

Indian Pharma Sector: Way Forward

2021



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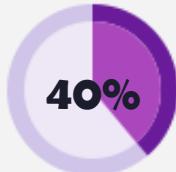
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Indian Pharma Industry: A brief overview



India's Pharma Sector supplies over 50% of the global demand



It also supplies 40% of the generic demand

2,700,000

Total Employment provided by the Indian Pharma Sector



2021

India's pharma market is estimated at US\$ 42 billion

Will reach US\$ 65 billion

2024



2030

Will be valued at ~US\$ 130 billion



Drivers of Pharma Industry: The Past and Present



Support from the **government** in 1950-70 to mass produce generic drugs of various kinds.



The **Patent Bill** helped the Indian medicine industry to be less reliant on the U.S. intellectual property laws, and boosted R & D investment.



Lower cost of labour and local **equipment availability** has helped us to manufacture drugs at a very low cost.



The **National List of Essential Medicines (NLEM)** and **National Pharmaceutical Pricing Policy Act** 2012 (NPPP) helped control pricing for drugs and regulated the market.



'**Pharma Vision**' Initiative aims to make India a major hub for end-to-end drug discovery and make the domestic sales model more sustainable.

Assessing Company's Financial Performance

Lets take a look at some financial metrics to gauge profitability and the importance of assessing financial health



Benchmarks of Profitability

RORC=

$$\frac{\text{Current Year Gross Profit}}{\text{Previous Year R&D Expenditure}}$$

Reveals the gross profit that a company realizes from each dollar of R&D expenditures.

Operating Margin=

$$\frac{\text{Operating Income}}{\text{Revenue}}$$

Measures revenues minus production costs, indicating how well the company manages costs.

Net Margin=

$$\frac{\text{Revenue} - \text{Cost}}{\text{Revenue}}$$

Bottom line indicator of profit realized after deducting all of a company's expenses, including taxes and interest.

Liquidity Ratio=

$$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Indicator of a company's ability to effectively cover its day-to-day operating expenses.

Debt Ratio=

$$\frac{\text{Total Debt}}{\text{Total Assets}}$$

Measures the amount of leverage that a company has and indicates the proportional amount of a company's assets that are financed through debt.

Return on Equity=

$$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Gauges the return the company is generating in relation to its equity.

Importance of Conducting Profitability Analysis



Forecast Future Performance

A company equipped with the appropriate financial knowledge and tools needed to be highly adaptable can more accurately forecast future performance and make necessary path changes when needed.



Drives Growth Strategy

Helps firms create growth strategy where targets are highly specified and sufficiently realistic to align with ground realities. This minimizes failure and the need to constantly re-adjust goals due to coming up short.



Improves Decision-Making

Provides managers with the data and tools needed to facilitate decision making and ensure that decisions are based on accurate and relevant data.

Role of Mergers and Acquisitions in Pharma Industry Growth

M & A's are instrumental to the growth of the Indian Pharma Industry, let's explore how pharma companies can benefit from them



How M & A's can Grow the Pharma Industry



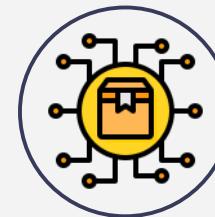
Expand Product Range

Case Study: Cipla acquired InvaGen and Exelan to increase product portfolio and get access to govt and institutional markets in US



Access to approved facilities

Case Study: Lupin's acquisition of US-based Gavin to gain access to highly skilled US based Manufacturing & Research facilities.



Access to distribution channels

Case Study: Abbott's acquisition of Primal Healthcare helped them penetrate new emerging markets and gain valuable IP rights.

Expanding to

New

Geographical Markets

India being one of the largest pharma exporter in the world, needs to capitalize on certain ideal markets. In this section we take a look at those markets and how we can get there



Potential Countries to Export Pharma Products



ASEAN Countries

USD 13 BN generic market, with opportunity for Indian products to compete with current suppliers Vietnam and Thailand.



Australia

Imports 90% of its medicines; due to current rifts with China, there is a huge potential to replace China as API supplier.

Market Research for Effective Entry in International Markets



Industry Analysis

Analysing market size, opportunities, gaps, drivers of demand, govt. policy etc.



Competitor Analysis

Analysing competitor offerings, price points, differentiating factors and organizational structure.



Target Customers

Understanding preferences, need gaps, demographics, consumer behaviour and target market.



Marketing

Devising a branding, promotion, advertising and positioning strategy.



Pricing

Identifying price points and demand elasticity to create a pricing strategy.



Distribution

Planning and setting up an effective network to bring your offering to the market.



Utilizing Government Aid to Achieve Goals

The Government has launched various initiatives to boost the Indian Pharma Industry. Here we uncover some of the initiatives and their benefits.

Schemes Available for the Pharma Sector



Production Linked Incentive Scheme for Bulk Drugs

Promotion of domestic manufacturing of drugs.



Technology Upgradation Assistance

Facilitating SMEs to upgrade their plant and machinery



Scheme for Promoting Medical Devices Manufacturing

Boosting domestic manufacturing to attract large investment in medical devices segments



Scheme for Bulk Drug Parks

Financing Common Infrastructure Facilities in 3 Bulk Drug Parks with investment of ₹3,000 crore.



Production Linked Incentive Scheme for Pharmaceuticals

Enhancing India's manufacturing capabilities



Thank You

Let's Discuss Further!

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