

Sector:

Pharmaceuticals

Project Title:

Pharmaceutical Cluster

Project Description

Although by value India has a miniscule share of only 1.4% of the global pharmaceutical market (Indian market ranks 4th in term of volume and 11th in terms of value), Indian pharma companies are respected across the globe for their process engineering, low cost high quality production and consummate research skills.

Global pharmaceutical companies are increasingly outsourcing and off shoring their discovery research, clinical testing and manufacturing functions. High quality service delivery coupled with greater cost competitive offered by Indian companies has catapult India among the preferred off shoring destinations for global pharma majors.

To assist Indian pharmaceutical industry garner large share of the upcoming global opportunities, the Government of Madhya Pradesh (GOMP) intent to assist the development of a pharmaceutical cluster in the State. The cluster would support all kind of pharma companies engaged in manufacturing, research, or clinical functions, large or small, across the entire pharmaceutical value chain.

The proposed cluster would be comprehensive in nature. It would encompass firms of all size and types engaged in various manufacturing and research activity, key support functions and various other facilities of specific and generic use at a single geographic location. The cluster format would extend various benefits to the tenants in terms of synergies of operations and realization of various growth avenues arising out of such a format.

For the envisaged project 1,000 acres of land would be appropriated and would be developed in partnership with the private developer under Public Private Partnership (PPP) module.

Project Rationale

Presently, the big pharmaceutical companies across the globe are facing multiple challenges mainly in terms of decreasing margins, rising R&D costs, drying pipeline, and increasing generic challenge. Off shoring and outsourcing has been embraced as a key strategy by big pharma to counter these challenges and India has emerged as a preferred destination for outsourcing and off shoring R&D and manufacturing operations. The implementation of product patent from 2005 has further augmented the confidence of multinational pharma companies in India. Due to changing business dynamics in the global pharmaceutical industry,

substantial opportunities are emerging across the entire pharma value chain for Indian companies to tap. There is significant potential for establishing FDA approved API's and formulation units, integrated R&D centers, preclinical research centers etc. in the Country. Keeping in view the clustering tendency of pharmaceutical companies around the location of strategic importance, there is huge scope for creating world class pharmaceutical cluster in the Country.

Madhya Pradesh is increasingly preferred by the domestic and multinational corporate houses to establish their operation centers. The State offers unmatched advantages in terms of equidistance connectivity, low manpower and land costs, ample availability of skilled labour etc. The proposed pharma cluster would further consolidate its position among the upcoming knowledge hubs in the Country.

Proposed Facility

The cluster would host the following tenants:

- Formulation Units
- Herbal Manufacturing Units
- Cosmetics Units
- Integrated R&D Center
- Stem Cells Laboratory
- Clinical Trial Center
- Biotech Companies
- Contract Research Organization
- Preclinical Research Firms
- Contract Research and Manufacturing Firms

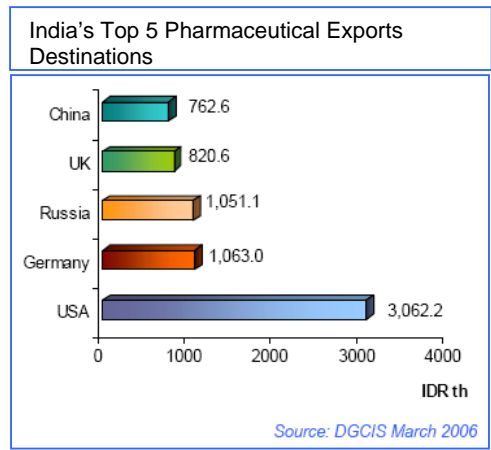
The cluster would offer following infrastructural facilities :

- Developed Plots of 1,000 to 5,000 sq.meters
- Primary and Secondary Roads
- Sanitation Facilities
- Excise Office
- Warehousing Facility
- Uninterrupted Power and Water Supply
- Effluent Treatment Plant

Market Potential and Demand Dynamics

In 2005, India ranked eleventh in the global pharmaceutical market in dollar terms with a global market share of 1.41%. In 2005 the Indian pharmaceutical market was valued at USD 8.8 bn with Y-O-Y growth rate of 7.2%.

Exports contribute a significant part of the industry revenues. In 2005 India's pharmaceutical exports were valued at USD1.76bn, an increase of 84.2% over the previous year. Leading destinations for India's pharmaceutical products includes the USA, which accounted for USD3.06mn of exports in 2005, while UK and Germany were the leading European Union (EU) destinations, each accounting for USD 821 mn and USD 1.1 mn respectively. Of the total exports, pharmaceutical formulations accounted for 53%, while basic drugs and crude drugs accounted for 19% and 1.8% respectively.



India has emerged as a preferable manufacturing destination for global pharma majors due to high quality, cost effective production capabilities for various bulk drugs and formulations. At present India has 75 US FDA approved plants, the highest number of FDA approved plants outside US. Of these, 80% of the companies are into contract manufacturing. Various pharma firms have upgraded their facilities to international standards and a number of other players are in the process of doing so. Additionally, there are 45 and 13 Indian manufacturing facilities that are approved by Medicine Control Agency, South Africa and European Drug for Quality Medicine (EDQM), Europe respectively.

In 2005, pharmaceutical companies from India had submitted a total of 304 Drug Master Files (DMF) to the US Food and Drug Administration (USFDA). Emerging fast as a global powerhouse, India's pharmaceutical industry accounts for 37% of the world's DMF. Large generic houses in the US are increasingly sourcing their future generic API (active pharmaceutical ingredient) requirements from independent manufacturers based in countries like India. Some are even using their Indian subsidiaries for contract manufacturing operations.

In recent years, Indian pharmaceutical companies have bolstered their own R&D and manufacturing capabilities with a focus on creating production facilities of international standard. In 2005, major domestic manufacturers continue to ramp up their R&D investments, investing between 6%-13% of the total revenue in R&D. several new start ups have evolved in the last couple of years offering contract services in manufacturing and research functions in niche segments especially in preclinical research and clinical trials. Even leading Indian pharma companies are vying for large share of the contract market.

Why Madhya Pradesh?

- The State has a rapidly burgeoning base of pharmaceutical industry. Major players such as Ranbaxy, Lupin and IPCA already have a foot hold in the State and are on the road to expansion under the favorable industrial policies and initiatives by the State Government.
- For the envisaging pharma cluster at Indore, the GOMP has constituted a board for Biodiversity and life sciences under the chairmanship of the Chief Minister.
- Efforts are also being made to establish national level training centers through support of large industrial houses of MP. This would ensure that the State will never be short of professional expertise. This is an added advantage to the investors looking to invest in the State as there would be a wide availability of qualified and skilled professionals at a relative low cost.
- Further, by leveraging the existing manufacturing base, a strong health care system along with a low cost resource pool Madhya Pradesh offers ample potential to assist domestic pharmaceutical industry in their business endeavor.
- MP has the right blend on freshers and laterals for the clinical trial and pharmaceutical industry. The institutes across the State are well equipped to provide trained manpower in each domain. There are 9 key pharmacy colleges in the State supported by 6 medical colleges and 43 management institutes (including one of the six Indian Institutes of Management at Indore). The laterals have experience of working in India's leading pharmaceutical companies such as Ranbaxy, Lupin, NPIL, etc.
- Every year ~300 Students pass-out from the State key pharmacy colleges which can provide adequate skilled manpower for the industry. some key pharmacy colleges are as follows:
 - ✓ B. R. Natha College of Pharmacy, Mandsaur
 - ✓ College of Pharmacy, Indore
 - ✓ Department of Pharmacy, Bhopal
 - ✓ Dr. Harisingh Gour Viswavidyalaya, Sagar
 - ✓ Institute of Pharmacy, Gwalior
 - ✓ R.K.D.F. Institute of Sciences & Technology, Mandideep
 - ✓ Shri G.S. Institute of Technology & Science, Indore
 - ✓ V.N.S. Institute of Pharmacy, Bhopal

Location Analysis

Indore has been earmarked as location of choice for developing the envisaged pharma cluster due to following key factors:

- ✓ High quality of life.
- ✓ Well developed commercial and social infrastructure.



- ✓ Ample availability of cost effective land.
- ✓ Availability of skilled manpower.
- ✓ Commercial capital of central India.

Government Support

The State Government of Madhya Pradesh would be the key implementing and facilitating agency for the project. It will assist the private partner in identification of land and expedite clearances of various proposals across various administrative departments.

Proposed Investment

The total investment in the project is estimated around USD 6.6 mn or INR 30 crores.

Returns

The Internal Rate of Return from the project is estimated to be in the range of 13 – 15%.

Coordinating Agency

Madhya Pradesh Industrial Development Corporation