

The GMP Year

14 June 2007 | News



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Five years ago, BioSpectrum and ABLE jointly started a small exercise to map the contours of the biotech industry. Today it has grown, much like the industry itself, as a massive exercise, spanning weeks of number crunching and analysis and profiling of the indomitable winners of the biotech market place.

First the numbers. It is no longer a tiny \$400 million industry it was in 2003. India's biotech revenues of have crossed the \$2-billion mark, thanks to two factors: surge in exports and appreciation of the Rupee against the US dollar. There are three distinct factors that stand out in the performance of the industry in the 12 months from April 2006. It is a term this industry loves. GMP. Of course, it is an Indian version of the GMP. Globalization, Maturity and Products. These three are the distinguishing factors of the biotech industry's performance in recent time. And it may well define the future path too.

Globalization stands out because today 60 percent of the industry's revenues are derived from the export of a variety of products and services. With a growth rate nearing 50 percent, export revenues have surged to \$1.2 billion in spite of the appreciating Rupee. Another indicator of globalization of the industry is the record number of cross-border alliances that took place in the past year.

There is no doubt the industry is Maturing. From the heady days of nearly 40 percent annual growth rates, the industry clocked just 31 percent growth rate in 2006-07. As the industry size increases and the players consolidate their market positions, the boom will be replaced by mature activities. And the growth will settle between 20 to 30 percent for a few more

years, as it happens in other maturing industrial segments.

Products were another hallmark of 2006-07. Almost all the major companies introduced new products in the last 12 months, and in the case of the BioAgri sector, there were dozens of new transgenic cotton seeds hitting the markets. Over a dozen biotech products were introduced in recent times.

So we have aptly summed up 2006-07 as the GMP year for the Indian biotech sector.

The list of the BioSpectrum-Top 20 Biotech companies also reflects the GMP trend. There aren't too many surprises and Serum Institute has retained its No.1 rank on the back of a sterling 39 percent growth, buoyed by export revenues. This has led to an enormous increase in the gap between Serum and Biocon, from the narrow margin that separated them last year. One can expect Biocon to bounce back with aggressive market forays in the next few years.

Another heartening factor this year is the performance of two industry bellweathers-Shantha Biotechnics and Bharat Biotech. Both have recorded sterling performances and notched up higher ranks in the Top 20 list. Home-grown companies are clearly leading the biotech revenue sweepstakes and for the first time in five years, the Top 5 companies are all of Indian origin. Reflecting the popularity of Bt cotton among farmers, Rasi Seeds and Nuziveedu Seeds have zoomed into the Top 5 ranks. The third spot has been retained by Panacea Biotec, which recorded another stellar year of growth. Another interesting development is the edging out of MNCs of long standing with 14 Indian companies occupying the Top 20 ranks.

With exclusive reports from last month's BIO Boston, the industry has the opportunity to benchmark itself against the global trends, captured specially through the Ernst & Young and Burrill & Co's global biotech reports.

Like last year, the results of the extensive 5th survey will be presented in two volumes. Volume II will also present the analysis of the impact of M&As and strategic alliances on the industry, being done by the Indian Institute of Management (IIM), Bangalore.

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