

Novartis Unveils \$500M Plan

By [The Moscow Times](#)

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ZURICH — Novartis said Monday that it would invest \$500 million in Russia over the next five years, strengthening its position in the country as it joins rivals looking to get around tough rules on imported medicines.

The Swiss drugmaker plans to build a new pharmaceutical manufacturing plant in St. Petersburg as part of a partnership, which will focus on local manufacturing, R&D partnerships and public health development, Novartis said.

“The ongoing partnership with Russia enables us to expand our commercial presence in a key emerging market,” Novartis chief executive Joe Jimenez said in a statement.

Emerging markets such as Russia are the new battleground for pharmaceutical companies as sales stall in Western markets and companies look for ways to stave off the impact of patent expirations on top-selling drugs and pricing pressures. Novartis’ move comes as a number of other international drugmakers start to establish local manufacturing in the country in a bid to sidestep a tougher government stance on imported medicines.

Earlier this month, Prime Minister Vladimir Putin warned that pharmaceutical companies would face restrictions if they failed to develop local production.

Nycomed and Novo Nordisk are among the companies that have announced plans to start producing in Russia, while GlaxoSmithKline last month struck a vaccine deal with Moscow-based Binnopharm.

“Although sizeable — more than 5 percent of overall capex over the next three years — the investment is in line with expansion in emerging markets,” Kepler Capital Markets analyst Tero Weckroth said.

The plant is expected to be one of Novartis’ largest investments in local manufacturing and is likely to make branded generics as well as pharmaceuticals, Novartis said, adding that it was likely to produce about 1.5 billion units per year.

Novartis Chairman Daniel Vasella earlier this year flagged Russia as the next big opportunity in emerging markets thanks to its science base and large population.

The Russian government plans to invest 120 billion rubles (\$3.9 billion) before 2020 in the pharmaceutical industry, which it sees as one of the priority sectors.

Novartis has also said it was seeking to make acquisitions in countries such as Russia, China and Brazil, as it ramps up a group-wide drive to boost efficiency.

Russia is expected to see double-digit percentage growth in its pharmaceutical market in 2010 against a projected 4 percent to 6 percent for the global industry. IMS forecasts that 17 key emerging markets will account for 50 percent of global growth in pharmaceutical sales worldwide over the next five years.

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