TIMES OF INDIA:

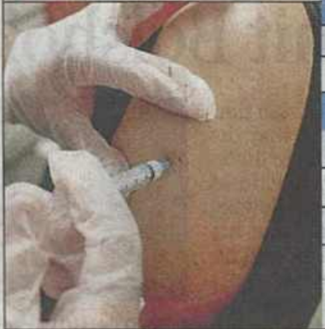
Growing Chinese clout in vaccine mart gives Indian players jitters

TIMES NEWS NETWORK

Hyderabad: With the Chinese dragon rearing its head, India's low cost vaccine industry is increasingly struggling to remain immune to the Chinese threat. Surging Chinese vaccine exports are already giving sleepless nights to Indian vaccine manufacturers that export two-thirds of the total vaccines produced in India valued at around Rs 14,000 crore.

In terms of value, China exported $75.93 million worth of vaccines in 2009, which shot up over 100% to $164.78 million in 2011. In comparison, India exported $281 million worth of vaccines in 2009 that grew to $374.56 million in 2011, a 33% growth. Though India is far ahead of China in terms of export volumes, the growth trajectory of Chinese vaccine exporters is giving jitters to its Indian counterparts. Moreover, in March 2011, China's State Food and Drug Administration (SFDA) got World Health Organisation's (WHO) nod to function as a regulatory authority for vaccines. This approval means that Chinese vaccines approved by SFDA can meet WHO's criteria for international standards thus opening global doors for Chinese vaccine manufacturers. "In the last two-to-three years, the Chinese companies have set up units with huge capacities. They have access to low cost capital and there is a surge of investment capital both from within the country and abroad. The government has formulated certain schemes that encourage talent pool from the West to set up bases in China, hence the atmosphere there is very enabling," pointed out P V Appaji, director general, Pharmaceuticals Export Promotion Council of India (Pharmexcil). Pointing out the reasons for Indian manufacturers' declining immunity against Chinese competitors, Appaji said the major vaccine buyers are just four to five international agencies and even a slight shift would result in massive export losses for Indian players. Apart from this, Indian players face capacity constrains due to lack of capital and attracting foreign direct investment continues to be an uphill task due to buzz in the international market about the not so healthy investment climate in India, he added.

THE DRAGON THREAT



China	Vaccine Exports	
2009	$75.93 million	100%
2011	$164.78 million	
India	**Vaccine Exports**	
2009	$281 million	33%
2011	$374.56 million	

Growth Constraints

» Lack of capital

» No foreign direct investment

» Not so healthy investment climate

» Only four to five international agencies are major vaccine buyers, a slight shift would result in massive export losses for Indian players

"The Chinese government takes very good care of its vaccine manufactures. In order to boost their business and help them grow, the government gives interest subsidy and even buys vaccine from them at a higher price

Krishna M Ella
BHARAT BIOTECH'S CMD

Blaming the Indian government's apathetic attitude for the Indian players losing steam against their Chinese counterparts, Bharat Biotech's chairman and managing director Krishna M Ella said, "The Chinese government takes very good care of its vaccine manufactures. In order to boost their business and help them grow, the government gives interest subsidy and even buys vaccine from them at a higher price."

"The Indian government on the other hand, has been turning a blind eye to our urgent needs. There is no incentive for innovation though vaccine development requires huge investments over six-to-seven years. We are forced to borrow at high rates of 14%-15%, which leads to a rise in our costs. Given this scenario, it will be difficult for Indian manufacturers to retain their competitive edge in the global market in face of the growing Chinese threat," he added.

However, Serum Institute of India's international marketing division head S M Dodwadkar does not see the Chinese invasion as an immediate threat. "China has recently begun vaccine exports and they have a very low base. It will take some time for them to understand the international markets, particularly US and Europe where regulations are very stringent. Hence I see no threat from China in the short run."

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