

# “Despite having the necessary provisions, the SMEs cannot derive benefit from the policies laid by the government”



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## With Small and Medium Enterprises (SMEs) on a rise, how do you see the future opportunities for this segment?

India's pharmaceutical industry comprises a number of large, medium and small enterprises, and is one of the world's most cost-competitive industries. It is also extremely fragmented with 25,000 plus domestic manufacturing units.

With increasing drug patent expiration slated during the next 5 years, gradual decrease in new product offerings and with increasing significance on the use of generic medicines in developed countries, the competition in the global pharmaceutical industry is set to get steeper. According to a latest report from McKinsey & Co, the value of the average patent expiry in 2010-15 would be \$ 39.6 billion per annum.

Indian pharmaceutical companies will have a favourable role to play in this transmuting scenario; the medium and small players are anticipated to chalk out an influencing role for themselves. In spite of the decreased R&D investments, small and medium players seem well on mark to take on the global challenge. Almost every India-based top pharmaceutical firm will stand to get benefitted by introducing generic forms. There are greater possibilities of alliances among Indian-multinational pharmaceutical firms for producing, sourcing of generics and bulk formulations, which would then be sold in the emerging and developed markets. Various new ways of garnering opportunities have come up for the SME sector. An emerging trend in these segments has been evaluated to further engage in clinical trials, either on contract basis or on their own capabilities.

The Contract Research and Manufacturing Services (CRAMS) opportunities are also coming down to small and medium players who have got experienced and facilitated with norms of regulatory agencies. New product launches from the bigger players help the SME players to gain contracts for manufacturing and also provide opportunities to supply API and other chemicals. Furthermore, a marketing approval of generic drug products provides opportunity to SME players to increase their drug product portfolio.

## How has the production and trade grown for SMEs in the last 10 years?

The existence and growth of SMEs is a salient component of industrial structure in India. The contribution of SMEs to pharmaceutical units, output, investment and employment is considerably higher than many other sectors. Going by the past few years, the growth of domestic pharmaceutical industry has outperformed that of the global pharmaceutical industry.

## What are the infrastructural challenges SMEs today face?

SMEs in the past were more focussed on investing on applications and servers,

...says **Kiran A Badgujar**, Managing Director, Mack Pharmatech Pvt Ltd. While discussing the current scenario of SMEs in the country, he lays down the ground rules for further growth of this segment.



but today this has changed. These days they are seeking out for more advanced technologies as well.

SMEs are the backbone of the nation's economy. They contribute to the industrial output, provide million of employment opportunities and produce thousands of quality products for the Indian and international market. It constitutes an important segment of the Indian economy.

Also, due to globalisation of markets and competitive developments SMEs today face a lot of challenges. This requires companies investing in infrastructure, which is flexible, scalable and at the same time offer investment protection. One of the important aspects of SME's infrastructure is the communication systems which they deploy. The company establishes its credibility, image over a period of time and communication works both as complimentary and supplementary to that.

The impact of communication is unquestionably clear in the varied sectors of corporate business. The SMEs need a sound communication platform that allow them to collaborate with the key demographics despite geographical distances. A platform that would help such entities in effective communication with associates, partners and investors located across the globe would help the SMEs establish a presence network and enable its clients and associates to stay connected.

## How can the government aid in bringing about further growth of the pharma SME sector?

The minimum government investment limit for small scale units has been up from ₹ 1 crore to ₹ 5 crore, which can go upto ₹ 30-40 crore. This is a major scope for investments by MNCs and entrepreneurs in the pharma sector in the country. MNCs view this as an

opportunity and there is a positive chance that they would invest in R&D as well.

The government is doing its bit effectively by bringing out the required policies and regulations. Here, the problem remains that these are not properly implemented. Despite having the necessary provisions, the SMEs cannot derive benefit from the policies. For instance, the government is offering ₹ 15 lakh to companies for renovation and up gradation of the technology. The government has also set up a promotional package for Small Scale

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Industries (SSIs). But the formalities and the complexity of the procedure is such that eventually a company cannot take any benefit from the initiative. The beneficial schemes are already in place but there is lack of implementation at the ground level.

The most important support for the Indian pharma SMEs will be development of the infrastructure. There is a serious need to develop the connectivity, especially the roads in rural areas, which are inaccessible. The government also needs to pay attention to development of sewer systems, drinking water facilities for the SME pharma companies to grow.

## Are SMEs today fully exploiting their export potential?

SMEs account for more than half of industrial production in developing countries, although their share in exports is usually lower. With proper guidance

and assistance, more SMEs could turn out to be more efficient exporters. To do this, it is necessary to establish close co-operation between government, its promotional institutions and the business community. High SME growth rates have been reported in countries in which such relationships have been established.

## How can SMEs start innovating further?

Innovation is crucial for a company to get started and then grow. The development of new structures, differentiating oneself, improving performance and creating value are constant concerns. That is why associating SMEs with innovation makes so much sense. The research work of the innovation and SMEs team focuses on four areas: SMEs and the innovation environment: This area studies the role of SMEs in innovation projects and the role of state facilities on the performance of very small companies and SMEs. Standards, quality management and SMEs: quality standards can serve to entrench the credibility of SMEs, organisations in which the lack of resources, the concentration of decision-making powers in the hands of the director, and the possible lack of critical skills are counteracted by the flexibility of the firm's structure and its ability to act swiftly. Before SMEs are formed, the creation of companies (or entrepreneurship) is constantly encouraged by state institutions in the same way as the creation of ideas and the seizing of opportunities (or intrapreneurship) are constantly encouraged at the very heart of corporations. Management of SMEs during times of crisis: The management of SMEs during times of crisis demands innovation while management tools are put to the test. **MR**