

India and China to be a popular outsourcing destinations of choice for CMOs: GBI Research report

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A new report published by business intelligence experts GBI Research pointed out that contract manufacturing organisations (CMO) will reap the rewards as pharmaceutical production becomes increasingly globalised. The report anticipates that the global CMO market will grow steadily due to the increased outsourcing of pharmaceutical production by Western pharmaceutical manufacturers to Asian countries.

It states that the availability of adequate numbers of current good manufacturing practices and compliant manufacturing sites in Asia make India and China popular outsourcing destinations of choice for CMOs.

According to the report, India and China represents the fastest-growing countries in the CMO services sector having witnessed drastic changes in their government and regulatory policies that encourage pharmaceutical outsourcing in order to increase business and attract foreign clients. Giving examples the report states that in 2005, the Indian Biotechnology Policy issued simplified procedures for regulatory clearance and exemptions from import duties and service taxes, encouraging foreign investments within the country.

Furthermore, the introduction of the new patent regime in India during January 2005 encouraged multinational pharmaceutical companies looking to outsource their manufacturing of branded drugs with the protection of Intellectual Property Rights (IPRs). The amendment of the Schedule Y article allows parallel phase clinical trials to be conducted along with reductions in custom duties for clinical trial samples being imported.

However, GBI Research analysis suggests that many Eastern Europe countries may offer superior IPR protection compared to their Asian counterparts, which lack an effective enforcement framework and witness more instances of IPR violation. The global CMO market was valued at \$26 billion in 2010. Driven by increases in the sourcing of biologics and generic manufacturing, the market is forecast to reach approximate revenues of \$59.9 billion by 2018.