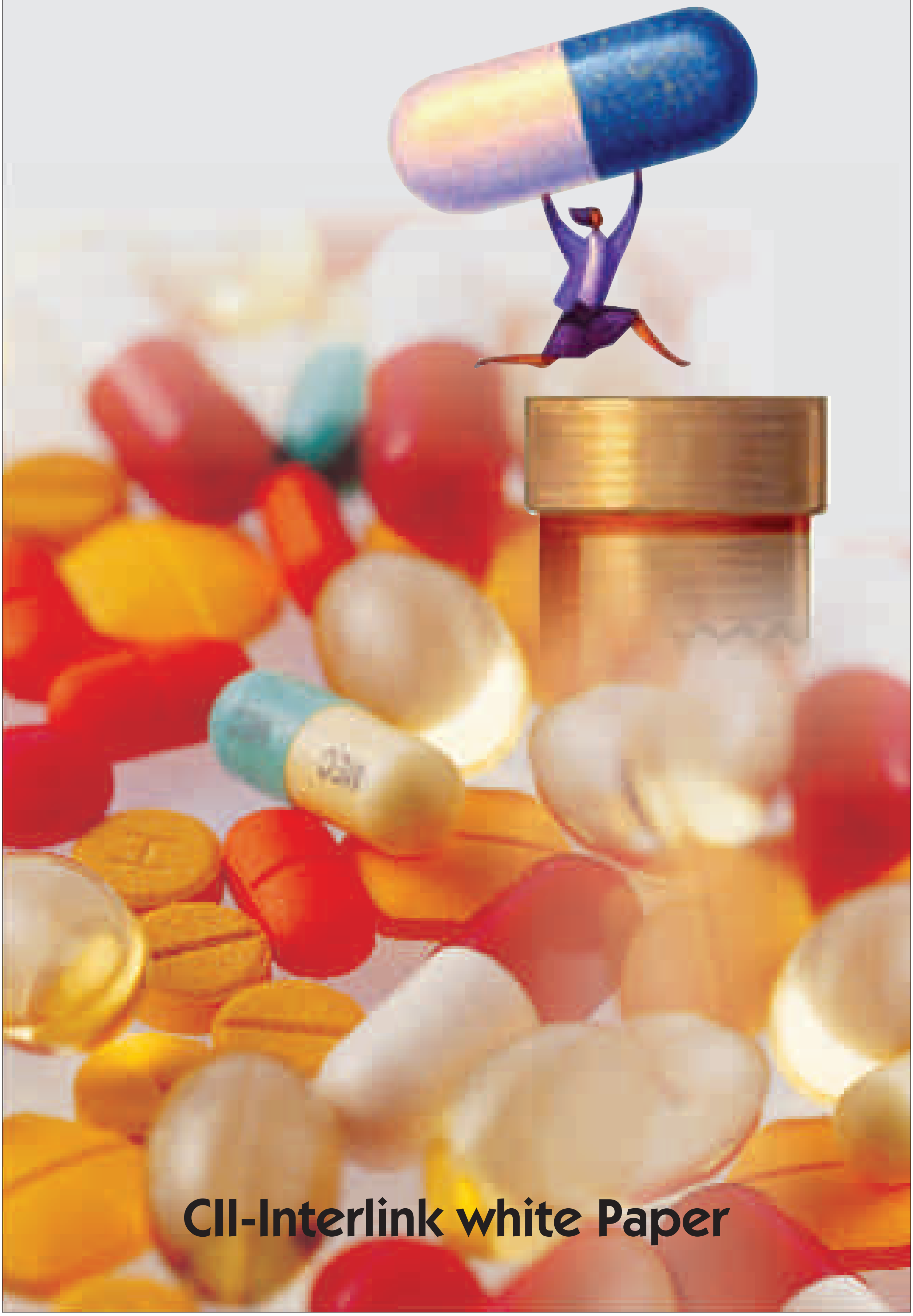
Growth Agenda for Indian pharmaceutical Industry - 2015



CII-Interlink white Paper

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Foreword

The meltdown of global economy, triggered by credit crisis in U.S.A., followed by a slowdown in Indian economy is perhaps the right moment to relook at our business models and strategies.

INTERLINK, Business Consultancy Firm in Pharmaceutical & Healthcare Industry prepared, on invitation by Confederation of Indian Industry, a white paper on "The Growth Agenda of the Indian Pharmaceutical Industry in 2015".

Interlink's model focuses on six value creation factors to unleash the potential of vast unpenetrated pharmaceutical market in India. It assesses implications of these growth drivers for estimating additional growth during 2008-2015. Once a company takes a stance on these issues, it can take a number of strategic initiatives for investment in growth.

I place on record my appreciation for the knowledge team of Interlink headed by Prof.R.D. Joshi in preparing this document and co-operation by Mr. Sasikant Misra, Dy. Director of C.I.I.

I welcome your comments and suggestions.

With best regards,

Dr. R. B. Smarta

Preface

Interlink's knowledge team was privileged to undertake research for preparing a white paper on “Growth Agenda for Indian Pharmaceutical Industry in 2015”. The team was spearheaded by Dr. Smarta, who brought to bear his vast experience of pharmaceutical industry, embedded with consultancy perspectives. I was able to contribute my insights developed during two decades of experience as Secretary General of O.P.P.I. coupled with my management teaching. Contributions were made by our Business Research Analyst, Mr.Chandrashekhar Dogra, having considerable experience at Morgan Stanley, in Business Analytics.

Our research findings emerging from an in-depth review of numerous reports, were discussed in-depth at various brainstorming sessions to sharpen the thought process relating to the central theme of the paper.

We had the benefit of receiving well considered comments on our draft paper from Mr.Ranjit Shahani, Vice Chairman and Managing Director, Novartis India Ltd., Mr.Ranga Iyer, Managing Director, Wyeth Limited and President, Organisation of Pharmaceutical Producers of India (O.P.P.I.), Mr.Kewal Handa, Managing Director, Pfizer, Dr.Shailesh Ayyangar, Managing Director, Aventis Pharma Limited and Mr.N.H. Israni, Managing Director, Blue Cross Ltd and past president of Indian Drug Manufacturer's Association (I.D.M.A.). Our thanks to them and as also our own colleague Ms.Ruth D'Souza, who shared her comments, reflecting her expertise in consultancy, training and medical publications.

We trust that the paper will provide some clues to pharmaceutical companies to unleash the untapped potential of vast Indian pharmaceutical market, looked so enviably by global players.

RDJoshi

Prof.R.D. Joshi

Growth Agenda for Indian pharmaceutical Industry - 2015

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1. Focus for future Growth

With the greater importance of E-7 countries and emerging markets, the pharmaceutical market will be shifting from matured markets like North America, Europe and Japan to these markets. It will help industry to realize potential of higher growth rate. Economies of these markets also offer larger scope for expansion of both innovative and generic medicines. Among emerging markets, India and China are leading players to realize better growth for entire world.

The year 2008 has been described as an important inflection point for global pharmaceutical industry. The growth rate of global pharmaceutical industry has declined from 7% in 2006 to 6.4% in 2007. In contrast, the Indian pharmaceutical market grew in India at 13% in 2007.

In case of global melt-down, India cannot remain insulated from the world. However its ability to withstand the impact appears to be much stronger than the other economies. The Indian markets and financial institutions stand out as sound, stable and better regulated in contrast to developed economies. As a result, India can continue to be an attractive market in view of its strong and stable fundamentals and the resilience which Indian economy has displayed so far. The Indian stock markets have been affected due to global financial uncertainty but Pharma sector remains relatively insulated due to its defensive nature

Taking an overall view, it will be prudent for Indian pharmaceutical industry to look more closely at the potential of Indian market and identify actions to realize the potential by leveraging the available strengths and focused growth avenues without distracting its attention to widening opportunities in global generic market. An additional reason to reinforce the focus on domestic market depends on proven experience of those companies who aspire to be strong global players have to be first strong in their domestic markets.

Against this background, it will be worthwhile for Indian pharmaceutical industry, to explore ways and means to expand and penetrate into the domestic market. Additional revenue through external markets for growth will have to be rationalized over a period in view of unprecedented volatility and uncertainty.

Currently, Indian pharmaceutical industry is compelled to use sales and marketing tactics in India which are primarily trade driven. They are inadequate without strategies for faster market growth. This implies that if Indian pharmaceutical industry has to aspire for higher domestic growth it must work out a specific growth agenda, identify specific growth drivers which need to be activated vigorously to realize the market potential. Each company has to decide on a few strategic initiatives. All strategic initiatives need investments. So the companies will have to identify areas of strategic initiatives, focus on the factors of this growth agenda to unleash the potential growth of domestic market in India.

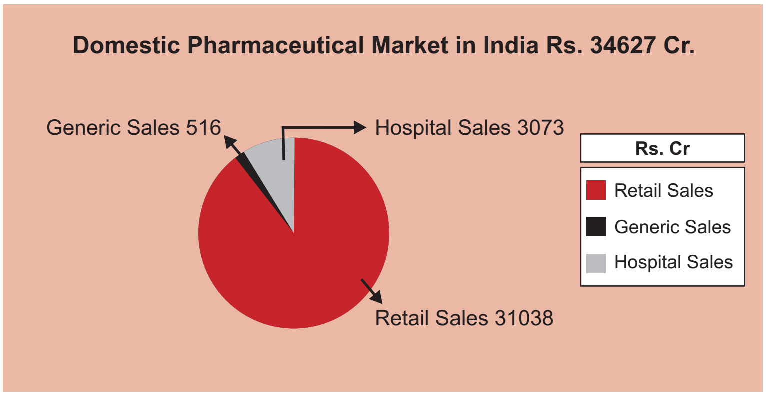
2. Indian Pharmaceutical Market

2.1 Current Status

Considering the consumption pattern, Indian pharmaceutical market is calculated on the basis of:

i) Retail sales
ii) Sales of generic medicines'
iii) Sales to hospitals, nursing homes and institutions (Govt and Non- Govt)

Exhibit 1:



Source: As per references

The retail sale of medicines as per ORG-IMS is Rs.31038 crore in 2007. The hospital sale in the same year is Rs.3073 crores. The current market for generic sale has been estimated at Rs.516 crore. The domestic pharmaceutical market, based on these estimates works out to be Rs. 34627 crore.

Please note that this estimate is conservative as it excludes the direct sale of medicines by various companies to the Government and Government sponsored institutions. ORG IMS estimates this business around 5% of total sale.

Retail Sale:
In 2007, growth in the sale of existing products contributed 4 %, (less than 9% in 2006), while growth in the sales of new product introductions contributed 8% in Indian pharmaceutical market. Price led growth remained constant at 1% in last 3 years (2005 to 2007). Growth in sale of New product introductions is a key growth driver, yet the contribution to growth in last 3 years has stagnated around 7 % (7.1% in 2007, 6.6% in 2006 and 7.2% in 2005). It is amazing that the growth of sale of new product introductions has not increased despite introduction of Patent Amendment Act 2005.

Generic Sale:
Although generic sale in the world has captured considerable market share of total pharma market, in India, this contribution is so far just 1/10th of retail sale. It should, however, be noted that, after the introduction of new patent regime Indian pharmaceutical market is of more of branded generics market. As a result existing branded generics will compete with brands of original patent holders and fight at price levels.

Hospital Sale:
As regards hospital sale, it depends on affordability and availability. In India, tenders are floated on the basis of rate and/or quantity as per specific needs of the institutions. Quantifying of such a fluctuating market is difficult. Among institutions, Government hospitals provide free or highly subsidized medicines to poor patients. The value of such sale needs to be calculated on case to case basis as it has social connotations.

On the basis of this current status of the market, it is established that the leveraging factors for growth in Indian Pharmaceutical market include

- Growth of existing products
- Growth of New products
- Growth due to enhancement

The growth of the pharmaceutical industry is largely dependant on the expansion and improvement in healthcare infrastructure.

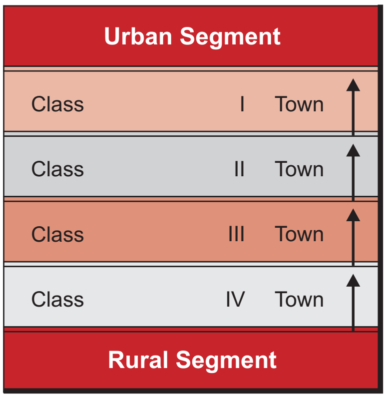
2.2. Indian Population

India, with its population of 1147 mn., growing at 1.38 % offers one of the biggest and most attractive proposition for the world. Although 72% of its population is rural, the economic characteristics of rural households are fast changing. They will form a significant part of the expanding market in India. The bottom of this pyramid will be most attractive to all companies. Besides, India has an upwardly mobile middle class which is estimated at 91mn. in 2007. No wonder, India becomes a preferred destination to the whole world.

Urban and Rural Markets

Indian market potential exists in both rural and urban India. In 2007. As against 13% market growth, class I towns (5-10 lakh population) which have traditionally been the highest contributors in terms of consumption recorded the lowest growth rate (8%) among four classes of population while class II to class IV towns (10,000 – 5 lakhs population) recorded a higher growth (14%). Metro towns having population of about 10 lakhs have contributed 20% growth. Market growth rate in rural segment declined from 37% in 2006 to just 14% in 2007.

Exhibit 2: Upwardly mobile Indian market



This analysis indicates that Urban Markets like class II to IV towns invite consolidation. Class I, II, III, IV – towns of urban market demand expansion and penetration as they are still untapped. Rural segment needs penetration to realize the potential. Hence, as a market upper crust as well as lower crust of Indian population provides enormous growth opportunities.

The pharmaceutical industry can very well look into the bottom of the pyramid and provide access to medicines in rural India. Almost 72% of the population is located in rural areas. A noteworthy initiative entitled “Arogya Parivar” has been undertaken by Novartis India. The project already launched in Maharashtra, Madhya Pradesh and Uttar Pradesh focuses initially on products from Sandoz Generic. Novartis India would employ health educators to create awareness among the rural population for diseases, prevention and treatment. Health educators will refer patients to doctors apart from making the products available in pharmacies and briefing the doctors about the program and treatments.

The rural landscape provides considerable scope for many such initiatives to enable doctors and pharmacists to play a more effective role in rural areas. Adequate facilities and incentives will strengthen their contribution through collaboration with pharmaceutical companies.

Business models for companies which concentrate on rural markets will have to be different than those companies concentrating for urban markets.

Current status of market and Indian population at the rural and urban segments in the context of changing scenario of affordability clearly indicate a formidable market to explore. Overtone of income, savings and expenditure pattern, in the light of health consciousness, needs to be understood before exploring Indian markets.

OTC market also has a good scope for expansion. A large segment of population, which is getting informed for safe self-medication, will use OTC medicines for common ailments not requiring medical advice. Once the regulatory framework is in place, sale of OTC medicines with globally accepted safety profiles will substantially increase.

3. Interlink Model

Interlink has developed a model for the growth on the basis of distinction between value addition and value creation factors. Value addition factors; represent consolidation, higher efficiency by utilizing strengths of partners and outsourced partners. These additions are welcome. They improve top line of the company; but do not necessarily exploit market opportunities.

3.1 Value Addition Factors

Contract Research and Manufacturing Services (CRAMS), Contract Manufacturing operations (CMO) and Contract Research Organizations (CROS) have helped many international companies to improve their revenue growth. This revenue growth depends on a number of variables like up gradation of quality standards, strong ethical norms in clinical research and degree of success of research molecules in terms of early FDA approvals for marketing.

India has a rich pool of scientific talents, unutilized manufacturing facilities with capacities duly approved by world renowned global regulatory authorities. This provides opportunities for revenue growth and cost rationalization for partners. However, it does not help increasing consumption and improvement in growth of domestic market.

Three Value Addition Factors

1. CRAMS- Provide an opportunity of acquiring new business in contract research and manufacturing helps leveraging cost efficiency along with expansion of existing capacity.
2. APIs (Active Pharmaceutical Ingredients) – Help in increase in capacity and cost efficiency to make APIs available.
3. Mergers and Acquisitions- Assist in acquiring assets, product portfolio, pipeline products and access to new markets. All these factors help in consolidating and improvement in effectiveness of the organization.

3.2 Six Value Creation Factors

Factors contributing to value creation are those which lead to accelerate consumption and growth through innovation and innovative strategies.

1. New products, New Business models through Innovation:
    - Development of new drugs through better and faster drug discovery, cost effective and speedy research and development processes.
    - Development of New business models and processes for better business performance.

2. New Therapies for unrealized potential of existing therapies:
    - Newer and better therapies for untreated and under treated medical conditions as well as and faster introduction of new products.

3. Affordability:
    - Leveraging demographic and income factors including health insurance facilities for better marketing expansion and penetration of all economic groups, particularly fast expanding middle class, for better market coverage and penetration.

4. Access to healthcare:
    - Better access through expansion of healthcare facilities, including hospitals, healthcare centers and diagnostic facilities for better treatment and initiatives in public-private partnerships.

5. Pricing:
    - Developing a better trade-off between pricing and health outcome to reduce rigours of excessive price control.

6. Marketing Efficiencies:
    - Improving sales and marketing efficiencies and effectiveness by improving field force Productivity.

Developing Competitive Edge:
First two value creation factors such as New products, New business models through Innovation and New Therapies, if leveraged, can provide competitive edge in Indian market for accelerating growth. Launching a new product first time in India is a very important criterion in Indian market for gaining critical mass quickly.

3.2.1 New Products, New Business Models through Innovation

Strong enablers like New technologies including biotechnology and nano-technology along with computer aided technology will help to curtail time of R & D process. Beyond technologies innovative approaches will necessarily evolve a process to eliminate bad candidates early and a willingness to persist until the good candidates are identified.

Refinement in research process will increase the speed twice and cut down the cost to a third of the standard process cost. Few examples in pharmaceutical industry prove the process capabilities. This will improve R&D productivity substantially by reducing time and cost. Such process will provide new brands in patented products. Brands will help value growth.

By itself process refinement will not be a value creator unless it is further facilitated by expeditious regulatory approvals to minimize time from discovery of a molecule to speed to market. Effective Intellectual Property Rights protection and a strong harmonized regulatory framework will expedite introduction of new innovative products.

New Business Models

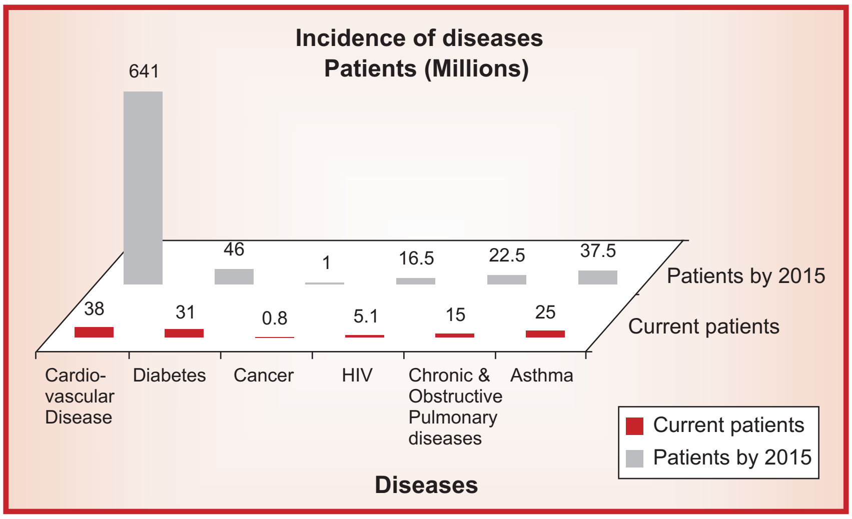
New business models encompassing contract sales force (CSF), contract marketing (CM), etc. can be developed out by individual companies to leverage their growth. Many such combinations are possible to drive growth.

3.2.2 New Therapies / New Products

In addition to innovative products/ brands coming into the markets new protocols usually emerge to include many products in the therapy: on the basis of usage. Sometimes these usages are for existing as well as new products. Usage on the basis of label claims gets extended due to such new protocols.

Considerable growth potential also exists due to the gap arising form incidence of disease and treatment. Diagnosed patients for diabetes are around 31 mn. However, from the market statistics it is observed that not more than 9 mn. Patients are getting treatment consistently. Diabetes patients will increase to the extent of 46 mn. by 2015 as Exhibit 3 indicates. On the basis of existing practice, it is obvious that an enormous untreated patient population will exist. This will be the case for other therapies also. Set of a few indications like diabetes in Exhibit 3 will prove the necessity of capturing the untapped untreated patients.

Exhibit 3: Incidence of diseases



Source: Working Group on Health Systems Research, Biomedical Research & Development and Regulation of Drugs and Therapeutics for 11th Five year Plan. By the Indian Council of Medical Research.

Hence, possibility of introducing new products and new therapies by restructuring and re-engineering existing products, through drug delivery systems, doses, galenical forms, drug design and new indications exist in Indian market to accelerate growth.

Therapy focus is shifting to chronic diseases. Vaccines will play a greater role in combating infectious diseases.

3.3. Affordability

If there is no equally dominant purchasing power no market can be called viable market. In case of Pharmaceuticals in India, so far, payer and patient are almost same. Purchasing power is directly proportional to the disposable income of the population. This situation is slowly changing. Affordability of Indian population will improve substantially in next 5 to 7 yrs due to demographics, health insurance and health infrastructure. These three factors provide potential of Indian market.

3.3.1 Demographic Factors

Demographic factors are acquiring enormous focus in forecasting demand for every country. These factors are different in developed and emerging markets. Looking at these factors, India classifies itself as one of the high growth emerging markets.

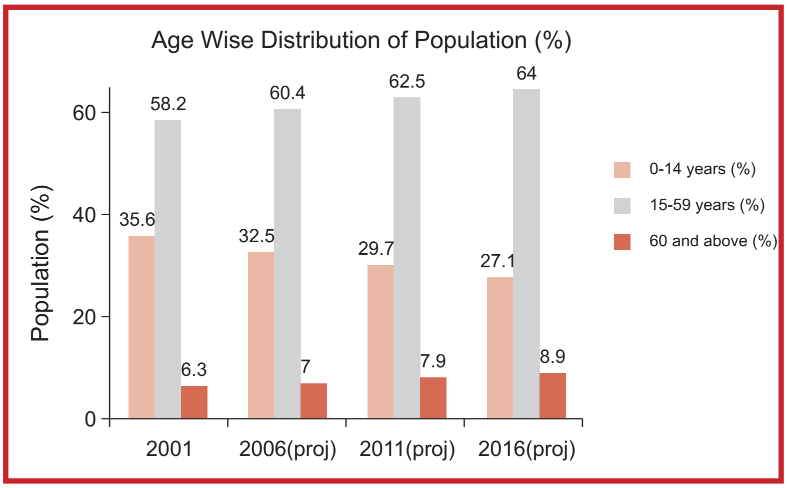
Exhibit 4: Demographic factors and markets

Demographic Factors	**Developed Markets**	**Emerging Markets**
Size of market (by population)	Small to Medium	Large
Market Growth Rate	Low	Medium, High
Paying Capacity	Large	Small, Medium
Market Value	Large	Potentially Large
Requirement in drug R&D	**Lifestyle related problems** • Cancers, Obesity, Diabetes, Autoimmune disorders • Ageing problems – Alzheimer's	**Potentially related problems** • Cancers, Obesity, Diabetes, Autoimmune disorders • Infectious Diseases, HIV, TB, Malaria, Hepatitis • Diseases of all age groups

3.3.2 Demographic Dividend

The demographic structure of India, in terms of age-wise distribution of population, offers an enviable demographic dividend.

Exhibit 5: Age Wise Distribution of Population

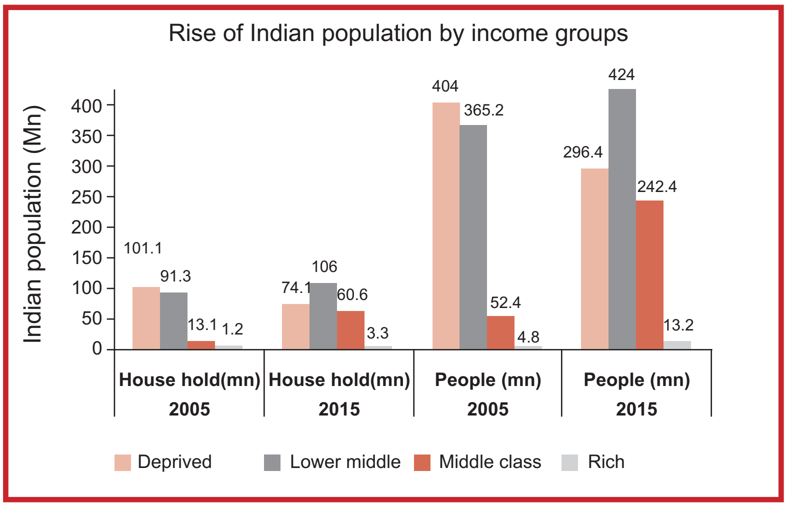


Source: Statistical Outline of India 2003-04

64% of India's young population will be a working population by 2016, engaged in manufacturing sector, service sector, trade and self employed entrepreneurial sector. Besides being working population, health consciousness, fitness and concepts of healthy life are becoming predominant for them to enjoy their life fully. Similarly, this age group will have sizeable disposable income with increasing health consciousness. Size of this Indian population will be enviable and sheer absolute numbers in comparison to many countries provide on attractive market.

3.3.3 Demographic Composition by Income Groups

Exhibit 6: Rise of Indian population



Source: Mckinsey Report: The Bird of Gold : The Rise of Indian Consumer Market

Deprived and lower middle class segment: The deprived segment in India will progressively get reduced by 25% during 2005-2015. The lower middle class, aspiring to migrate to upper middle class, is estimated to grow by 15% during the same period.

Middle & Rich Class segment: The middle class, known for its upwardly mobile character, will increase fourfold during the period. The affluent class, although small in number, will also increase by four times. In 2007 alone, there are 1, 23,000 millionaires in India, up by 22.7% in 2006 which ultimately will strongly propel the growth of pharmaceutical market, along with affluent class.

3.3.4 Democratic spending class

Besides quantitative dimensions, the consumer class is undergoing a cultural change. It can be described as a democratic spending class in contrast to earlier socialist conservative class. Anecdotal evidence suggests that people will spend more on education, health and entertainment. Aided by increased affordability due to shift in income patterns, a large number of patients will not hesitate to spend larger amounts on healthcare, including medicinal products in 2015. The deprived category will also be enabled to spend slightly bigger amounts on medicines due to highly government subsidized health insurance schemes. It is estimated that healthcare expenditure will increase at 10.8% CAGR over next 10 years.

3.3.5 Health Insurance

The expanding health insurance facilities will leverage substantially affordability of patients to spend more on healthcare including medicines. After de-tariffing of the industry since 2007, there is a pressure on insurance companies to give greater attention on health insurance as a business segment. As a result a number of insurance companies are liberalizing their health insurance products. The restrictive conditions of earlier diseases not being covered and reluctance to cover senior citizens are being gradually relaxed. Moreover, standalone health insurance companies are now competing with public sector companies for health insurance. Companies like ICICI Prudential Life, SBI Life, HDFC Standard Life and Bajaj Allianz Life are already working on their product strategies. ICICI Prudential and Bajaj Allianz have already launched a range of standalone health insurance products without any life insurance component and are making health a key focus area this year. The Government of India, as part of its welfare policy has also initiated schemes to include the hitherto uncovered population like people below poverty line – artisans, slum-dwellers through heavily subsidized health insurance schemes. Annexure 1 (enclosed) gives an illustrative list of recent initiatives of Government of India, other States and Private sectors indicating expansion of health insurance.

The number of patients availing cashless hospitalization benefits under health insurance schemes was 4.8 lacs in 2006. This number increased to 18.4 lacs in 2007. Interlink estimates number of patients availing cashless hospitalization under health insurance schemes will be 58.4 lacs by 2015. This represents an additional market of potential both for hospitals and pharmaceutical companies.

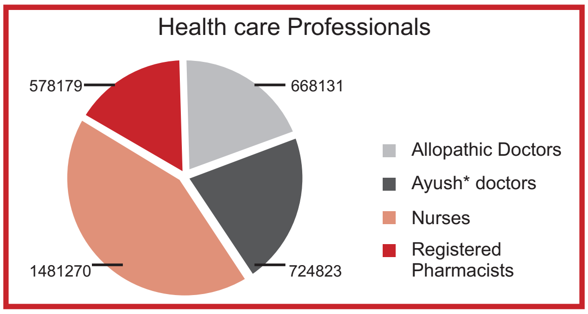
Overall, the affordability of Indian population during the period 2008-2015 will increase although the degree of this increase may vary in different income groups.

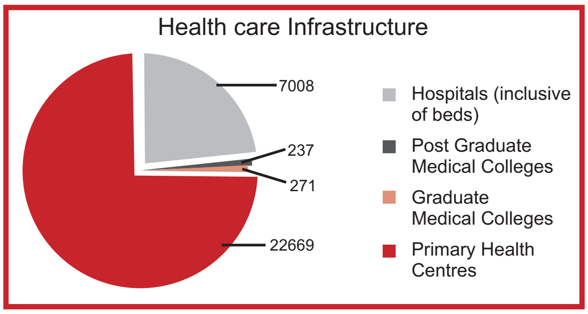
3.4. Access to healthcare

The main reason for the lack of access to healthcare facilities today relates to poor healthcare infrastructure. The country currently has approximately 860 beds per million populations which is only 1/5th of the world average of 3960 as per the World Health Organization norms. According to Technopak estimates, India needs 3.1 mn. new hospital beds in the next 10 years. It feels that the bulk of this capacity expansion will happen in smaller cities. 70% of the future capacity expansion will be seen in places like district head quarters.

The inadequacy of health infrastructure also covers the health professionals like doctors, para-medical staffs. The following table illustrates the poor state of health infrastructure of India.

Exhibit 7: Healthcare facilities:





* Ayush - Ayurvedic, Yoga, Unani, Siddha and Homeopathy

Sources : National Health Profile, 2006 - Rural Health bulletin, March '05

The healthcare facilities are expected to record significant improvement in the next few years. Considering limited coverage of healthcare facilities in major metros, semi-urban and rural centres, a number of hospitals have initiated expansion plans, and the Corporatization of hospitals is on the upswing.

Exhibit 8: Illustrative list of Corporatization of Hospitals:

Name of Hospital	Reported Expansion
Global Hospitals	$178M expansion.
Wockhardt	14 super specialty hospitals with $152M investment.
Apollo Hospitals	50 hospitals including several in Tier 2 cities.
RG Stone Urology & Laproscopy	15 more kidney centres with Rs 21 crore investment.
Private Hospitals	Rs 15000 crore upcoming investments.

This trend is likely to catch further momentum. The Union government has already announced in its last budget a Five Year Tax Holiday for hospitals to be set up in non-urban areas.

Expansion in healthcare facilities will act as a strong enabler for patients to avail facilities. This will result in facilitation of treatments. Atleast 20% of the increase on healthcare expenditure can be attributed to expenditure on medicines.

These three factors like demographic dividend, composition of market, health insurance as improved will provide stable base for Indian Pharma industry to grow even beyond 2015.

3.5. Pricing

Pricing pressures are universal. Policy makers are normally reluctant to relax pricing controls in view of the social sensitivity of the pharmaceutical industry. However, as the consumer class expands and has larger affordability health insurance assistance along with increasing health consciousness, the consumer sensitivity to pricing will be balanced. If the pharmaceutical companies intensify patient education movement to enable the patients to perceive the needed trade-off between pricing and health outcome, the government will gradually undertake a realistic view of pricing mechanism and balance the economic imperative of industrial growth in global competitiveness and the social obligation of the industry.

The global supply chain management will have variations in input costs. These will have to be suitably accommodated in pricing mechanism. This will help companies to have better price led growth. Organized trade will play a larger role in the distribution system.

3.6 Marketing Efficiencies

Marketing efficiencies are critical to deploy markets and realize their potential. Organizations are availing services of thousands of representatives, whole salers and other customers to deploy the markets. Yet field force productivity is at considerably low level in comparison to potential. Every company will have to enhance marketing efficiency to improve sales effectiveness, better field-force productivity and focus on brand management.

4. Indian Pharmaceutical Industry Growth: 2015

On the basis of six value creation factors four major issues come up for any company to deal with India.

1. Competitive Edge
2. Operating Market
3. Value for money
4. Productivity

Once a company takes a stance on these four issues, strategic initiatives on four fronts get manifolded.

a) R&D and Business front
b) Market front
c) Regulatory front
d) Operation front

Each organization needs to think about these initiatives and invest for growth in India.

Exhibit 9: VALUE CHAIN IN INDIAN MARKET

COMPETITIVE EDGE	STABILISER	VALUE	PRODUCTIVITY
New Brand through Innovation New Therapies Through existing products New Business Model	Affordabilty Health Insurance Access to Healthcare	Pricing	Marketing effectiveness
R&D DYNAMICS	**MARKET DYNAMICS**	**REGULATORY**	**OPERATING DYNAMICS**

Growth Potential of Indian Pharmaceutical Industry

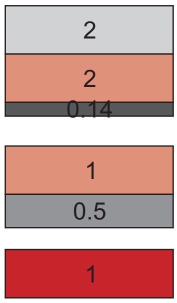
- On the basis of these six value creators, Interlink has quantified the growth potential of Indian pharmaceutical market. Interlink's analysis indicates that if these focused value creators are leveraged, the additional market growth in 2015 will be 6.64 %.
- Out of 6.64% additional growth, major additional growth of almost 4.14% will

come from market factors such as middle class, rural markets, health insurance etc. For this paper, they have been covered in affordability.

- 1.5% additional growth will come from brands and marketing efficiencies. For this paper they have been covered in new product, new therapies and new business models through innovation as well as marketing efficiency by improving productivity.
- Besides, as since last three years 1% additional growth has been coming from pricing escalation it may remain same.

Total incremental growth from various value creators could be around 6.64%.

Exhibit 10: Additional Growth



4.14%: Market factors such as **middle class, rural markets, health insurance** etc.

1.5%: **Brands** and **marketing efficiencies.**

1%: **Pricing** escalation

Scope and limitation of anticipated growth

It is difficult to quantify the market growth factor by factor due to unlimited possibility of multiple factors operating simultaneously on one or more value creations to provide growth. In view of this, we have taken a judgmental view for each value creator and estimated cumulative growth in 2015 arising out of 6 identified value creators.
The growth projection is also dependent on following assumptions:

5. Assumptions

1. Government Reforms

An essential feature of the global scenario is the constantly rising demand of the people for an adequate share in the growth of the global economy. Common people perceive growth as quantitative and development as qualitative. As a result, there will be continuous pressure on the government to move fast towards inclusive growth and distributive justice. In this context, the government will have to speed up the reforms in education and health. Since pharma industry is a key partner in healthcare delivery, government will have to speed up reforms in its pharma policy to ensure that people have access to both economic and innovative medicines. On the commercial side, government will encourage the pharma companies to take a leading role in the global market. By and large, the government's reforms, including budget provisions will have a positive impact on growth of pharma industry. Momentum, of the speedy reforms is maintained, by 2015, is maintained the Indian pharma industry can aspire to obtain a rank in the first five markets in the world.

2. Global Collaboration

Due to an advanced economic position, a large number of global companies will look forward to initiate collaborative alliances with Indian companies in research, manufacturing and even distribution. Indian pharma companies will become preferred partners by 2015 in developing the pharma business. It will add value and improve R&D productivity to develop new brands

3. Global Mindset

Many pharma companies will change their view of markets and business opportunities and acquire a global mindset in terms of faster output of new innovative products and upgradation of technology. Development of global brands will be instrumental into a higher growth rate of Indian pharmaceutical industry.

4. Structural changes

As the economy of an industry changes, the structures of industry evolve into a better shape. The process of consolidation of pharmaceutical industry has gathered speed all over the world. The current number of more than 8000 manufacturers in India will be reduced to a reasonable number. One can reasonably estimate that by 2015 the number of pharmaceutical companies will not exceed 300. This will provide advantages like economies of scale and generation of capabilities for research and marketing. Compact nature of industry will ensure better viability.

5. Strategies

At micro level the managerial structure may undergo changes. The Board of Directors will be concentrating more on growth strategies rather than just managing the return on investment. They will have to invest in strategic initiatives to improve growth. The independent directors will contribute significantly to think of innovations in business, management and operations. The Chief Financial Officers will play a much more active role. Regulatory experts will occupy a place of prominence. The new cadres like Strategy Managers and Ethics Managers may gradually evolve to balance the economic and social side of the pharmaceutical industry.

6. Risks

As the Indian Marketing is showing possible potential to the world, it must provide proof of higher growth to the world. Otherwise, the importance of India will pass over to other emerging markets. Government, industry, regulatory, Personnel, patients will have to work together to show the real growth to the world.

7. Outlook

The outlook and methods of doing pharma business may undergo a change by 2015. The adversarial relationship between government and industry will undergo a change. It may converge into a strategic partnership for advancement of public welfare with health as an important ingredient. The industry associations may have a different role in the growth. They may equip themselves to offer guidelines to pharma companies for doing better business through commonly applicable strategies.

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Annexure 1:

Expansion of Health Insurance – An Illustrative List

Sr. No.	Name of Scheme	Coverage	Premium	Insurance Cover	Govt. share	Brief Details
1	Rashtriya Swasthya Bima Yojana, Government of India	300 mn. families of people below poverty line in next 5 years. 2.42 lac BPL card holders already registered(individuals with incomes less than Rs.356 per month in rural areas and Rs.538 per month in cities)	Rs.750 per family of five	Rs.30,000 per family	75% from Centre, rest from State	Assam and Tripura had already rolled out the scheme.Gujarat,Rajasthan, Kerala and West Bengal are ready to issue Smart Cards. People in Bihar & Jharkhand and 15 districts in Uttar Pradesh also covered.
2	Health insurance schemes for weavers, Government of India	1.77 mn. weavers already covered	Rs.782	Rs.15,000	80% from Centre	Remaining 20% is being met by states in some cases. ICICI Lombard clinched the tender for the scheme.
3	Government of India's Health scheme	Workers in the unorganized sector (1.6 crore workers)	Rs.30 per person			The scheme would be extended to nearly 6 crore workers in the coming years as stated by Labour and Employment Secretary, Govt.of India.
4	Rajiv Gandhi Shilpi Swasthya Bima Yojana, Government of India	40 lakh artisans				Scheme introduced for the 11^{th} plan period. 9 lac artisans covered so far. Number to increase to 40 lakhs by 2012.
5	A scheme under the National Urban Health Mission, Government of India	55mn. slum dwellers in 489 cities / district head quarters				
6	Abasar Sathi Bima Yojana, Government of West Bengal	44000 families getting government pension in West Bengal	Rs.100 per year per person to be paid by depart-ment of agriculture	Rs.10,000 for cancer and coronery artery diseases	Full	The insurance will also provide farmers a maximum of Rs.10,000 against fire, explosive damage, riot, burglary and natural calamity
7	Rajiv Arogyasri Community Health Insurance Scheme of Andhra Pradesh Government		Rs.330 per BPL family paid by Andhra Pradesh govern-ment	Rs.1.5 lac	Full	People are given free health checkup by network hospitals. Mandatory for every hospital to run a 24 hour helpline. The scheme is of public-private partnership.
8	Life Insurance Corporation's Health Plus					The plan covers three components – hospital cash, major surgical benefits along with a ULIP component for domiciliary treatment related expenses.
9	Tata AIG Life Insurance Company's Health Investor					Cover under 12 critical illness/surgeries and payment of lumpsum amount on the first diagnosis of critical illness.

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

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