view that patient advocacy is a major power that **influences parliamentarians and government policies** in India
  - Thus indicating that the **conditions are right for patient advocacy** to have a great impact on the market access scenario in India

## Market access landscape in India >> Patient Advocacy

### *Successful patient advocacy campaigns in India*

- Campaigns by AIDS Healthcare Foundation (AHF) forced Cipla - world's largest generic AIDS drug producer to **lower prices** of its anti retroviral drugs by 20 per cent
- The Cancer Patients Aid Association (CPAA) helped **reject exclusive marketing rights** for highly priced Glivec (by Novartis) compared to its generic drug in India



# Market access landscape in India >> Reimbursement

## Reimbursement

- **Health insurance** similar to that in the US is beginning to emerge in India for selected populations - however outpatient prescriptions still remain out of the scope of reimbursement
- In **2006, out of pocket expenditures made up over 75 % of the total healthcare spend**, essentially due to the poor quality of public healthcare facilities and the nascence of private insurance
- Although per capita disposable income is rising, the modest income of most of the population keeps speciality medicines unaffordable
- Health insurers are keen to provide drug coverage, but face a massive, paper-based distribution system with thousands of points of dispensation

## Market access landscape in India >> Reimbursement

- **Gross health insurance premiums** collected for **FY11 increased by 33 %** and are expected to grow with the expanding middle-high income bracket (>\$2000 per year)
- Chaitanya Sarawate of GE Healthcare foresees the **role of government** change from "provider" to "**payer**" in future
  - That would of course **trigger significant changes to the reimbursement, pricing and patient advocacy landscape in India**

Health insurance in the future may facilitate demand by making high-cost prescription drugs more affordable

## Drawing analogies from other industries

- One of the most successful MNCs in India, **Unilever**, understood that India is a country where **both the middle and lower-end segments are critically important**
  - As an example of reaching the lower segment, Hindustan Lever **created a new category** for personal hygiene products and **expanded the market** considerably by offering single-use, low priced sachets of shampoos
- At the same time, some of the successful MNCs have also realised that price is not the only factor driving purchase decisions. Value conscious consumers will pay a premium if the benefits of features and quality are seen to outweigh their cost
  - **LG** for example, has reengineered its TV product specifications in order to develop a no-frills model to **expand the market at the low end** and a premium LED for the **middle segment**

## Drawing analogies from other industries

- Finally, these companies have displayed **immense commitment in dealing with the local government regulations**
  - Regulations governing the India mobile-telephony sector, for example, have been amended several times since 1994
  - Although most multinationals left when the regulations changed, Hutchison Whampoa continued to invest in India. Today, **Hutchison Essar** (now Vodafone) is one of the top three mobile services companies in the country in terms of market share



## Drawing analogy from GSK

- Analogies can be drawn from other industries, and not just in medical devices where the end product can be customised
- For example, **GSK** stands out from the rest because of its flexibility to cater to the requirements of the Indian pharma market
- It is the **top MNC in India with respect to revenue generation**. There was a time when people failed to recognise it as a foreign company

### *India-centric strategies by GSK*

- **India-specific pricing:** GSK is selling many of its drugs at prices well below those charged in developed countries, retaining profitability by shifting manufacturing to India
- **Emphasis on customized product line:** GSK has selectively marketed drug products that align well with the disease profiles in India. It has strategically focused on anti-infectives, acute care products and gastrointestinal products and has created a dominant position in these therapeutic groups.

# Key considerations for optimizing access in India

- Multinational companies should consider the following key levers to gain competitive edge for market access in India:

## 1. Develop a considered pricing strategy:

- As India is still a long way from a widespread shift to an insured payer model, pricing remains a sensitive issue in India
- Pharma companies coming into India usually consider **differential pricing**. For e.g. **Merck&Co.** has launched differential pricing through Januvia, its anti-diabetic drug, which is priced at approximately \$1 per dose in India - a fifth of its price in the US
- However, a contrary perspective is provided by Sandeep Duttagupta with his observation that "There is a tendency of companies in India to slash prices of drugs; however such a strategy is not sustainable."
- The **increasing middle class** which is expected to be **around a third of the population by 2015** provides a great opportunity to the MNCs to sell their **premium products** in India
- One source estimates that at least **60 million Indians** — a market as big as the UK — **can already afford to buy Western medicines**

# Key considerations for optimizing access in India

## 2. Overcome generic competition through patient advocacy support:

- The evidence to date shows that patient advocacy has been used against the pricing strategies of MNC pharma companies
- But, there is an **opportunity for the industry to partner more positively with advocacy groups in India for mutual benefit**

## 3. Target the new growth opportunity areas:

- India has a small biotechnology hub based largely in Karnataka. The leading domestic biotech players include Serum Institute of India (2008 - 09 revenue \$242 million) and Biocon (2008 - 09 revenue \$198 million)
- As leaders in generics, **biosimilars** seem to be a natural follow on business in India, providing the only **alternative to expensive patented biologics**

## Key considerations for optimizing access in India

- With medical tourism growing in India, **demand for high end medical instruments and devices** is expected to increase
  - A well known example is the Indian government supporting an initiative by well known heart surgeon Dr Naresh Trehan to build a "Medi City" in Gurgaon, which is a high growth business headquartered in the National Capital Region. The compound will support 17 super specialities and medical colleges. The project is expected to cost an estimated \$493 million.

### ***Contrasting pricing strategy by Roche***

- While other MNCs in India were selling their products at discounted rates, **Roche pursued premier pricing to position itself as an innovative brand** for its anti-retroviral drugs. However, **this exceptional strategy failed** and instead attracted criticism following which they had to reduce their prices.
- Roche has announced a new strategy of "tiered pricing" for emerging markets after pilots in Egypt and Brazil

## Conclusion

- Having considered the market access landscape, successful strategies and having discussions with Indian Market Access leaders, it can be concluded that **India is a market with tremendous potential** that cannot be ignored
- While a rising per capita income provides an **opportunity for global companies to launch their premium products**, lack of a public reimbursement system calls for a **careful pricing strategy**
- India will not be a developing nation for ever and MNCs aiming for success in India should increasingly deploy the disciplines of market access to get their share of that inevitable growth

## Source

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