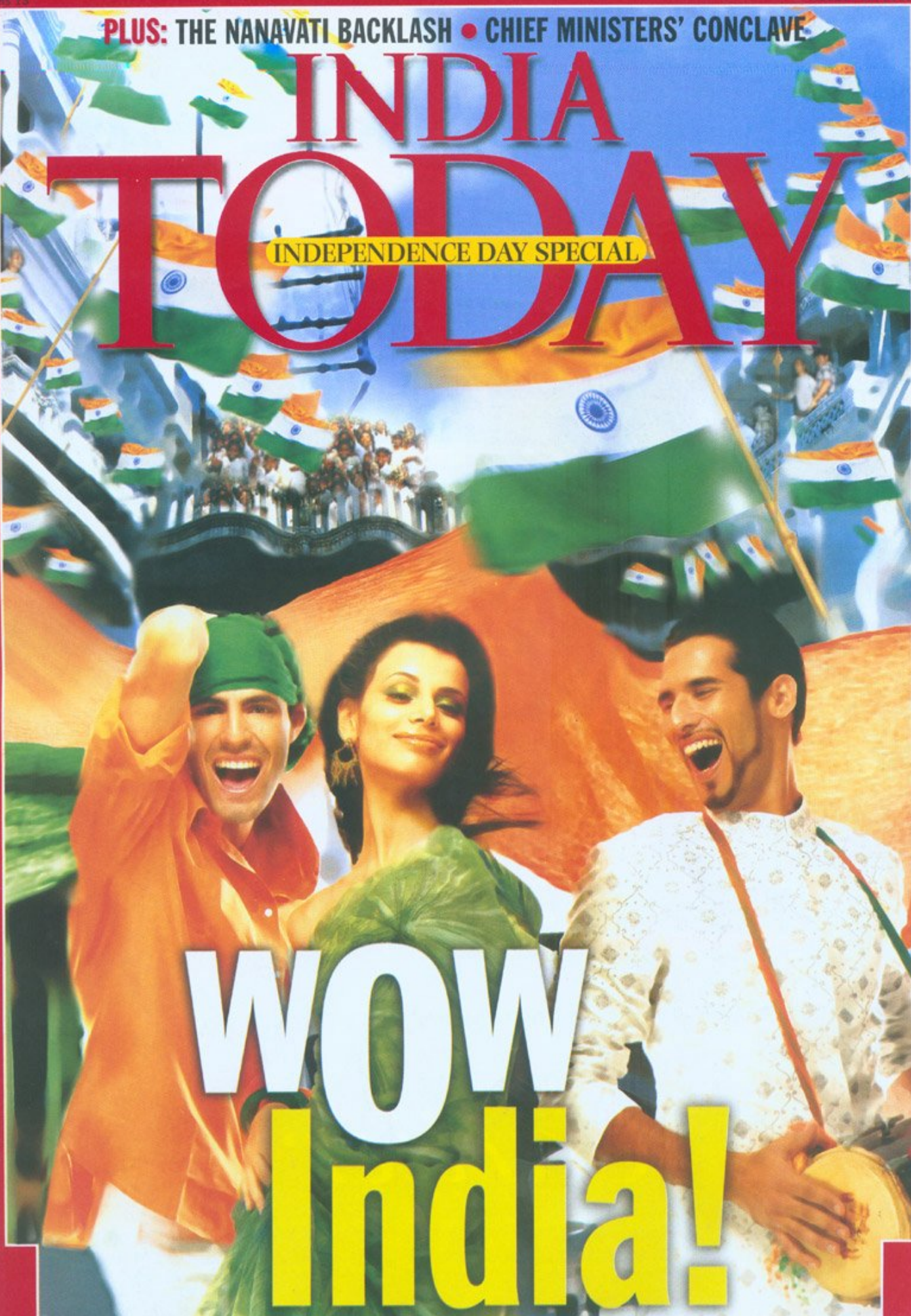


PLUS: THE NANAVATI BACKLASH • CHIEF MINISTERS' CONCLAVE

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Vision leaders have begun to cash in on the new money plant.

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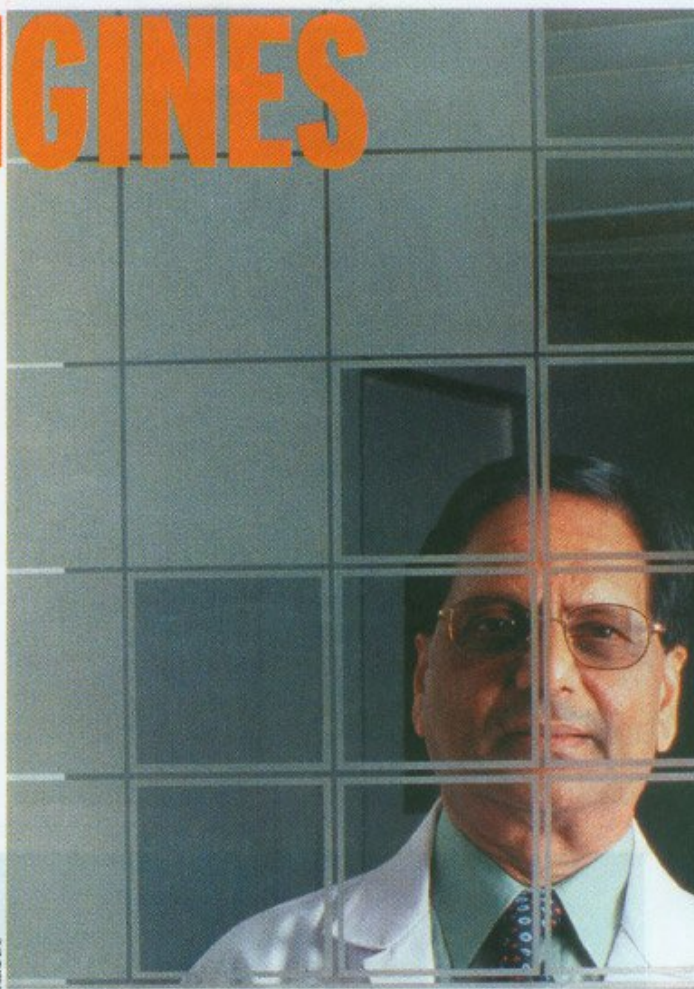
First the bad news. The Indian mind may have been liberalised but R&D is still in the vice-like grip of the government, which funds 70 per cent of it. The country spends a paltry 0.8 per cent of its GDP on R&D, compared to China's 1.32 per cent and South Korea's 2.96 per cent, partly due to the chronic shortage of research scientists and R&D engineers. Now the good news. India's new product-based patent regime encourages innovation and it is something Indian firms are now recognising.

For the Rs 9,00,000 lakh crore Indian pharmaceutical industry, R&D is the only way to grow—they can no longer launch new drugs

by copying those patented after January 1, 1995. Some like Dr Reddy's Laboratories (DRL) and Ranbaxy (which invested more than 5 per cent of their turnover on R&D in 2002) recognised this a decade ago when India signed the TRIPS agreement.

While most companies work only on producing variants of existing drugs that will go off the patent list, those like DRL look at the bigger picture—to push growth through innovation. They work on the twin strategies of producing variants to rake in quick profits and also dig deep into the drug discovery business by investing heavily in R&D. They are the vision leaders in a field widely seen as the new money plant for business.

DRL was the first company to license a molecule for clinical development to an MNC. It created another milestone in Indian R&D when it discovered a first-in-class molecule—Ragaglitazar. Since then DRL has developed two molecules to Phase II—a cancer mole-



SARITA DAS

“India has an opportunity in R&D if we think out of the box. In each problem, there is an opportunity.”

KALLAM ANJI REDDY, CHAIRMAN, DRL

cule, 1042, and 10945, a drug that could help lower triglycerides and elevate good cholesterol.

The financial benefits for DRL have been considerable but to keep costs in control, it has developed a unique model to finance and share the risk of developing new drugs. The first Indian pharmaceutical company to be listed on the NYSE, DRL has struck an innovative Rs 246.4 crore partnership with ICICI Venture alongside tie-ups

with the big boys in the business—Denmark's Novo Nordisk and Switzerland's Novartis. Ranbaxy too has teamed up with Glaxo-SmithKline to identify new drugs and perform clinical trials in India. Both companies, according to *The Economist*, will be boosting R&D to 10 per cent of revenues. Analysts say the next five years will see close to \$60 billion worth of drugs going off patent. Are Indian companies ready?

by Amarnath K. Menon

196

IS THE NUMBER OF US PATENTS GRANTED TO THE CSIR IN 2003-4, UP FROM JUST SIX IN 1990-91.

480

MILLION DOLLARS IS WHAT KIRAN MAZUMDAR'S STAKE IN HER FIRM BIOCON INDIA IS VALUED AT, MAKING HER INDIA'S RICHEST WOMAN.

30

PER CENT OF R&D IN INDIA IS DONE OUTSIDE THE GOVERNMENT, COMPARED TO 60 PER CENT FOR OECD NATIONS.