

Alok Dalal

alok.dalal@clsa.com
+91 22 6650 5063

Alok Srivastava

+91 22 6650 5037

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India Healthcare

Indian healthcare is heterogeneous as there are varying degrees of consumer preferences across regions. The Health Supplement series aims to capture these diverse features and trends of Indian healthcare based on anecdotes, media reports, channel checks, and on the ground research.



Health Supplement

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Jan Aushadhi - India's Gx push

Could it disrupt India's US\$15bn pharma market?

Started in 2008 but renewed recently by PM Modi, Jan Aushadhi is a Government of India initiative to promote quality generic-generic drugs at affordable prices. This scheme faced supply-related issues earlier which are being addressed by the current government. Drug prices under this scheme are 50-90% lower as compared to those of branded generic medicines. Our recent visit to one such Jan Aushadhi store in Mumbai suggests increasing acceptance for this scheme. If the model scales up and there is a shift from brands towards generics, then it could be a cause of concern for the major India-focussed pharma players.

Jan Aushadhi set up to increase penetration of medicines

- ❑ The India pharma market (US\$15bn) is an out-of-pocket market with 90% revenue contribution from branded generics (promoted via doctors, high margin, stable cash flow generating business). The other categories are trade generics (branded but promoted via chemists) and unbranded generics.
- ❑ With a view to make drug prices more affordable, the Government of India (GoI) had launched the 'Jan Aushadhi Campaign' in April 2008. However, it did not see the desired response due to supply-related issues. The present government is reviving it with an aim to dispense unbranded generics through a chain of *kendras* (stores) known as Pradhan Mantri Bhartiya Jan Aushadhi Kendras (PMBJKs).
- ❑ Drugs are procured by floating tenders from companies with WHO cGMP compliant plants. This is done at the central level after performing adequate quality checks. Drugs are then dispensed to distributors in the various states who in turn supply them to retailers (franchise model, fixed 20% margin) as per their requirements.
- ❑ Jan Aushadhi has a list of over 600 medicines (chronic and acute) and 150 consumables. Drug prices offered under this scheme are 50-90% lower as compared to those of branded generic medicines.

Aims to expand reach through 3,000 stores by end 2017

- ❑ The scheme faced supply-side constraints in its initial years, leading to unavailability of drugs. These are being addressed by the present government. Recent GST implementation is likely to lead to seamless transport of medicines across states thus partially addressing the supply-side constraints.
- ❑ There are 2,091 stores that cover over 400 districts (out of India's 630), of which more than 1,700 were added in the past 15 months. By end 2017, 3,000 stores are could be functional with an aim to cover every *tehsil* (an administrative area)/block.
- ❑ The GoI has also announced opening of stores at railway stations and petrol pumps.

Visit to Jan Aushadhi store in Mumbai suggests increasing acceptance

- ❑ Our recent visit to a Jan Aushadhi store in Mumbai's Borivali suburb suggests rising acceptance for this scheme. This 120sqft store handles 300 prescriptions daily.
- ❑ It uses certain apps to know generic drug names wherever the prescription carries a branded drug name. The store has a centralised billing system in place. It has seen a steady rise in prescriptions over the past six-nine months.
- ❑ Based on our interactions with store staff, drugs for chronic illnesses (such as blood pressure and diabetes) are in greater demand than those for acute illnesses. The lower/middle income group and the retired are its biggest patrons (with 60% repeat customers).

Can Jan Aushadhi be a threat to established pharma players?

- ❑ The scheme is in an expansion stage with an aim to penetrate a large part of India. In this process, medicine availability, affordability and awareness is likely to rise.
- ❑ The key challenges would be that store expansion should match the pace of availability of drugs for patients and maintaining desired quality standards.
- ❑ If the model scales up and there is a shift from brands towards generics, then it could be a cause of concern for the major India-focussed pharma players.

India is largely an out-of-pocket branded generics market

Jan Aushadhi launched in 2008 but has gathered momentum in the past two years

Jan Aushadhi set up to increase penetration of medicines

- The India pharma market (US\$15bn) is an out-of-pocket market with 90% revenue contribution from branded generics (promoted via doctors, high margin, and stable cash flow generating business). The other categories are trade generics (branded but promoted via chemists) and unbranded generics (generic-generic).
- With a view to make drug prices more affordable, the Government of India (GoI) had launched the 'Jan Aushadhi Campaign' in April 2008. However, it did not see the desired response due to certain infrastructure issues. It was revived by the present government with an aim to dispense unbranded generics through a chain of *kendras* (stores) known as Pradhan Mantri Bhartiya Jan Aushadhi Kendras (PMBJKs).
- The Government of India has established the Bureau of Pharma Public Sector Undertakings of India (BPPI) under the Department of Pharmaceuticals (DOP), with the support of all the Central public sector undertaking (CPSUs, or state-owned enterprises) for co-coordinating procurement, supply and marketing of generic drugs through PMBJKs.

Figure 1

Jan Aushadhi poster for diabetes drugs

If you are taking medicines for Diabetes...

...Please check the prices at Pradhan Mantri Bhartiya Jan Aushadhi Kendra

A chain of medical stores initiated by the Government of India to make available **Quality Medicines** at affordable prices for all under Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)

Compare the price and convince yourself!

Medicine	Average Market Price	JAK Price
Gliclazide 80mg 10 Tablets	₹ 48.22	₹ 20.25
Glimepiride 2mg 10 Tablets	₹ 52.90	₹ 5.05
Voglibose 0.2mg 10 Tablets	₹ 44.13	₹ 9.61
Metformin Hydrochloride 500mg 10 Tablets	₹ 13.90	₹ 5.15
Acarbose 50mg 10 Tablets	₹ 112.06	₹ 55.90
Glimepiride 2mg + Metformin Hydrochloride 500mg SR 10 Tablets	₹ 60.44	₹ 17.78
Metformin Hydrochloride 10 Tablets IP Prolong Release 500mg	₹ 17.70	₹ 8.85

More than 600 medicines for Diabetes, Cardiac, Blood Pressure, Gastro, Vitamins, Antibiotics etc. and 154 surgicals and consumables are easily available at Pradhan Mantri Bhartiya Jan Aushadhi Kendra

If interested to open new Pradhan Mantri Bhartiya Jan Aushadhi Kendra, please visit our website: janaushadhi.gov.in or call us on +91-124-4556750/1800 180 8080 (Toll Free)

Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, Government of India, Shastrī Bhawan, New Delhi-110001, Website: pharmaceuticals.gov.in

भारतीय जन औषधि परियोजना

Bureau of Pharma PSUs of India (BPPI), IDPL Corporate Office Complex, Old Delhi - Gurugram Road, Dundaheera, Gurugram-122016 (Haryana), Website: janaushadhi.gov.in

For more details, please contact PMBJP help line no. 1800 180 8080/+91-124-4556750 (9.30 am to 5.30 pm - Monday to Saturday) or log on to janaushadhi.gov.in

Source: Government of India

- Drugs are procured only from WHO-compliant companies**

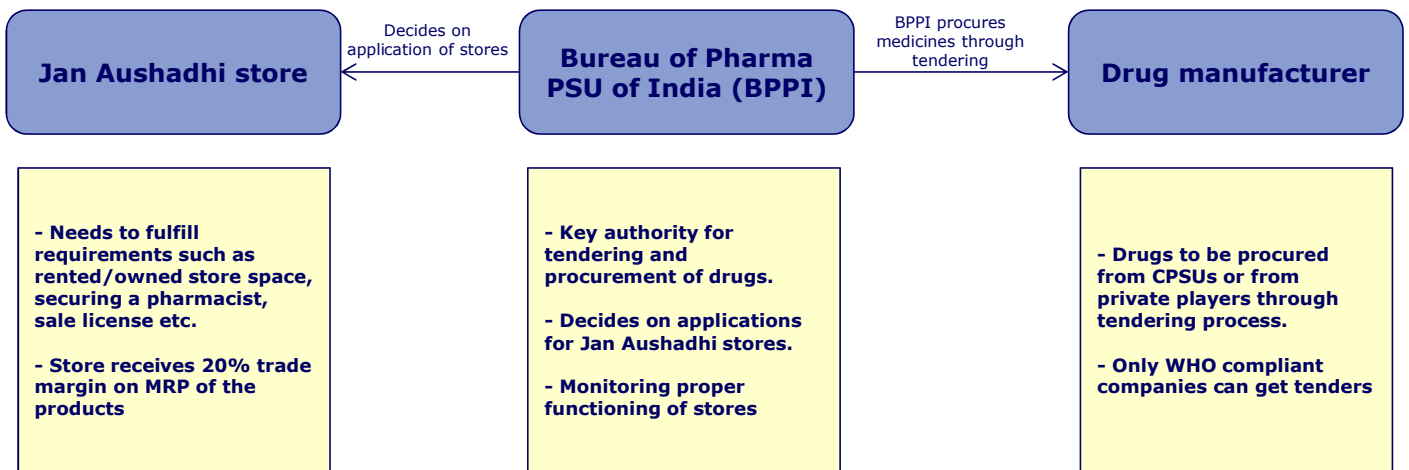
 - ❑ Drugs are procured by floating tenders from companies with WHO cGMP compliant plants. Procurement is done at the central level after adequate quality checks are performed. Drugs are then dispensed to distributors in respective states who in turn supply it to retailers as per their requirement.
- Quality tests are performed at NABL-accredited labs**

 - ❑ Quality tests are performed at labs accredited with the National Accreditation Board for Testing and Calibration Laboratories (NABL). Tests include identification tests, chemical composition tests, uniformity of content tests, uniformity of weight tests and tests of dissolution.
 - ❑ Government PSUs have the first right of refusal to manufacture unbranded generics. In case they are not able to manufacture, private companies are invited to participate in the tender. A tender floated in April-16 saw participation from companies such as Unicare, Unimarck, Cadila Pharma, Akums, etc.
- Retail is a franchise model and operates at a fixed 20% margin on the MRP of the product**

 - ❑ Retailers need to satisfy certain criteria to become eligible to open Jan Aushadhi stores. These include tented/owned space, securing a pharmacist, a computer operator and a helper.
 - ❑ A retailer could be an entrepreneur, an NGO or a hospital/clinic. It's a franchise model and operates at a fixed 20% margin on the MRP of the product.

Figure 2

Procurement of Jan Aushadhi drugs



Source: CLSA

- Jan Aushadhi stores have nearly 600 medicines available**

 - ❑ Jan Aushadhi has a list of 600 medicines (for chronic and acute illnesses) and 150 consumables. Patented drugs and branded generics are not sold through Jan Aushadhi stores.
 - ❑ For blood pressure and diabetes, it covers the first line of therapies.
 - ❑ Drug prices under this scheme are 50-90% lower compared to branded generic medicines currently.
 - ❑ Prices of medicines are decided by the BPPI in consultation with the National Pharmaceutical Pricing Authority (NPPA) for drugs supplied by

Price differential between Jan Aushadhi and key branded generics in various therapy areas

CPSUs. For drugs manufactured through the tender process, the maximum retail price is based on the tender price and margins of retailers and wholesalers.

Figure 3

Price comparison chart between Jan Aushadhi and leading brands

Redefining Healthcare with Quality Generic Medicine at Affordable Prices

PRICE COMPARISON CHART

Sl. No.	Name of Medicines	Pack Size	Average Price of Leading Brands	Jan Aushadhi Kendra MRP	Price Differences
Cardiovascular Agents					
1.	Amlodipine 5 mg and Atenolol 50 mg film coated Tablets	10's	36.86	3.54	10 times
2.	Ramipril 5 mg Tablets	10's	72.80	9.68	8 times
3.	Losartan 50 mg and Hydrochlorothiazide 12.5mg Tablets	10's	68.23	9.05	8 times
4.	Rosuvastatin Tablets IP 20 mg	10's	211.00	27.34	8 times
5.	Atorvastatin 10 mg Tablets	10's	50.90	5.11	10 times
Anti-diabetic Agents					
1.	Glimepiride 2 mg Tablets	10's	50.00	5.05	10 times
2.	Glimepiride 2 mg + Metformin Hydrochloride 500 mg SR Tablets	10's	70.00	17.78	4 times
3.	Metformin HCL 500 mg Tablets	10's	14.00	5.15	3 times
Anti Cancer					
1.	Bicalutamide Tabes IP 50 mg	10's	636.00	137.50	5 times
2.	Paclitaxel Inj 100 mg	Vial	3458.00	540.00	6 times
3.	Imatinib Mesylate Tablets IP 400 mg	10's	2133.00	477.00	4 times
Gastro-intestinal Tract Agents					
1.	Rabeprazole 20 mg Tablets	10's	54.00	7.16	8 times
2.	Pantaprazole 40 mg Tablets	10's	63.00	7.20	9 times
3.	Domperidone 30 mg+ Pantoprazole 40 mg Capsules	10's	86.00	18.48	5 times
Antibiotics					
1.	Amoxicillin 500mg + Clavulanic acid 125 mg Tablets	6's	96.84	52.24	2 times
2.	Cefixime 100 mg Tablets	10's	82.60	25.65	3 times
3.	Ofloxacin 200mg Tablets	10's	52.60	14.80	4 times
4.	Azithromycin 500 mg Tablets	10's	178.30	86.60	2 times
Analgesic/Anti-inflammatory/Antipyretic Drugs					
1.	Tamado 50mg Tablets	10's	60.00	4.38	14 times
2.	Nimesulide 100 mg Tablets	10's	39.00	2.52	15 times
3.	Diclofenac Sodium+Serratiopeptidase(50 mg+10 mg) tablets	10's	103.20	7.02	15 times

Source: Government of India

Jan Aushadhi covers over 400 of the 630 districts in India

Aim to expand reach through 3,000 stores by end 2017

- There are 2,091 stores covering over 400 of the 630 districts in India.
- Under the present government, the initiative has gathered significant momentum, particularly after addressing the supply-related issues.

A typical Jan Aushadhi store

Figure 4

Typical Jan Aushadhi store



Source: Government of India

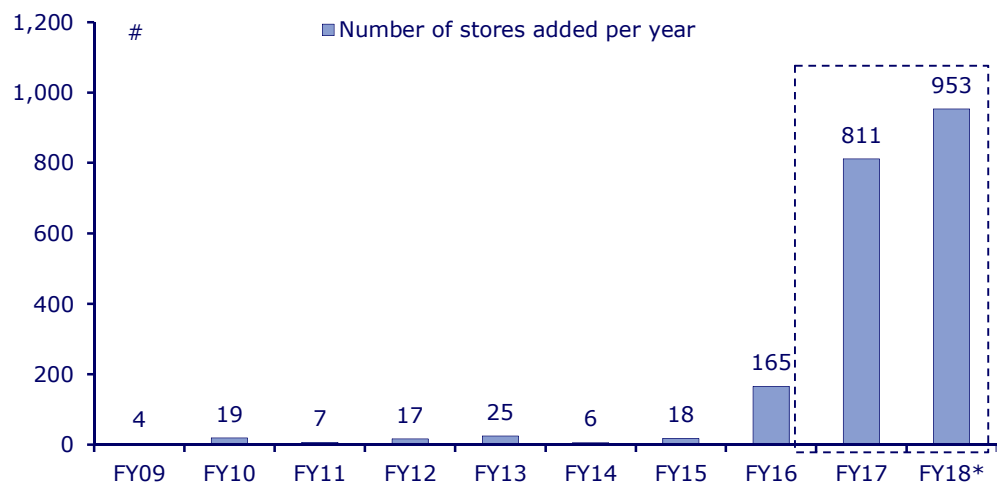
More than 1,700 stores added in FY17 and FY18 (April end)

- More than 1,750 of the 2,091 stores were added in the past 18 months.
- The government now plans to open stores at railway stations and petrol pumps. By end 2017, 3,000 stores could be functional with an aim to cover every *tehsil*/block in the country.

By end 2017, 3,000 stores are likely to be functional with an aim to cover every *tehsil*/block

Figure 5

Number of Jan Aushadhi stores added every year in India



Source: Government of India. *Additions until 19 July 2017.

- Uttar Pradesh has highest number of stores and recently the state signed an MoU with the Ministry of Chemicals and Fertilisers to open another 1,000 stores, mainly in hospitals and community health centres.

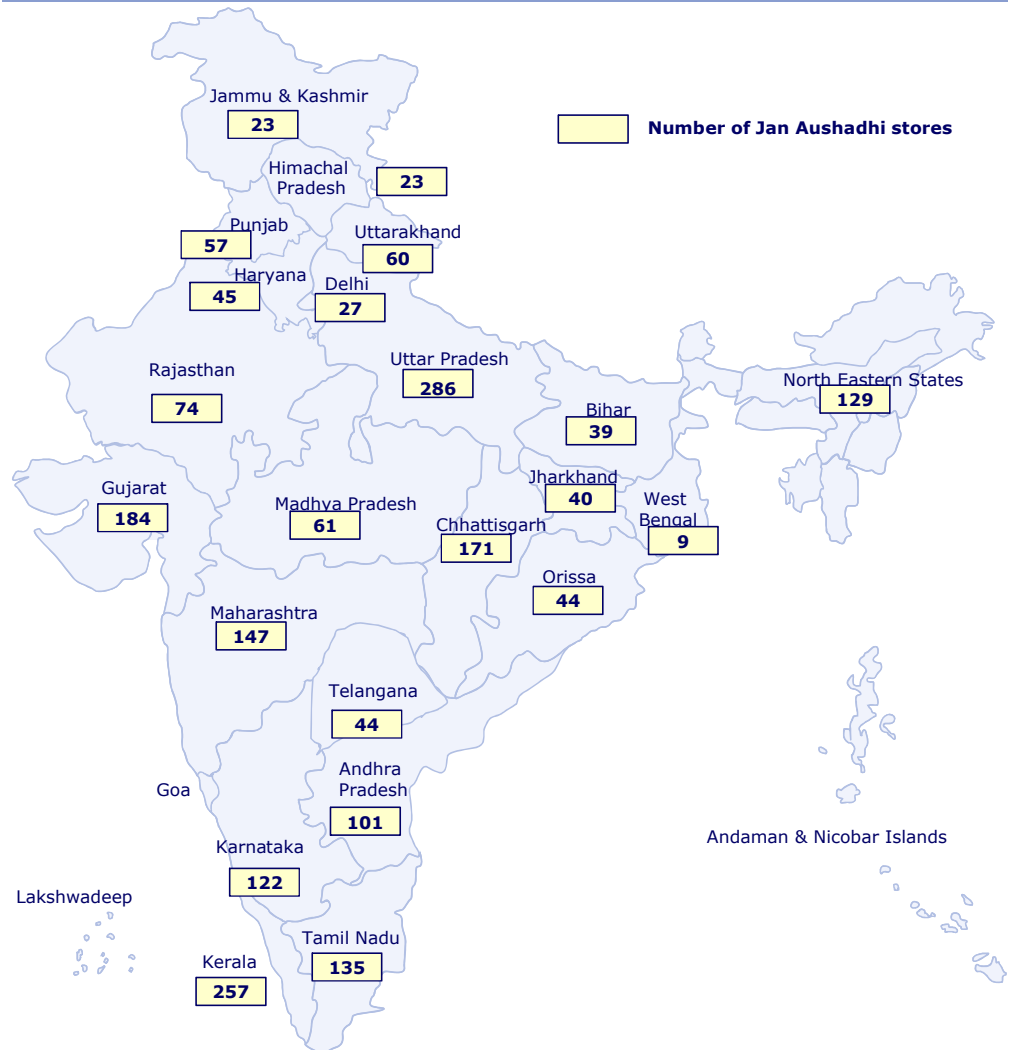
These stores cover Tier III/IV cities along with metros and Tier I/II towns

Jan Aushadhi stores are well spread across India

- These stores cover Tier III/IV cities too. Maharashtra has 175 stores (7% of the total) including those in its Tier III/IV cities such as Bhandara, Dhule, Wardha, Jalna, Akola and Latur, apart from metros such as Mumbai and Pune.

Figure 6

Distribution of Jan Aushadhi stores by state

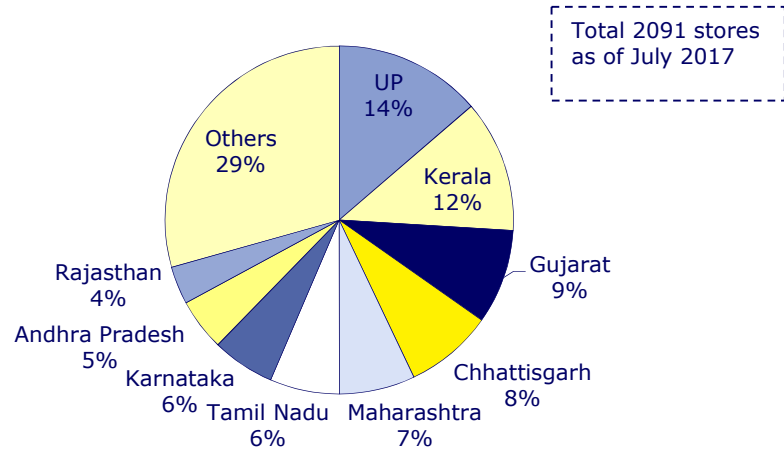


Source: Government of India, CLSA

Uttar Pradesh and Kerala have the highest number of stores

Figure 7

Distribution looks well spread across states

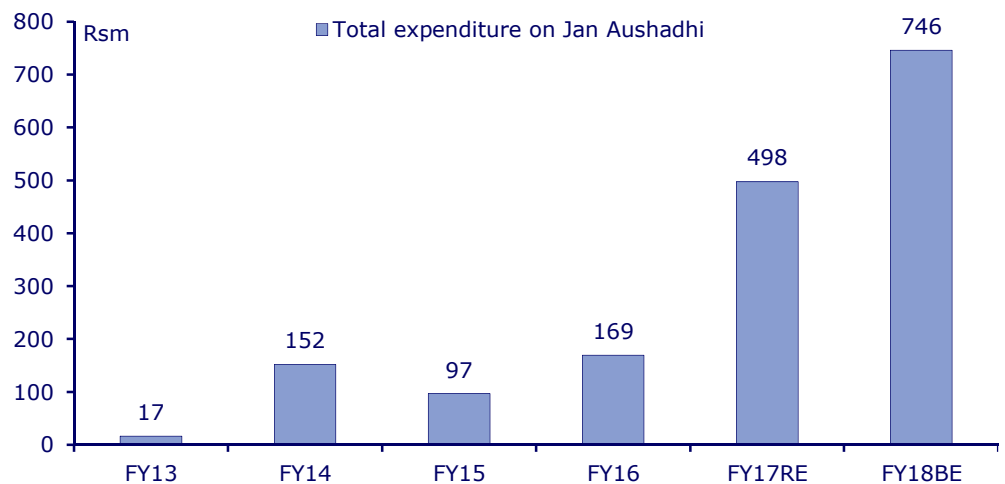


Source: Government of India. Data as of end July 2017

- The overall allocation in the Central Budget saw significant increases in FY17 and FY18, indicating a major focus on the scheme.
- Most of the expenditure is towards creating IT and supply-related infrastructure.

Figure 8

Total Central government expenditure on the Jan Aushadhi scheme



Source: Ministry of Finance. 'RE' are revised estimates and 'BE' are budgeted estimates

Visit to a Jan Aushadhi store in Mumbai

- Our recent visit to a Jan Aushadhi store in Borivali, Mumbai, suggests increasing acceptance for this scheme.
- The 120sqft store handles 300 prescriptions per day. Prescriptions have seen a steady increase over the past six to nine months.
- It uses certain apps to know the name of the generic drug wherever the prescription carries a branded drug name. The store has a centralised billing system in place.

Government budgetary allocation has seen a manifold increase

Our recent visit to a Mumbai store suggests increasing acceptance for this scheme

Store sees a footfall of nearly 300 every day

Figure 9

The Jan Aushadhi store in Borivali, Mumbai



Source: CLSA

Figure 10

A notice outside the store highlighting that Jan Aushadhi drugs are 80% cheaper

The store highlights that its medicines are up to 80% cheaper vs branded generics



Source: CLSA

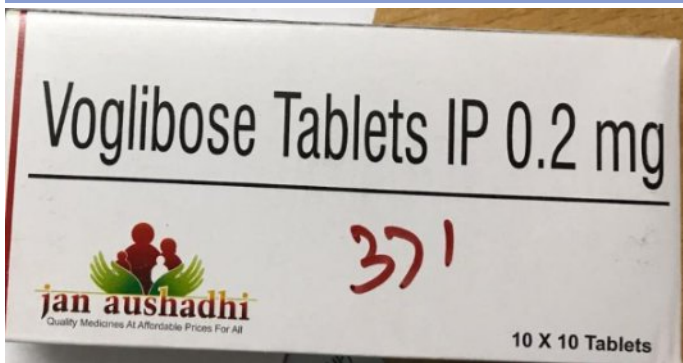
Drugs for chronic illnesses see a greater demand than those for acute illnesses

The store gets nearly 60% repeat customers and 40% new customers

- Our interaction with the store staff revealed that drugs for chronic illnesses like blood pressure and diabetes are in greater demand than those for acute illnesses.
- There has also been an increase in generic prescriptions in recent months at this store.
- In terms of prescriptions, the store gets nearly 60% repeat customers and 40% new customers.
- It is also leveraging social networking websites to increase awareness.
- Lower/middle income group and those retired are its biggest consumers (60% repeat customers).

Figure 11

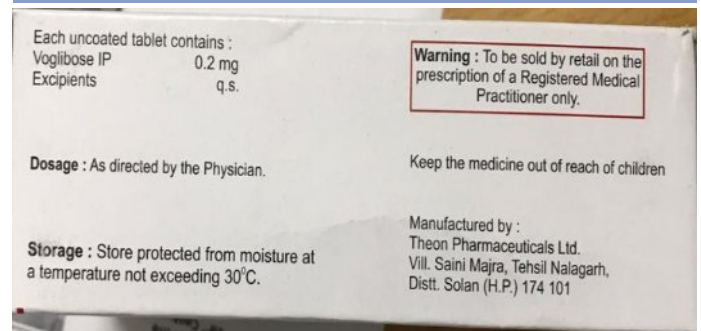
Voglibose is an anti-diabetes drug



Source: Jan Aushadhi store, CLSA

Figure 12

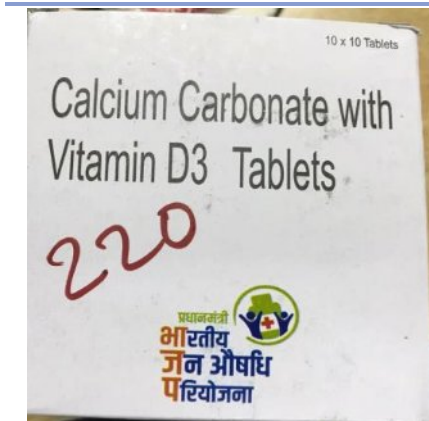
Back of the Voglibose pack



Source: Jan Aushadhi store, CLSA

Figure 13

Calcium carbonate tablets



Source: Jan Aushadhi store, CLSA

Figure 14

Back of the pack



Figure 15

Strip of calcium carbonate tablets



The key challenge for this scheme is that store expansion should match the pace of drug availability

Can Jan Aushadhi be a threat to established pharma players?

- The Jan Aushadhi scheme is in an expansion stage with an aim to penetrate a large part of the country. In the process, availability and affordability of medicines and awareness about them is likely to rise.
- The key challenges for this scheme are that store expansion should match the pace of availability of drugs and maintaining the desired quality standards.

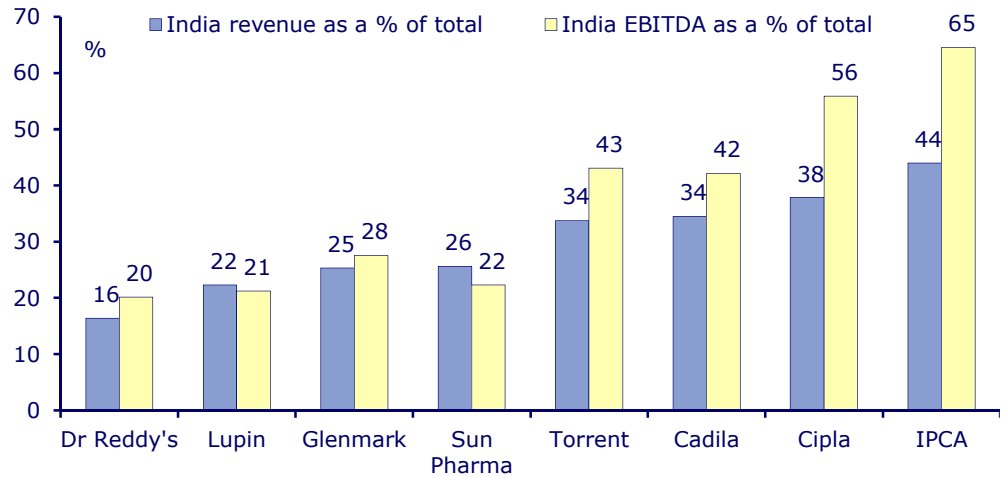
Among the bigger pharma names, Cipla and Cadila have a higher dependence on the Indian market

Jan Aushadhi may be gaining greater preference in chronic therapy areas

- If the model scales up and there is a shift from brands towards generics, then it could be a cause for concern for the major India-focused pharma players.
- Companies with higher contribution from chronic ailments could be at greater risk from a Jan Aushadhi scale-up.

Figure 16

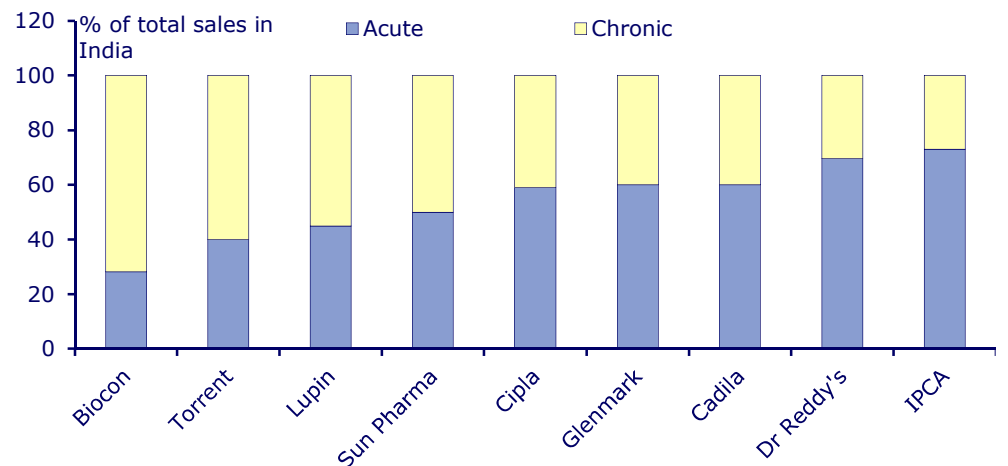
Contribution of India to sales and Ebitda of Indian pharma companies, FY17



Source: Companies, CLSA; EBITDA contribution is based on CLSA estimates

Figure 17

Split of India sales between chronic and acute therapy areas, FY17



Source: IMS Health, Companies, CLSA

Appendix

Figure 18

Jan Aushadhi offerings for blood pressure medicines

If you are taking medicines for Blood Pressure or heart care... Please check the prices at Pradhan Mantri Bhartiya Jan Aushadhi Kendra

Pradhan Mantri Bhartiya Jan Aushadhi Kendra

A chain of medical stores initiated by the Government of India to make available Quality Medicines at affordable prices for all under Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)

Compare the price and convince yourself!

Amlodipine 5mg 10 Tablets Average Market Price ₹23.30 JAK Price ₹2.68	Atenolol 50mg 14 Tablets Average Market Price ₹16.60 JAK Price ₹5.02	Ramipril 5mg 10 Tablets Average Market Price ₹72.80 JAK Price ₹9.68	Losartan 25mg 10 Tablets Average Market Price ₹24.45 JAK Price ₹5.04	Metoprolol 50mg 10 Tablets Average Market Price ₹43.50 JAK Price ₹4.76	Clopidogrel 75mg 10 Tablets Average Market Price ₹64.40 JAK Price ₹13.19	Atorvastatin 10mg 10 Tablets Average Market Price ₹50.90 JAK Price ₹5.11
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More than 600 medicines for Diabetes, Cardiac, Blood Pressure, Gastro, Vitamins, Antibiotics etc. and 154 surgicals and consumables are easily available at Pradhan Mantri Bhartiya Jan Aushadhi Kendra

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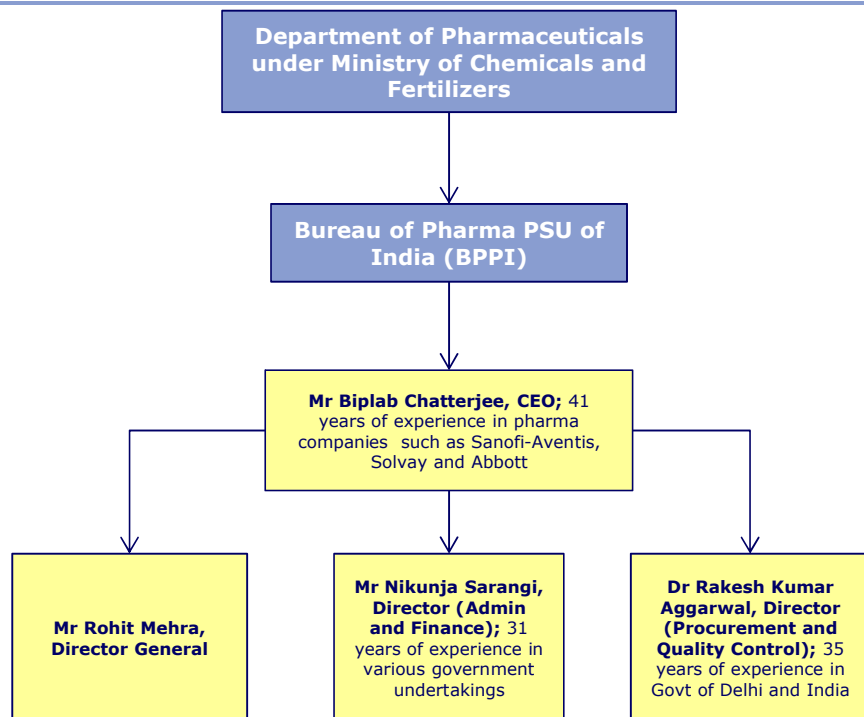
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Source: Government of India

BPPI comes under Ministry of Chemicals and Fertilizers

Figure 19

Structure of Jan Aushadhi



Source: BPPI



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