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## Apollo to foray into drug manufacturing

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NEW DELHI: Apollo Hospitals, India's largest hospital chain is looking to foray into drug manufacturing and early-stage clinical trials, according to company chairman Prathap Reddy. A three-member team formed by the company is already scouting for acquisition targets in the drug manufacturing space at a time when bearish markets and a global slowdown have brought down valuations across industries. "The cost of companies has now come down. But, our team has not recommended any company so far," said Mr. Reddy.

The Hyderabad-based hospital chain is also setting up a wholly-owned subsidiary to enter the clinical trials space in tie-up with foreign entities. It is close to signing joint venture agreements with two US companies to conduct phase-I and phase-II clinical trials in oncology and cardiology segments. Phase-I trials are the first test of a molecule on humans (normally a small group of 20-80 healthy volunteers), while phase-II trials are done on larger groups of up to 300 people to assess how well the drug works and to reassess its safety. "We expect to close the JVs in the next 90 days," Mr Reddy said.

The hospital currently conducts phase-III trials of several companies. Phase-III studies are random controlled multi-centre studies carried out in usually 300-3,000 people to examine its exact efficacy.

Industry watchers said that Apollo can leverage its hospitals to conduct clinical trials, but felt it may be difficult for the company to make an impact in the highly competitive drug manufacturing space. "The company has access to patient and can leverage its hospital chains to do clinical research. But it may be too late for Apollo to manufacture generic drugs," said Ranjit Kapadia, head of pharma research at brokerage firm Prabhudas Liladhar. "It will have to compete with



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established brands in the fiercely competitive market. Its advantages are the pharmacy network and a large pool of doctors to prescribe its drugs,” Mr Kapadia added.

In fact, according to a senior company executive who requested anonymity, Apollo is looking at getting a wide range of drugs manufactured by third parties, to be sold through its drug retail chain Apollo Pharmacy as its own brands. “The company has shortlisted four to five companies, the executive said, but did not clarify whether they were acquisition targets or likely contract manufacturers. The plans are expected to be finalised in the next one month, the executive added.

Apollo Pharmacy gets low-value medicines made through third parties and sell them under its two private labels, Apollo and Doctors’ Choice. Apollo Pharmacy has 750 stores across the country and plans to add 250 more by February 2009. There are estimated five-six lakh drug retailers selling medicines worth Rs 33,000 crore in the domestic retail market.