

Indian CMO market poised to make rapid strides

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The Indian contract manufacturing organizations (CMOs) market is expected to make rapid strides due to the country's large population base and a sharp increase in demand for injectable drugs, especially in cancer research, according to a report. The most significant factor boosting the growth of CMOs in the pharmaceutical industry in the Asia-Pacific region is the growing need for robust processes and production technologies, which have proven highly effective in meeting regulatory requirements, the report adds.

The Asia Pacific region, particularly India and China, is the prominent region in the CMO industry due to considerably lower manufacturing costs than in North America and Europe and favourable regulations. While India and China have established themselves as significant suppliers of API manufacturing services, the US remains the primary hub for pharmaceutical development outsourcing.

Indian contract manufacturing industry

According to Vinay K Mayer, Director - Marketing Research & Consulting @ Asia Research Partners LLP, India's contract manufacturing industry is predicted to grow by over 13 per cent between 2021-2026. To achieve their goal of achieving an Atmanirbhar Bharat, the Indian government has implemented multiple initiatives such as the policies for Production Linked Incentives Scheme (PLI 1.0) and (PLI 2.0), respectively for pharmaceuticals and chemicals.

The government has put in place policy guidelines to encourage domestic manufacturing of critical Key Starting Materials (KSMs) and Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) as well as to increase investment and production in this field to contribute to diversified products and increase employment opportunities. In comparison to PLI 1.0, the updated version of PLI 2.0 offers a wider range of coverage and may offer incentives

worth up to Rs 15,000 crore for selected pharmaceutical products," he said.

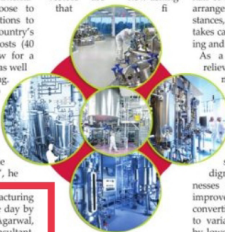
"Furthermore, India also exports a significant number of pharmaceutical products. For example, the United States relies on India to export services and establish its plants in the country. Most international companies choose to outsource their operations to India because of the country's favourable business costs (40 per cent), which allow for a deeper dive into R&D as well as drug manufacturing. India's market is also readily available for research into formulation development, basic manufacturing of medicine, stability studies, and a wide range of clinical trials," he

Contract manufacturing would continue to rise day by day, said Dr. Sanjay Agarwal, pharmaceutical consultant. Pharmaceutical businesses are increasingly relying on the resources and skills of third-party corporations, such as CMOs, to create completed goods and novel medications for clinical trials.

With its economic partnership, equipment for the mass manufacture of particular chemicals is costly, and some businesses cannot do so. As a result, they enter into a contract with a manufacturer to make certain chemicals for them, which they may then combine with what they already have to produce the final product. When deciding whether or not to contract manufacture, a

corporation should weigh the rewards and risks involved, he said.

Previously, the pharmaceutical industry's paradigm demanded that companies be vertically integrated, which meant that the corporation performed its activities. Investors are now asking that it fi



financial performance level. As a result, "outsourcing" has become a common commercial practice of bringing someone unrelated to work for you on a contract basis.

Contract manufacturing is the process of a company producing things under the label or brand of another company. Contract manufacturers offer this service to various businesses based on their own or their customers' designs, formulas, and specifications.

Contract manufacturing can

be helpful if the company partners with a suitable company that can produce high-quality products. Contract manufacturing is a method of establishing a working relationship between two businesses. One company manufactures unique parts or other materials on behalf of its client as part of the arrangement. In most circumstances, the manufacturer also takes care of the client's ordering and shipping.

As a result, the client is relieved of maintaining manufacturing facilities, purchasing raw materials, and hiring workers to make the finished goods. It's a contracting out. Outsourcing has spawned a new paradigm that provides businesses with new options to improve their bottom lines by converting fixed expenditures to variable costs. They do it by lowering or eliminating in-house manufacturing.

Cost savings: Companies save money on their cost of capital because they don't have to pay for a facility and production equipment. They can also save money on salary, training, and benefits for their employees. Some businesses may consider outsourcing manufacturing to low-cost countries like China to take advantage of lower labour costs.

Mutual benefit to contract site: A manufacturer-producing firm contract might endure several years, and the manufacturer will be assured

of a consistent stream of orders.

Advanced talents: Companies can benefit from skills they may lack, but the contract manufacturer possesses.

Quality: Contract manufacturers are likely to have their quality control procedures in place, which allow them to spot counterfeit or damaged products early on.

Focus: Companies can better focus on their core strengths if passing off some tasks. Contracting economies of scale manufacturers have a variety of consumers for whom they create. Because they serve many consumers, companies can offer lower raw material acquisition costs because of economies of scale. The lower the price per unit becomes as the number of units in a shipment increases.

Other advantages include rapid technological adoption, global manufacturing presence, more significant asset usage, a window into new technology, flexibility to focus on core tasks, shorter time to market, market access, and so on, he said.

Covid boost to CMOs

The Covid-19 pandemic has had an overall beneficial effect on contract manufacturing services. There were multiple opportunities for CMOs in clinical trial manufacturing, where there is a large pipeline of drugs and both mega- and small-cap companies outsource to partners for pipeline advancement, according to a report.

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