

'VCs keen to invest in new IPs and products'

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The Indian pharmaceutical industry is growing at a burgeoning rate and there is a huge movement in terms of import and export. The biotechnology sector on the other hand, is a significant sector enhancing India's global profile, contributing to the growth of the economy.

The ever growing pharmaceutical industry is acutely temperature and time sensitive. [Cold supply chain](#) acts like a backbone for the pharma industry.

In his exclusive interview to BioSpectrum's Raj Gunashekar, Mr Ranjan Jain, managing director, Elanpro, a cold chain solutions provider, shares that India's cold chain industry is still evolving, disorganized and operating below its capacity. He also talks about some of the most valuable insights on India's cold chain supply chain industry, investment drivers, the future challenges and how major players are geared up to solve them.

Q: What key trends are shaping up the cold chain industry?

A: The biotech and pharma sector is evolving very fast with India becoming major hub for clinical trials and production of vaccines and injectibles. This activity is being driven by a combination, where the biopharma industry is going more towards biologics, and the global industry's push into emerging markets

More and more brands and pharmacy stores are fast adapting the change and are moving towards having appropriate equipment. One significant change is the consumer shift from domestic refrigerators to pharma refrigerators.

Q: How are VC investments in this industry?

A: VCs are keen to invest where they see new IP or new products. Indian cold chain industry creates neither; hence the interest level is still low. IP creation in cold chain is both money and time intensive. However, as the market grows bigger, it may witness some growing interest in the near future.

Indian commercial refrigeration industry is also highly fragmented with a large number of small and unorganized players who may not actively seek out VCs intervention.

Q: Are investments in cold chain risky?

A: All businesses are risky, especially which requires capital intensive infrastructure. However, India has a higher than expected demand for customization but still low volumes. Erratic electricity supply also increases the cost of running the machine.

India is at a very nascent stage of cold chain storage in the life sciences field with enormous opportunities, and therefore there is virtually zero risk on demand side. Moreover, as Indian consumers are still very price conscious, the usage of high-end products is still not very high.

Although, there is a lot of potential in this sector yet a lot of investors are shying away from taking the risk. It is primarily the lack of infrastructure like roads, proper distribution chains and the high cost of setting up a cold storage unit that has kept the investors at a distance.

Q: Can you mention a few VCs who have invested much?

A: As of now no such investment has happened though we have seen some investment by foreign multinationals in the manufacturing segment.

Q: How are biotech and pharma industries driving the Indian cold chain market?

A: It is a big responsibility to have a regulatory supervision and to maintain the efficacy of the drug throughout the supply chain. Complex compositions, limited shelf-life, large number of intermediaries and statutory compliances pose as challenges in maintaining the quality of drugs.

Strict hygiene, safety and quality measures need to be incorporated to keep the medicines fit for use. Since the stored items are of high value they demand models with automatic defrost that can deliver controlled temperatures from +4 to -20, -40, -80 and -150°C.

Q: What are the booming opportunities?

A: India's cold chain industry is still evolving, not well organized and operating below its capacity. The contribution of organized players is not very high in the widely fragmented Indian cold chain market.

But, India offers great market potential for cold chain logistic solution providers, including refrigerated transport. Besides the regular manufacturing sector, the opportunities are bigger in pharma retail and healthcare equipments.

The biggest change which India will witness will be the consumer transition. What is also raising demand for cold chain services is not only an increase in the movement of perishable horticultural and agri produce, but also pharmaceutical, dairy, poultry and meat product exports, as well as the fast-growing quick service restaurants.

With the increased needs and understanding, people using domestic refrigerators will move to pharma coolers in local pharmacy shops as well as research labs.

Similarly, various R&D Labs are also shifting to high-end, frost-free, low temperature freezers from the outdated direct cool technology.

The other significant development is the use of solar power driven freezers which will obliterate the currently used ice lined refrigerator (ILR) that are not only very expensive but still don't solve the problem in far off areas where power supply is an issue.

Q: Any challenges that you want to point out?

A: The pharma retail industry faces similar challenges as other retail industries do. Although a temperature controlled environment is essential to maintain the efficacy of various drug, a vast consumer base is still relying on domestic refrigerators wherein the temperature varies from (-) 4°C to 10°C.

One of the biggest challenges is the servicing of equipments which requires higher attention, detail and more time.

Availability of unskilled and untrained service technicians coupled with immense pressure to reduce customer's cost and time has forced users to switch to low-cost service providers, and service providers resort to short cuts to save time. This leads to more failure in the long run.

Q: How are companies tackling those challenges innovatively?

A: Since it is not a core business, there is very little innovation. Some companies maintain their own service team. Few insist on buying expensive equipment.

Q: Where do you see major competition? Who are the competitors?

A: Different players cover different segments of cold chain. While companies like Thermo, Sanyo and Haier compete with us on low temp segment, there is very little competition in the solar freezer or pharma cooler and ice flake machines.

Q: Who are the top players in the industry?

A: While Blue Star, Voltas, Rinac, lead the industry in cold room segments, we lead along with Vestfrost in low temperature and pharma coolers.

Q: What are the demands from biotech and pharma companies?

A: Developing economies like ours are witnessing an increased demand for generic pharmaceutical products. In this scenario, temperature-sensitive healthcare transportation with the use of temperature tags on products becomes a critical need. The bulk of the demand is for automatic defrosting models of refrigerators and freezers in small sizes. Bulk of the freezers are required in (-) 20°C.

Q: Where is this industry lacking compared to the West?

A: The cold chain industry in India is still at a very nascent stage thus evolving in India. Due to a large gap in demand-supply conducive to small unorganized service providers, users have developed captive resources. High operational costs, restrictive land use and lack of logistical support are some of the differentiating attributes of cold chain industry in India. I firmly believe that there are 3 major areas of concern:

i,§ Scale of size needs to be reached to go to the next level

i,§ Demand for high-end equipment is low

i,§ Service standards are still below than those in western countries largely due to scant population of equipment and erratic power supply.

Q: How prepared are our airports to handle temperature-sensitive medicines?

A: The sensitivity for healthcare supplies needs to be developed. It will probably happen if we export anything which requires cold chain. We now have large number of companies which have started specializing in cold chain movement which are led by global giants like TNT. Airports are still not well equipped, but things are changing rapidly.

Q: Any thoughts on cold chain regulatory issues?

A: We all are hoping for quick implementation of cold chain norms as unfortunately Indian food and retail industry uses better equipment than pharma industry in the absence of any regulations or laws.

Q: How has Elanpro performed financially?

A: We have grown very well over the 5 years with revenues doubling every second year. Elanpro has now become a respected name in the field of refrigeration equipment for life sciences, and the growth in this segment is expected to be in the range of 25 to 30% YOY basis for next few years.

Q: How do you plan to expand?

A: We are expanding our sales and distribution reach continuously. We are also evaluating few strategic growth options. We are continuously exploring new technology which can be adopted to suit Indian conditions and applications.

Q: How do you see the future of cold chain in India? Any growth numbers/estimation?

A: In the immediate future the cold chain business can expect high double digit figure growth for the next few years. We expect the new norms to be adopted by the government which will make it imperative for strict compliance in maintaining cold chain. This will give major boost for cold chain expansion.

Furthermore, with focus in India shifting to manufacturing, we are anticipating very large investments in pharma segment, both in manufacturing as well as R&D, which will again enable big impetus for cold chain growth.