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India Attracting More Investments in BioPharma R&D but Still Lacks Recognition as Innovation Partner, Says Study by The Boston Consulting Group

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More than 70 percent of the 40 global BioPharma executives in a recent survey are satisfied with their R&D alliances in India, and three out of four expect to increase their R&D activities in India. Despite such positive appraisals, India continues to play a relatively small role in BioPharma innovation, according to a new report by The Boston Consulting Group (BCG).

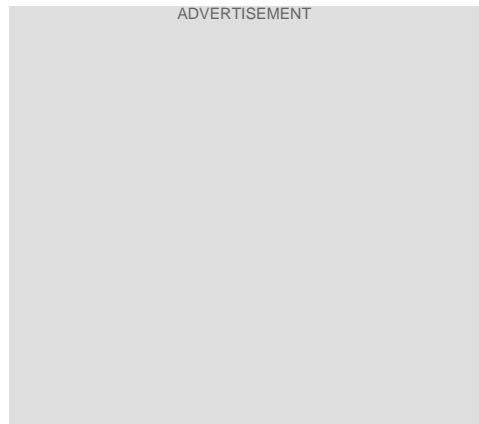
The report, which was commissioned by the USA-India Chamber of Commerce (USAIC) and based on in-depth research, interviews, and a quantitative survey with over 40 R&D decision makers, will be released June 23 during the annual USA-India BioPharma & Healthcare Summit in Cambridge, Massachusetts.

Over the past ten years, India has made a concerted effort to capitalize on the globalization of R&D investments. US BioPharma companies spent 24 percent of their R&D budgets in foreign countries in 2009, up from 17 percent in 2002. Over the same period, India's share of these foreign expenditures increased tenfold to about \$500 million.

Emerging markets have benefited from the growth of overseas investments, while the share of US-funded BioPharma R&D conducted in Western Europe, Canada, and Japan declined from 2002 to 2009. "We expect this trend to continue," said Simon Goodall, a BCG partner and a coauthor of the report. "Global BioPharma companies are intent on finding more efficient ways to develop new drugs, and emerging markets hold a distinct cost advantage."

Despite this trend, India still accounts for only about 1 percent of the overseas R&D investments made by US BioPharma companies — similar to China's share (also about 1 percent), but much smaller than the share of Eastern Europe (about 8 percent) and Latin America (about 4 percent). "We feel that India's research sector still has tremendous opportunities for growth, particularly with BioPharma companies struggling to resolve the crisis in R&D productivity," said Bart Janssens, a BCG partner and a coauthor of the report. "But lowering costs is only half of the solution."

R&D productivity, the report explains, is a function of "value generated" (the number of new drugs launched) divided by "value invested" (the resources required to bring a single drug to market). Over the past ten years, the global BioPharma industry has seen a steady decline in value



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generated, along with a steady rise in R&D costs—and hence value invested.

India can help companies improve both parts of this equation—but only if BioPharma companies and Indian stakeholders move beyond the prevailing model, which revolves around low-cost sourcing. “Costs are critical, and India can play a significant role in increasing R&D efficiency over the short to medium term,” said Kim Wagner, a BCG senior partner and a coauthor of the report. “But collaborative partnerships, compared to traditional vendor relationships, can have a much more substantial impact on a company’s ability to create new and innovative products.”

To lower the cost element of the equation—value invested—BioPharma companies should work with India’s research sector on several fronts:

- Generate greater value from collaborations. There is growing recognition that the transactional R&D sourcing model, while often effective in lowering costs, is wholly inadequate for spurring innovation. Strategic partnerships are gaining traction, both globally and in India. In these relationships, the partners exchange knowledge and work toward shared goals, which sometimes include building or enhancing capabilities.
- Expand the scope of sourcing. Indian research companies have invested heavily in broadening their services, giving multinationals an opportunity to increase both the depth and breadth of activities sourced from India. Several BioPharma companies in the survey had sourced early discovery activities from India and were satisfied with the results.
- Establish clinical hubs. Approximately 1,300 clinical trials have been conducted in India since 2005. The cost per patient is half of what it is in Western countries, and the process of recruiting patients is four times faster. Companies can conduct twice as many proof-of-concept trials in India as they could for the same cost in Western countries.

To maximize the output from R&D—value generated—BioPharma and research companies should focus on two opportunities:

- Develop niche-busters. The current R&D model makes it uneconomical for companies to pursue niche-busters—drugs designed to combat diseases that affect a relatively small population. India, with its 60 percent cost advantage relative to the traditional R&D model, can allow global BioPharma companies to develop such drugs cost-effectively.
- Leverage research capabilities in emerging technologies. BioPharma companies should look for opportunities to capitalize on India’s growing interest and expertise in specific research areas. India was one of the first countries in the world to establish a nationwide bioinformatics network. Its Biotechnology Information System Network (BTIS) now connects 57 key research centers, covering the entire country. In addition, the Indian government is fostering a research ecosystem to support the development of nano biotechnology. It is also coordinating its own efforts to advance stem cell research.

To realize the full potential of R&D in India, a range of stakeholders—including global BioPharma companies, local biotech and pharma firms, and academia—will all need to be involved and willing to make a long-term commitment. “Successful relationships are ones in which the partners invest in building capabilities and trust,” Janssens said. “Such partnerships have been able to move beyond low-cost sourcing to deliver fundamental improvements in productivity.”

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