

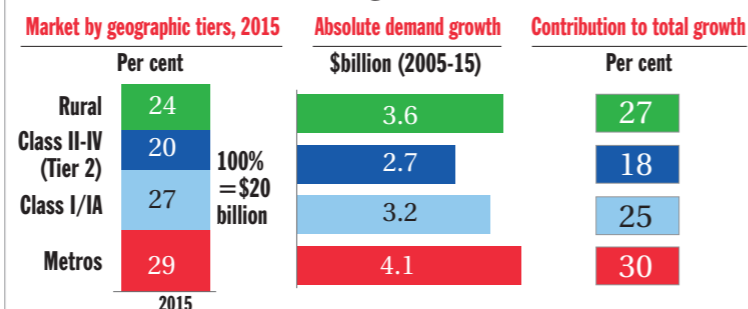


India Pharma 2015 A McKinsey report

Prescribed growth

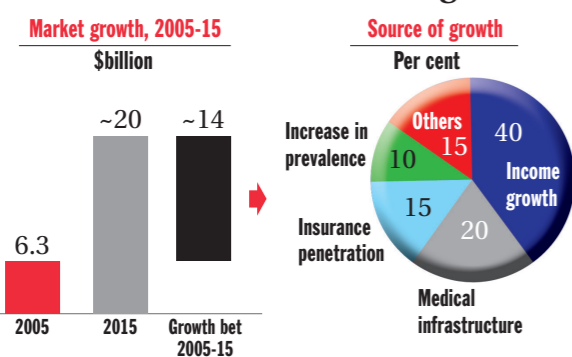
McKinsey's just released report on the Indian pharmaceutical market says the industry will treble in the next decade, and catapult the country into the top 10 markets in the world by 2015, overtaking Mexico, Turkey and South Korea. The report, 'India Pharma 2015: Unlocking The Potential Of The Indian Pharmaceuticals Market', is the culmination of a year-long research project by the Pharmaceuticals and Medical Products (PMP) practice of the consulting company. The project was undertaken to assess the potential of the Indian pharmaceuticals market, identify opportunities and understand the implications for industry and policy makers. An exclusive sneak peek.

Rural and tier-II markets to contribute almost half of growth till 2015



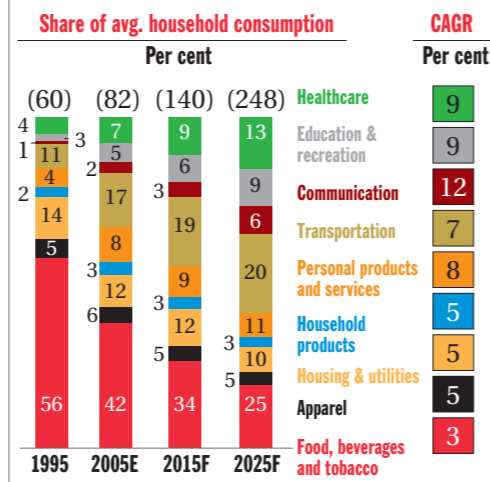
Metros: more than 1 million population, Class I towns: 0.1-1 mn, Class II-IV: 5k-0.1 mn, Rural: less than 5k
Source: McKinsey India Pharmaceutical demand model

Affordability and medical infrastructure to drive demand growth



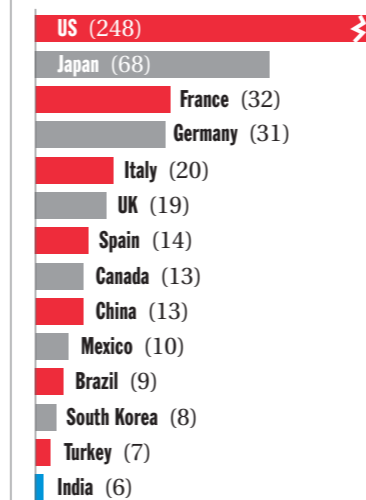
Source: McKinsey India Pharmaceutical demand model

Healthcare consumption expected to triple



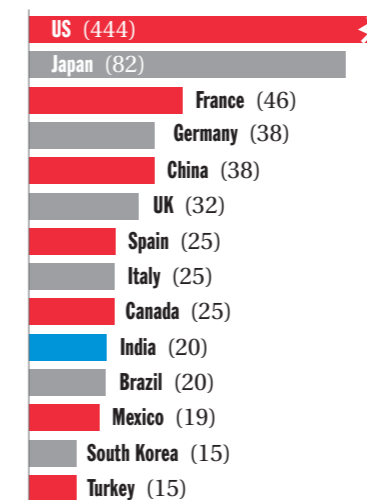
Figures have been rounded off; Figures in brackets are average household consumption in Rs thousand Source: McKinsey report 07

Top 14 pharma markets, 2005



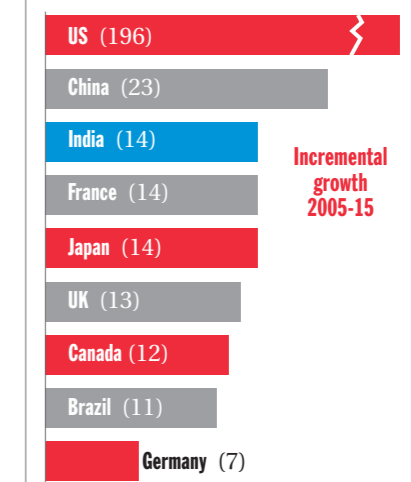
Figures in \$billion

Top 14 pharma markets, 2015



Source: IMS World Review, analyst projections, McKinsey India Pharma demand model

By absolute growth, India will be among the top 5

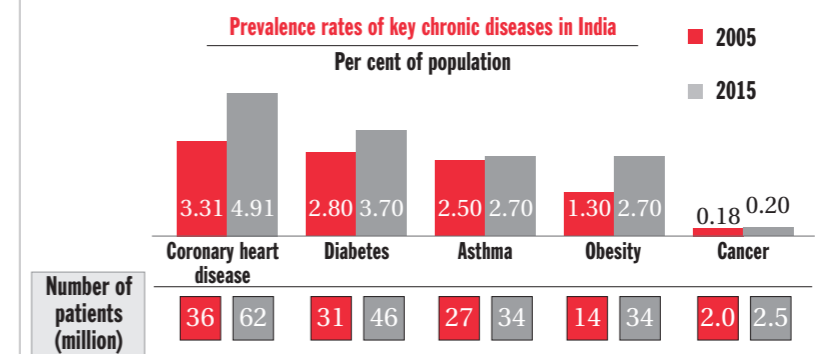


Figures in \$billion Source: IMS World Review, analyst projections, McKinsey India Pharma demand model

KEY TAKEAWAYS

- By 2015, India will be among the top 10 global pharma markets by value. It will add revenues the fastest after the US and China, which is \$14 billion in drug sales, more than double the country's pharmaceutical market in 2005.
- Indians are expected to spend far more on healthcare than they are now. Healthcare's share of the wallet will rise as fast as that of education and three times as much as the share of food, beverages and tobacco.
- Rising incomes, healthcare insurance and better healthcare infrastructure will spur growth. Many more Indians will have health cover, and there will be more hospitals to spend it in.
- Upcoming small city and rural centres will contribute almost as much to the pharma growth as metros and top-tier towns.
- By 2015, millions more will suffer from chronic, costly-to-treat diseases such as diabetes, asthma and cancer than in 2005.

Mounting number of chronic diseases



Source: NCMH, Central Bureau of Health Intelligence, WHO, Decision Resources, McKinsey analysis

20 per cent of the population insured by 2015

Components	Key drivers	Coverage (million)	
		2006	2015
Premium-based health insurance	Removal of regulatory hurdles; active market shaping by private health insurers; entry of international players and life insurers	25-30	~125
Social insurance/welfare funds	Relaxation in income ceiling or enterprise criteria (though this will be limited by small size of organised workforce with wage employment)	35-40	~50
Employer provided (sponsored benefits)	Employers increasingly preferring premium-based coverage plans; no appreciable growth expected in public sector employment	30-35	~35
Community insurance (self-funded)	Increased efforts of NGO/self-help groups	2-3	8-10

Source: Secondary research, interviews, McKinsey analysis