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Japanese Firms Have Generally Cracked the Code of Working In India's Huge Domestic Market, But the Extent of Success Varies

India's economic engagement with the world may have begun in right earnest after the liberalisation of the economy in 1991 but the country's ties with Japan go further back. India is considered a difficult market for outsiders but in consumer centric sectors like automobiles and durables, Japanese companies have always found remarkable success - Maruti Suzuki, the country's leading car maker, along with Honda, Toyota and Yamaha in automobiles; and Panasonic, Sony, Daikin, Hitachi, Toshiba and Canon in consumer durables are prime examples.

As of October 2018, the number of Japanese establishments in India was 5,102, a number that increased by 5 per cent over 2017. Similarly, there were 1,441 Japanese companies operating in India, which also grew 5 per cent during the year. Over a longer 12-year period, since 2006, the number of Japanese companies has increased by an average of 16 per cent every year. The rising interest of the Japanese corporate sector in India can be attributed to multiple reasons, including the growing proximity between Japanese Premier Shinzo Abe's and Indian Prime Minister Narendra Modi's governments, and increased spending by Japanese venture capital funds in the Indian start-up story.

"SoftBank helped change the perception of investment in Indian start-ups. Because of proximity, Japanese investors are always looking at the South-East Asia market. The US and China (in terms of start-ups) are sometimes difficult," says Yuki Kawamura, Principal, AET Fund (Akatsuki Entertainment Technology Fund). "India was de-prioritised compared to those markets. Because of SoftBank's exit (from Flipkart, where it made close to $2.3 billion on an investment of $1.5 billion), and relationships of our prime ministers, in the last couple of years, investors have started to focus (on India) as an attractive market," he adds.with its young demography and rising per capita income, India's high potential domestic market is a strong magnet.

"It is only fitting that the two nations strengthen their strategic partnerships as India accelerates its digital transformation journey," says Manish Sharma, President and CEO, Panasonic India and South Asia. "Organisations globally acknowledge the fact that it is imperative for them to not only have strategic interests in the country but also position India as a major growth driver for them."

Business Case

India's consumer landscape has evolved over the last few years. "With Japan having pioneered latest innovations and technological advancements, Japanese organisations stand to benefit greatly by having India as their growth driver," says Sharma.

However, as in most businesses, not everything has been silky smooth. In the pharmaceutical industry, for example, some early Japanese joint ventures and acquisitions in India - Daiichi Sankyo-Ranbaxy, Mitsui-Arch, Otsuka-Mitsui-Claris - faced headwinds. But there are growing examples of successes too.

Otsuka-Dhanuka is a collaboration that has withstood the test of time. Otsuka Pharmaceutical, which first entered into a JV with Dhanuka in 2005 and began production with Japanese technology in 2008, has now increased its stake in Dhanuka Laboratories. Similarly, Rohto Pharma, a major Japanese manufacturer of OTC products, recently invested $5 million in SastaSunder.com, a Kolkata-based e-market for pharma products. Omron Healthcare, a prominent medical device manufacturer from Japan, generated Rs 130 crore revenue from its India business in 2017/18.

The tie-up between Japan's Asahi Kasei Corporation and Reva Pharma of India has seen Indian oncology APIs (bulk drugs or key raw materials) being supplied to Japanese generic companies. Reva also contract manufactures Asahi's products in India.

"One reason why Japan is betting on Indian pharma companies is that these companies have strong cash flows, low leverage and high debt capacity for medium to large sized acquisitions," says Gurpreet Sandhu, Managing Director, Reva Pharma, and President, Council for Healthcare and Pharma. "We see the Indo-Japan pharma and medical device industries collaborating further," he adds.

Among new sectors, gaming and entertainment are seeing interest. Kawamura's AET Fund, for example, is actively scouting for collaborations and investments in this area. AET is a venture capital fund established by Japan's highly regarded gaming company Akatsuki Inc, which actively invests in all new forms of entertainment technology, content and service start-ups that use augmented reality, virtual reality and mixed reality.We see a lot of areas that we can collaborate in, especially in the sectors that we look to fund, like expertise on gaming, content creation and animation," says Kawamura "I feel that in India there is not much of entertainment to consume during weekends, like karaoke box. There is a huge gap between India and what is happening in the entertainment sector in the US, Japan or China."

There is no fear of a let-up in investments by any of these companies in India. With growth slowing in many of the major economies in the world and the foundation already in place in India, most Japanese companies have prioritised India. "India is priority number one for us worldwide. Our other markets in South Asia, such as Indonesia and Vietnam, are saturating a bit," says Motofumi Shitara, Group chairman, Yamaha Motor India. "India has a huge young population that is aspirational. There is a lot of opportunity for us here."
(Source: Business Today)

Indian Companies are Finally Getting Down to Cracking the Japanese Market

NASSCOM, the apex trade association of companies that offer information technology (IT) services from India, is getting ready to take a 20-member delegation of Indian start-up firms to Tokyo on a fund-raising mission in August. The number of applicants has already crossed 1,500, making the selection process tough. On the other side, there is huge interest among Japanese institutions to invest in Indian start-ups. In the past three years, NASSCOM alone has facilitated over 100 business meetings for Japanese investors in India. In addition, some 30 Indian start-ups participated in Japan's biggest IoT (internet of things) show as part of a Japanese government funded start-up initiative during this period. Some, such as Bengaluru-based iWave - mentioned in Japan External Trade Organization's Invest Japan Report 2017 as one of the beneficiaries of its Subsidy Program for Global Innovation Centers - have gone further and clinched technical and financial partnership deals with Japanese entities.

If the current trend is any indication, the shared vision for the future of India-Japan relations outlined by Indian Prime Minister Narendra Modi and his Japanese counterpart Shinzo Abe in 2018 is beginning to take shape. And it is no longer skewed towards the inflow of Japanese investments and products into India. One of the key elements of the vision statement, a resolve to develop IoT and artificial intelligence (AI) solutions through collaborations between industries from both the countries for mutual benefit, is encouraging Indian technology companies to work with the Japanese players. A Japan-India Start-up Hub has been established in Bengaluru, while NASSCOM has announced an IT corridor project in Hiroshima Prefecture to attract highly skilled talent and encourage collaboration between Indian and Japanese industries and institutions.

"The quantum of investment by Japanese companies and venture capitalists in Indian start-ups stood at $2.1 billion in 2018 as compared to $5.9 billion in 2017. The drop in numbers is largely to do with the series of investments made by SoftBank (Japanese venture capital major) in 2017. If this is ignored, the trend is growing," says Gurpreet Sandhu, President, Council for Healthcare and Pharma, which helps Indian healthcare and pharmaceutical companies expand reach to global markets that have great potential. The established players, too, are not far behind and business between Indian IT majors and Japanese companies is growing. In 2018, Tech Mahindra and Japanese telecom firm Rakuten Mobile Network announced plans to set up 5G and 4G network labs in Tokyo and Bengaluru. Infosys firmed up a joint venture with Japanese firms Hitachi, Panasonic and Pasona. Paytm, where SoftBank has considerable investments, launched the 'PayPay' mobile wallet in Japan through a joint venture with SoftBank and Yahoo. With $135 billion annual IT services spend, Japan is the second-biggest market for IT service firms after the US, a $375-billion market. "There is no dearth of market. It is quite big and there is a lot of potential," says Gagan Sabharwal, Senior Director (Global Trade Development), Nasscom, explaining the rationale behind the growing interest of Indian IT firms in Japan.

While there is no doubt about the potential, Japan is yet to become a major revenue centre for Indian firms. "There are 40-odd NASSCOM members, and perhaps 20 others who are not NASSCOM members, doing IT over there. Our estimate is that 2 per cent of our $137 billion exports can be attributed to the Japanese market," says Sabharwal. A senior official in the commerce ministry says that in addition to IT, Japan offers huge growth potential for Indian companies in sectors such as pharmaceuticals, healthcare services, agricultural produce. "In pharmaceuticals, in the last two years, they (Japan) have made a law to encourage (registration and sale) of generic drugs. With India's strengths in off-patent drug manufacturing, this can be a great opportunity. Similarly, we are in talks with the Japanese government to recognise Indian caregivers as there is a huge demand for healthcare services in their country, which has a large ageing population. Also, Japan is already a major importer of Indian shrimps," says the official.

Sanjit Singh Lamba, Managing Director, Eisai Pharmaceuticals India, vouches for the strengths of the Indian generic industry, though he wants Indian companies to look at the world's second-biggest medicine market by sales (again, like in IT services, the US is the first) as a long-term investment. Esai, incidentally, was the first Japanese drug major to set up a greenfield manufacturing facility in India. It exports bulk of the medicines manufactured in India to Japan. "We started with one or two products. Today, around 10 products are manufactured here, and 95 per cent of what we produce goes to the Japanese market. The facility is approved by Japanese regulator USFDA, UK's MHRA, Korea's FDA and the WHO. We employ around 350 people at our Vizag (Andhra Pradesh) facility and have been supplying to the Japanese market. We have performed better than acceptable Japanese standards. So, maintaining stringent quality standards with an all-Indian team is doable," says Lamba.

Not many big Indian pharmaceutical firms have so far penetrated the Japanese market in a big way. Mumbai-based Lupin is an exception. The company is the sixth-largest Japanese generic player. Almost 13 per cent of its global revenues of Rs 15,559 crore in 2018/19 came from that country. "It is doable. The market needs a lot of consistency, good communication and less failures. If you are looking at the Japanese market, you need at least five years of planning. So, keep a timeframe of 10 years (to penetrate the market)," says Lamba.The Indian nursing degree is yet to be recognised in Japan, but that does not deter young aspirants from trying their luck in healthcare services in that country. "There are institutes in north-eastern states to help caregivers learn Japanese language and culture. There is a lot of interest in moving to that country to work and live," says the ministry official. It's not just a private initiative. At least one N-E state, Assam, has announced that its skill development mission is getting organisations recognised by the National Skill Development Council to set up centres in Assam to train its youth in Japanese language and lifestyle to make them employable in Japan and Japanese industries.

The utilisation of the start-up innovation ecosystem that makes IT an enabler for developing solutions for industries across sectors, including healthcare and automobiles, remains the most promising of all at the moment. Sandhu of the Council for Healthcare and Pharma has ample examples of how this happens in the healthcare space. "Spiral Ventures has invested in four health start-ups that offer digital solutions for the local market and is scouting for more. The firm has invested in NirogStreet, an online database of curated and certified medical practitioners of Ayurveda that patients can choose from. It has also invested in Ambee, an emergency response system that helps track and manage ambulances. Similarly, Prime Venture Partners has invested in mfine, an app-based AI-enabled mobile phone platform that gives on-demand service by providing access to doctors from well known hospitals and affordplan, which is a combination health and fintech start-up," he says.

Japan has traditionally followed what they call a "keiretsu system", which comprises a group of home-grown enterprises that did everything in the value chain of manufacturing within the group through interlocking business relationships between their associate and subsidiary firms. This ring-fencing has begun to crack as in the new digital era everybody is talking about connected devices, smart devices, smart cars, smart appliances and Japan is running miles behind China and the US in the AI race. This is where Japanese hardware and Indian software can make an unbeatable combination to create products for global markets.Japan has relaxed its visa policies and has now come up with an H1B type of (temporary job) visa without any limitations that the US imposes over such visas for foreign citizens. It has relaxed rules for permanent residency, too. The student exchange programmes of Indian and Japanese universities are also meant to attract young talent to Japan. India will sell more products, but it will be much more services and human resources that will move to Japanese shores in the coming days. (Source: Business Today)

Glenmark, Torrent Pharma Ink Licensing Pact to Co-Market Diabetes Drug in India

Glenmark Pharmaceuticals and Torrent Pharmaceuticals on Thursday said they have entered into a licensing agreement to co-market diabetes drug Remogliflozin Etabonate in India.

"Under the terms of the agreement, Glenmark will receive an upfront payment, license fees and royalties for the non-exclusive sub-license rights from Torrent.

"Glenmark will manufacture and supply Remogliflozin while Torrent will market the drug under its own trademark 'Zucator' in India," Glenmark Pharma said in a regulatory filing.

The company, however, did not disclose financial details of the licensing agreement.

Glenmark Pharma had said in April 2019 it received approval from the Drugs Controller General of India (DCGI) for Remogliflozin Etabonate after successfully completing phase-3 clinical trials in which the drug demonstrated good efficacy and safety profile in a head-to-head comparison against Dapagliflozin.

Subsequently, Glenmark launched Remogliflozin, indicated in the treatment of Type 2 Diabetes Mellitus in adults under the brand names 'Remo' and 'Remozen'

Glenmark Pharmaceuticals President, India Formulations, Middle East and Africa Sujesh Vasudevan said, "The burden of diabetes in India is growing at an alarming rate and through this collaboration, we aim to improve access to the latest, novel and globally-researched sodium glucose co-transporter-2 (SGLT2) inhibitor by providing an effective, high quality and world-cass treatment option to patients in India."

"This partnership will also lay the foundation for a long term collaboration with Torrent for Remogliflozin in terms of its additional line extensions and further clinical development,' he added.

Dhruv Gulati, Executive Director (India & ROW), Torrent Pharma, said, "The drug will augment the Type 2 Diabetes Mellitus treatment armamentarium in the country and this partnership will be an important step towards enhancing access to the growing needs of diabetic patients." (Source: Business Line)

President Trump Withdraws Plan to Eliminate Drug Price Rebates

The Trump administration has abandoned a centerpiece of its efforts to address high drug prices, backing away from requiring some discounts to be passed directly to consumers under Medicare that could have lowered their out-of-pocket costs.

President Trump had announced the proposal with great fanfare in January as part of the administration's efforts to deal with the rising costs of prescription drugs, which have fueled public outrage. But the decision to kill the proposal is the second time this week that Mr. Trump's drug-pricing initiatives have failed. On Monday, a federal judge threw out a rule that would have required pharmaceutical companies to list the price of their drugs in television advertisements.

In a statement Thursday, Judd Deere, a spokesman for the White House, said, "Based on careful analysis and thorough consideration, the president has decided to withdraw the rebate rule."The rebate rule had long met resistance from within the White House, where fiscal conservatives had balked at the potential cost. The rule was expected to raise drug-plan premiums for all Medicare beneficiaries, and in May, the nonpartisan Congressional Budget Office concluded that the rule, if adopted, would cost taxpayers $177 billion within 10 years.

The administration and leading members of Congress have been discussing some other legislative proposals, including negotiating directly with companies to set caps on some drug prices. The president also announced last week that he would issue an executive order that might somehow connect prices in the United States to those charged by companies in overseas markets, but the details remained unclear.

"President Trump will consider using any and all tools to ensure that prescription drug costs will continue to decline," Mr. Deere added. The news, reported earlier by the news outlet Axios, also dealt a blow to the drug industry. It had strongly backed the measure and tried to blame pharmacy benefit managers for rising prices.

The rule would have essentially done away with after-the-fact rebates that drug companies pay to the private companies that operate Medicare's Part D drug plans, and instead required that any discounts be passed to consumers at the pharmacy counter. Medicare beneficiaries with high drug costs often have to pay a drug's list price, or a percentage of it, during certain phases of their coverage. They were required to do so even though, in many cases, the companies operating the plans were collecting rebates on the same drug.

The rule had been opposed by the insurers and pharmacy benefit managers who operate Medicare's drug plans because they said they used the rebates to pressure drug companies to keep their prices low, and used the savings to keep premiums low for all Medicare beneficiaries. But the drug industry has been campaigning for years on the idea that it is unfair for insurers to keep the rebates when consumers are paying the list price through high deductibles. Alex M. Azar II, the secretary of health and human services, had been a strong proponent of the proposed rule, which he said addressed one of the key reasons the market for drugs is broken.

In a statement, Caitlin Oakley, a spokeswoman for Mr. Azar, said he and Mr. Trump were working together on a range of other drug-pricing proposals. "Secretary Azar is fighting alongside President Trump to lower prescription drug costs and protect America's seniors," she said. (Source: New York Times)

Dr Gurpreet Sandhu President Council for Healthcare and Pharma Hails the Pfizer Upjohn - Mylan Merger to Form a New Generics Company

Speaking of the merger of Pfizer's out of patent business (Upjohn) and Mylan that will lead to the formation of a yet to be named new company, Dr. Gurpreet Sandhu, President, Council for Healthcare and Pharma (CHP), said, "The Pfizer (Upjohn)-Mylan newco when formed, has the inherent potential to harness significant complementarities.

The new order is all about capturing synergies. This becomes all the more important in the current environment of price reductions, efforts at cost control and the urgency to realise the goal of Universal Healthcare. The combine will bring together huge manufacturing capabilities in India, China, the US and other countries; a large portfolio of generics with a strong pipeline to comprehensively address most disease segments, a well-diversified geographical presence with 75% of sales outside the USA, extremely relevant to address the challenges of most under developed and emerging health systems, in addition to the mature ones.

"At the recently concluded legislative day meetings at the Capitol Hill, D.C, we at the Council for Healthcare and Pharmaceutical had stressed the urgent need to harness global synergies in pharmaceuticals and healthcare, so industry can manufacture high-quality generic medicines where best feasible, make them available freely, where most required and at prices that increase access. Research, Manufacturing and Supply chains need to be synergised across industry, to meet these goals and I think the combination is well placed to achievethem.

The Council for Healthcare and Pharma (CHP) is an integrated, not-for-profit, global think tank that advocates the development of sustainable health systems around the World. It looks at engaging with Governments and other stakeholders to adopt rational approaches that capture benefits, that accrue through the optimization of the eco-system and value chain involved in treating diseases and keeping people healthy. CHP members include domestic and global Pharmaceutical companies, Providers of Diagnostics, Medical device Manufacturers, Hospitals and adjunct services.

Headquartered in New Delhi, India, the Council focuses on Africa, Brazil, China, France, Germany, India, Japan, UK and the USA. Its important areas of work are in ease-of-doing business; increasing competitiveness; broadening access to safe, efficacious and affordable healthcare services and medicines. CHP is guided in its work by expert advisory committee's in Intellectual Property; Market Access; Regulatory Policy; Key Therapeutics - Women's Health, Oncology & Tropical Diseases; Research & Development (R&D) and Artificial Intelligence (AI); Environment; and Healthcare start-ups.

As a significant and credible stakeholder in alleviating the burden of disease, the CHP brings to bear the collective wisdom of industry and policy makers on health issues that stand to make a positive contribution to society in bringing about Universal healthcare. (Source: PTI)

Cipla Urges Govt to Increase Funds, Ease Policies for Domestic Pharma Firms

Homegrown drug major Cipla has urged the government to increase fund allocation for the healthcare sector, improve ease of doing business and formulate policies that aid the domestic pharmaceutical industry.

Addressing shareholders in the company's Annual Report for 2018-19, Cipla Chairman Y K Hamied said basic healthcare in the country will always require urgent attention given its population and disease burden.

"India should formulate legislation on healthcare to suit the specific needs of the indigenous pharma industry as also the healthcare required in the country. An increase in the Government's public healthcare expenditure is the need of the hour," the industry veteran said.

Echoing the sentiment, Cipla Executive Vice-Chairperson Samina Vaziralli said with the government returning for a second consecutive five-year term armed with a strong mandate, expectations are high.

"As a pharma company, we look forward to support in strengthening infrastructure and ease of doing business, developing a robust regulatory framework, increasing healthcare expenditure, and balancing of pricing controls with provision of accessible and affordable healthcare," she said.

The company is also eager to explore ways to partner with the government in its ambitious healthcare schemes to ensure coverage to the maximum extent possible, Vaziralli added.Commenting on business aspects, Cipla Managing Director and Global CEO Umang Vohra said the drug major eyes growth in various emerging markets like China.

"We have spoken about our ambitions in China as a future growth market. We are keen to take our well-established expertise in the respiratory segment to patients in China," Vohra said.

Simultaneously, the company will also explore various routes to build a portfolio of products in China in other therapeutic areas such as oncology, he added.

The company said it plans to grow private market business in Middle East, Asia Pacific and Latin America. In Brazil, it aims to focus on oncology while eyeing partnerships in the biosimilar field in its key markets. Currently, Cipla's core markets India, South Africa and US continue to anchor its growth, Vohra said.

In India, the company said it will focus on therapeutic segments like diabetes, dermatology, cardiology and women's health. In South Africa, the company aims to scale up its over the counter (OTC) business and also continue momentum in private market.

Besides, the company said its next leg of growth in the US will be driven by opportunities in the respiratory and central nervous system (CNS) therapeutic areas, where its internal R&D driven contributions to the complex generics and specialty segment portfolios will play a key role.

The company said it will also continue driving cost efficiencies through various initiatives and drive operational efficiencies through a lean model, use of artificial intelligence and advanced analytics. (Source: Business Standard)