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RIL will collaborate with doctors, local collection centres, pathology labs and hospitals to bring in additional business.

Reliance’s biotech arm eyes tie-ups to enter diagnostics business

Kalpana Pathak
kalpana.p@livemint.com
MUMBAI

Mukesh Ambani, India’s richest man, now wants a share of your diagnostics budget, in a move that can potentially shake up the sector similar to the disruption in telecom market after the entry of Reliance Jio.

Reliance Life Sciences or RLS, the biotechnology subsidiary of RIL, plans to start pathology labs across India through partnerships with local entrepreneurs, said two people aware of the development. RLS is controlled by the Ambani family, the promoter group of RIL.

“RLS is trying to build a network of pathology labs. To begin with, they plan to set up 20-30 labs,” said the first person, who has received a partnership proposal from RLS. He said RLS is looking at a 15:85 ratio for revenue sharing, with RLS keeping 15%.

“Revenue sharing would be on net sales basis and the franchise would bear the cost of setting up the labs,” the person said.

In an emailed response, a spokesperson for RIL said, “The information you have is speculative.”

The entry of Reliance Jio Infocomm Ltd, an RIL subsidiary, in September 2016 caused a massive disruption in the mobile telecom market with low-cost tariff and data plans. This forced an industry-wide consolidation leaving only three private telcos, including Bharti Airtel and Vodafone Idea Ltd, the merged entity of Vodafone and Idea.

The RLS website says the company is developing business opportunities in bio-therapeutics (plasma proteins, biosimilars and novel proteins), pharmaceuticals (later-generation, oncology generics), clinical research services, regenerative medicine (stem cell therapies) and molecular medicine.

The company plans to follow a hub-and-spoke model for its pathology business, with a reference lab serving as a regional hub providing super-specialized tests. Supporting the reference

lab would be a chain of network labs that would provide routine as well as specialised tests. And assisting the network labs would be collection centres and points which will collect tests and send them to reference and network labs for processing.

“RLS is selling it as a low investment-high return entrepreneurial joint venture. It has approached a number of players in the industry to partner with them to set up these labs,” said the second person cited above.

The company would also collaborate with doctors, local collection centres, pathology labs and hospitals to bring in additional business.

RLS operates a state-of-the-art facility in the life sciences domain. Its flagship facility is the Dhirubhai Ambani Life Sciences Centre (DALC) in Navi Mumbai, Maharashtra.

“RLS is an integrated life sciences industry player with in-house capabilities in research, pre-clinical and clinical development, process development, quality management, commercial-scale manufacturing and marketing,” according to its website.

RLS sees the pathology segment as a lucrative opportunity with health insurance coverage projected to grow, an increase in India’s ageing population and a prevalence of lifestyle disorders.

According to an Ernst & Young report of 2018 on health insurance, demand for high-quality medical care is rising in India, leading to growing private participation, thanks to a middle class estimated to grow at a CAGR of nearly 7% for the five years through 2021, and rising household prosperity.

RLS would provide human resource support to franchise partners in terms of hiring the right talent, training of franchisee lab staff, IT support and admin support. “To partner franchisees, RLS said it will provide three officials—one pathologist, one IT-cum-logistics official and one accounts-cum-materials staff. These would be on RLS rolls but the cost would be paid by the franchisee,” said the first person.

Reliance Life Sciences sees the pathology segment as a lucrative opportunity in India