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India May Miss Pharma Export Target as Biz Climate Changes

Regulatory factors, consolidation in the sector & steep currency depreciation may halve growth to just 5%

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Hyderabad: India's pharmaceutical exports may fall short of target this fiscal year because of delayed regulatory approvals and consolidation of pharmacy players in North America and steep depreciation of currencies in emerging markets like Russia, Ukraine and Venezuela, say commerce ministry officials.

The Pharmaceutical Exports Promotion Council of India (Pharmex-Cell), which comes under the commerce ministry, now estimates the pace of growth to halve to around 5% in the year through March from the original projection at least 10%.

Several Indian drug exporters, including large listed companies, which suffered subdued sales growth over past few quarters, are projecting no significant change in sales and profit over the next few quarters.

The US accounts for nearly 40% of the global pharma sales of \$980 billion. India's drugmakers export more than \$4 billion (\$24,970 crore) of products to the US out of their annual exports of around \$15 billion.

While large firms like Ranbaxy Laboratories, Sun Pharmaceutical Industries, Dr Reddy's Laboratories and Lupin account for around \$3 billion of exports to the US, the rest comes from dozens of mid- and small-sized drug makers.

No cure for Declining Exports

Many drug exporters project no change in sales & profit over next few qtrs

PHARMA EXPORTS MAY NOT CROSS \$16-B MARK



SLOW APPROVAL PROCESS IN USA A BIG HURDLE

Depreciation of currencies in Russia, Ukraine has muted demand for Indian drugs

CAUSE OF CONCERN
Indian drug cos export more than \$4 billion to the US

Rest comes from mid- & small-sized drugmakers

Few big players enjoy better bargaining power

Prices of highly genericised drugs fell 20-30% over the past 18 mths

"Delays in regulatory approvals and consolidation of pharmacy players are among the challenges in the US market," said Lupin's chief financial officer Ramesh Swaminathan. This is hurting growth in exports, he said. "Consolidation of pharmacy players in the US market is also affecting the profit margins of the drug exporters."

"Product approval delays and the devaluation of currencies due to political factors have added to the woes of companies operating in the region." To highlight the increasing pressure on Indian generic drugmakers, analysts cite the global alliance among three large pharmacy distributors - Walgreen, Alliance Boots and Amersource-Berger - in early 2013. They also refer to the joint venture between the second-largest US wholesaler distributor, Cardinal Health, and CVS Caremark in December 2013 and

the US pharmacy McKesson's announced acquisition of US distributor Celastio in January 2014.

"Such consolidations in the US pharmacy market have created a few dominant players with better bargaining power which has accentuated pricing pressures for generic companies in an already competitive market," Kotak Securities' analyst Weela Shetty wrote in a recent report.

The prices of highly genericised drugs decreased 20-30% over the past 18 months, the report said. Pharmexcell Director-General PV Appaji said the commerce ministry had earlier estimated growth of at least 10% in Indian pharmaceuticals exports.

"Going by the global cues, the estimates seem difficult to achieve. We may hardly cross \$16 billion of exports this fiscal year," he told ET. India's pharma exports had totaled about \$15 billion in fiscal 2014.

During the first nine months of the current fiscal year, India reported \$11.52 billion of drug exports, translating into growth of around 4.34% over the same period last fiscal year.

A pharma analyst with a foreign brokerage said the possibility of Indian pharma exports crossing \$16 billion also appeared difficult given the muted growth suffered by some of the large Indian pharma companies, including Ranbaxy, Dr Reddy's and Lupin in the US market and emerging markets like Russia.

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