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Report: Indian pharma to look away from generics

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Singapore: According to a new report by Research and Markets tilted, 'Niche drug revolution: Has India's generics boom peaked?' many Indian pharmaceutical companies will increasingly look to the development of drugs within niche therapy areas and move away from the overcrowded and increasingly challenging generics landscape.

The report also highligted that major pharmaceutical manufacturers in India will spend more on R&D in the near future as they target potentially lucrative and relatively underdeveloped niche therapy area drugs markets.

Companies such as Ranbaxy, Dr. Reddy's, Lupin and Wockhardt have already been making moves towards niche drug production, with R&D investments increasing in recent times, says Mr Adefemi Adenuga, analyst, healthcare industry dynamics team, Research and Markets.

Many Indian companies already possess considerable manufacturing capabilities and would be able to leverage their experience and infrastructure into achieving scale economies in the development and production of niche drugs.

The generics sector, which currently dominates India's pharmaceuticals market, does not guarantee long-term profitability or sustainable financial growth, and there are fewer barriers to market entry than there are for branded therapeutics, which require significantly greater resources. Accordingly, competition in the generics sector is fierce and profit margins are slim.

Big pharma's rising interest in emerging markets is expected to further squeeze the profitability of India's generics manufacturers, particularly that of smaller firms. Major players from Europe, Asia, and North America are investing significantly in India and taking advantage of the nation's relatively cheap resources.

While this interest will inevitably put pressure on India's domestic firms, it will also play a key role in driving the country's pharmaceutical market value. Furthermore, the revenue is estimated to increase from $17 billion in 2012 to $54 billion in 2020.