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Indian Pharmaceutical Industry in 2018—Strength, Weakness, Opportunity, Threat (SWOT) Analysis

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ABSTRACT

The top pharmaceutical companies in India, currently, are Glenmark, GlaxoSmithKline, Cadila Healthcare, Aurobindo Pharma, Cipla, Lupin, Dr Reddy's, Sun Pharma, etc. The strength, weakness, opportunities, and threats associated with them and altogether to this industry are of great interest to pharma and commerce industry equally. The world population explosion and increase in lifespan have increased the importance of this industry over time. The spending on medicine and healthcare by governments has pushed it further to new heights. But still, a lot needs to be done to make medicine available to the lowest downtrodden person. Immunization program needs to be carried out for every household in India. As the competition in the pharma field has increased considerably, "Talent to Value" approach needs to be followed.

Keywords: Opportunity, strength, threat, weakness

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INTRODUCTION

The contribution of Indian Pharmaceutical Industry to the global healthcare is immense with the production of high-quality low-cost medicine. It also fulfills half of the global demand for vaccines. The affordability of anti-retroviral drugs makes it 60% contributor of global needs and 30% of requirements of UNICEF. Despite this, the profits clocked by Indian Pharmaceutical Industry are low and growth is slow. This has led to hindrance in expansion plan and research and development (R&D) activity of some of the best industries. Even then, the industry has grown at 6%–7% on an average annually [1–3]. India is poised to be the third largest pharmaceutical industry globally by the end of 2020 (Figure 1).

The turnover of the industry has increased from US$ 0.3 billion in 1980 to US$ 33 billion in 2017. It is expected to expand its CAGR (Compound Annual Growth Rate) to reach US$ 55 billion at the rate of 22.4% (Figure 2). It is driven by highly skilled low-cost manpower and innovations in the industry.

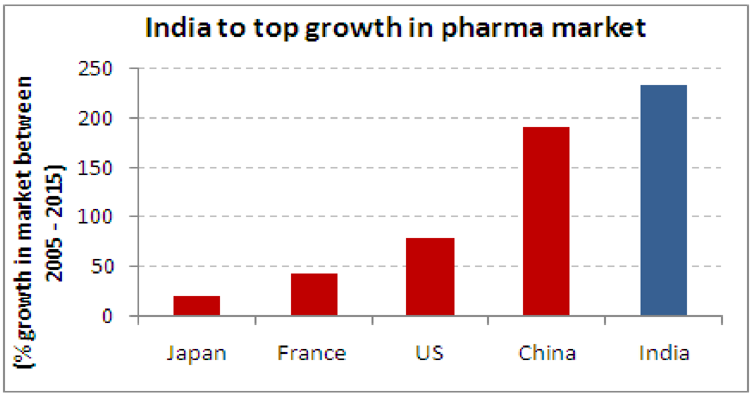

***Fig. 1:** Growth Rate of Indian Pharmaceutical Industry.*

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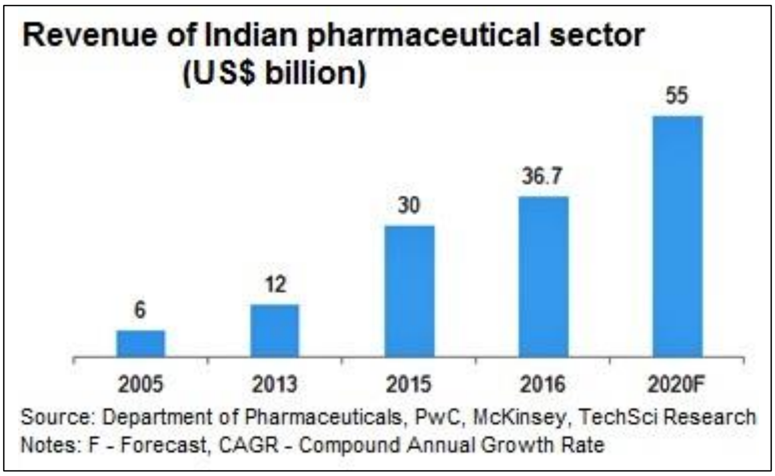

Fig. 2. *Turnover of Indian Pharmaceutical sector*

STRENGTHS

One of the key strengths of India over China lies in having qualified, skilled, and global language speaking people. It has strict laws pertinent to the protection of intellectual property rights. The affordable cost of manpower has resulted in lower cost of innovation, manufacture, and expenditure to run cGMP regulations. Technically, India has evolved as a strong player in documentation and process understanding. Highly skilled personnel coupled with the rich diversity of race have potentiated its claim to be center of international clinical trials. It is an emerging industry in contract research, biotechnology, clinical data management, clinical research, and new drug delivery systems with effective placement of resources and management principles. The turnover of the industry is expected to reach 55 billion USD (Figure 2).

Computerization and automation has helped altogether the growth of Indian economy and, in turn, pharmaceutical industry. This has resulted in increased output with reduced cost. Rise in e-pharmacies with ease in regulations and simpler norms will give push to retail chains with the greater role of pharmacist. This space is also attracting private investments and will lead to a dramatic shift in generic drugs. Rise of the usage of the Internet has boosted this space as people search Google first to decide on which pharmacy or doctor is nearby. It gives them empowerment to choose based on the reviews [4–6].

Patent regime has infused new vigor towards R&D among major players in this field. The distribution channel in pharmaceutical industry is strong with many smaller players constricted regionally and doing well. The subsidies given by the government towards bulk supply in government-run hospitals, immunization, and health camps have helped many smaller players in establishing and stabilizing their foot. The implementation of 100% foreign direct investment has also proved boon to the Indian Pharmaceutical Industry.

India has always been a country with rich base for Ayurveda-based natural healing substances and processes. Apart from this folklore, medicine has also traveled generation after generation and is practiced normally in households as they are found to be effective with no or minimum side effects, if so ever. Newer medicines and molecules are being tested for increased efficacy and reduced toxicity. Stem cell research and advances in biotechnology have also consolidated positioning of India among best players globally. The huge unemployment in India has made human resources available cheaply to the industry.

The rise in per capita income of people has also contributed in the growth of the industry.

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WEAKNESS

A large fraction of Indian Pharmaceutical Industry lacks the ability to compete with the multinational giants in the drug discovery process due to lack of resources. The low investment in R&D is a major drawback and is the result of numerous factors. Although Indian economy is progressing at a smooth rate, the market expenditure on healthcare is comparatively less. The production of spurious and adulterated drugs is still prevalent in smaller regions due to inadequate regulatory and legal framework.

The academics in India lacks in its readiness to prepare industry-oriented people. The rapid increase in the cost of skilled and specialized manpower has again resulted in higher cost of innovation. Lack of understanding of international markets, their environment, pricing, and regulatory affairs has acted as barrier in the expansion of Indian Pharmaceutical Industry globally. The procedure to obtain process patents and product patents differ in different countries and continents. The sales and marketing also get affected due to the lack of understanding of international markets, which may tend to end up as non-productive venture (Ranbaxy) [6–8].

The competency in APIs and formulation along with the maintenance of international workforce lies with few bigger players and small industries are unable to cope with this kind of competition. The exposure of pharmaceutical industry to biosciences is lower, which shows lacuna in that area and requires education system to strengthen its base in biosciences.

The fragmentation of Indian Pharmaceutical Industry due to low entry barrier has led to cut-throat competition and a price war, which lowers the overall growth of the industry. It decreases the value of an industry.

OPPORTUNITIES

The number of generic launches has increased in international market by Indian Pharmaceutical industries. In Western countries, US$ 65 billion worth of drugs or molecules are going to be off patent soon. This provides Indian pharmaceutical companies a vast opportunity to capture 30% of the market (Assocham). The Doha Round negotiations around compulsory licensing provisions have permitted countries to import cheaper generic versions of patented drugs. This has increased exports of generic version of patented drugs from India due to lower cost. As more and more countries are willing to follow the initiative in the interest of public health, Indian firms are poised to gain from it.

The rise in the concept of Contract Manufacturing and Research by MNC's has found a base in India, a lot of times due to cost advantage. This generates revenue for at least a decade. Sales and marketing in international market along with licensing deals for NCE's (new chemical entity) and NDDS (new drug delivery systems) is an emerging field for growth [9].

India can become an international clinical trial center due to its rich ethnic diversity. The opportunity lies in biopharmaceuticals and bio-similar, and India can be a niche player in this field. The whole world keeps an eye on the herbal treasure of India and India can become the largest supplier of herbal medicines and products along with nutraceuticals to the whole world. The preference of humankind for traditional drugs is supposed to push this market to great heights.

The increase in life expectancy of humans and animals both in India and the world with increased old population has compelled the nations to move to cheaper and effective alternatives, which are India's forte. The growing health insurance sector with increase in per capita income has led to the expansion of healthcare industry with direct effect on pharmaceutical industry. Outburst of new diseases each year promotes both prophylactic treatment, new medications, and approaches of treatment with NDDS, traditional and herbal medicines.

THREATS

The DPCO (Drug Price Control Order) and market of generic drugs posts unrealistic ceilings on the prices of product and the profitability of the same to the industry. The R&D of Indian companies is obstructed due to regulatory requirements. Product patent regime is further putting pressure on companies to invest in R&D if they want to be relevant in today’s time.

There are barriers to export, also, from India due to procedural hurdles and non-tariff barriers. Some countries, such as the United States, allow government contracts to be given only to countries that are signatories of WTO agreement. Moreover, Indian manufacturers need to submit a separate application for each state as there is no single nationwide acceptable procedure, which requires knowledge and expertise to submit in an individual state.

The growing generic market and tariff protection have resulted in increased competition in domestic market. The mergers and acquisitions although help in the growth of economy but on the downside may affect generic market and cost competition [9].

Increased competition arising due to heavy investment by Chinese and European manufacturers in the pharmaceutical and biotechnology sector. Increase in tariffs by other countries and longer registration process may further hit the export by Indian pharmaceutical companies to such nations.

CONCLUSION

GST (Goods and Services Tax) implementation has a positive effect on Indian Pharmaceutical manufactures as it has eliminated multiple taxing on pharmaceuticals, which were earlier under VAT taxation system. Intense competition, scrutiny, regulation, and complex portfolios are putting emphasis on organizations to deliver in a time-bound manner. To cope with challenges Indian Pharmaceutical Industry needs to brace itself with upgradation and expertise.

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