

Challenges and Opportunities for Young CAs in Medicine/Healthcare Industry



The healthcare segment in India is fast growing and it is an exciting period for the healthcare industry. The Indian Pharmaceutical market is forecast to grow at a CAGR of 12% between 2012 and 2017 and reach to ₹1,321 billion by 2017 from the current level of around ₹840 billion. Developments in the pharmaceutical industry consisting of approximately 1,000 players with over 60,000 brands gives the confidence of bright prospects of this industry and in turn, promising prospects and career opportunities it offers to Chartered Accountants. Many Indian Pharmaceutical companies are now operating in the US and other International markets. This gives opportunities to the members to learn accounting treatment both as per the Indian and the US GAAP. International Finance is another area of opportunities as Indian companies operate globally. Read on to know more...



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India has embarked on a journey of healthcare system transformation. The government introduced important structural reforms in the last decade and had re-emphasised its vision of creating access to a minimum set of healthcare services to all.

Young Members Empowerment

Accountants are generally trained in the internal controls aspects and therefore, they become a ready fit for jobs on compliance to the Sarbanes & Oxley Act which is applicable to all companies listed on US stock exchange and their subsidiaries. So, compliance is another major area where our members can play a significant role.

The healthcare segment in India is fast growing and it is an exciting period for the healthcare industry. The Indian Pharmaceutical market is forecast to grow at a CAGR of 12% between 2012 and 2017 and reach to ₹1,321 billion by 2017 from current level of around ₹840 billion. It is expected to grow at even faster pace thereafter. The total spending on healthcare, which is estimated to be 6% of GDP is rising at double digit rates and will still remain low by the international standards. The Government's contribution to the total healthcare spending has risen gradually over the past decade, but still accounts for less than one-third of the total. Around 25% of the population has some form of health insurance coverage, according to World Bank estimates. The proportion of the population with access to some form of health insurance will increase significantly over the next five years with an estimated 630 million people expected to have coverage by 2015. The efforts to strengthen and expand public infrastructure will continue.

Growth Drivers of Healthcare Sector in India

Growth Drivers of the Healthcare Sector in India are:

1. Increase in population,
2. Increase in lifestyle related health problems,
3. Faster diagnosis leading to early treatment – health awareness & prevention,
4. Increase of disposable incomes in Indian households,
5. Better penetration of health insurance,
6. Medical tourism,
7. Medical insurance and compulsory wellness checkups by companies,
8. Government programmes and focus on PPP (Public Private Partnership) models in healthcare to reach deeper into rural areas,
9. Rising literacy and growing awareness,

The above background and developments in pharmaceutical industry consisting of approximately

1,000 players with over 60,000 brands gives confidence in the bright prospects of this industry and in turn, the promising prospects and career opportunities it offers to Chartered Accountants.

Opportunities

The healthcare segment is well organised and highly regulated as well as compliance oriented.

India is one of the top three countries where companies plan to spend the most R & D dollars over the next three years. The key advantage here is cost effective operations. India has maximum number of GMP approved plants outside USA. India is seen as a major hub by many companies to manufacture the active pharma ingredients needed for their global requirement. Infrastructure and Technology are rapidly improving. The strong IT industry is an added advantage. All these factors make India an attractive investment destination. India being one of the key emerging markets, there is a high focus from all multinational companies also. Domestic companies as well as MNCs are expanding their operations in India. This creates plenty of opportunities for the young chartered accountants.

Many Indian Pharmaceutical companies are now operating in the US and other International markets. This gives opportunities to members to learn accounting treatment both as per the Indian and US GAAP. International Finance is another area of opportunities as Indian companies operate globally. Chartered Accountants are generally trained in the internal controls aspects and, therefore, they become a ready and fit for jobs on compliance to the Sarbanes & Oxley Act which is applicable to all companies listed on the US stock exchange and their subsidiaries. So compliance is another major area where our members can play a significant role.

With the implementation of the 2012 National Pharmaceutical Pricing Policy (NPPP), 30% of

The pharma sector uses traditional trade channel of Carry & Forwarding Agents, Wholesalers and Retailers since medicines need to reach each and every corner of the country. This will provide a very good insight to the finance professional on the supply chain management and its complexities. This experience will also be very useful in the FMCG sector as it also uses a similar distribution network.

market is estimated to be subject to price control. The product pricing is very critical to the Pharma sector as it needs to meet the requirements of regulators as well as the various Chemist & Druggist Associations with respect to the margins provided to wholesalers and retailers. The Chartered Accountants with strong analytical powers and understanding of numbers play vital role in the product pricing.

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Since the pharma sector is highly regulated and subject to price control, there is a tremendous pressure on margins. With very steep generic competition and availability of cheap branded generics, the cost containment is very essential in order to deliver profitability targets and reasonable return to shareholders. A lot is expected from finance professionals to exercise effective and efficient cost control measures.

Further, the pharma segment is in the consolidation mode wherein many mergers and acquisition activities are seen in the recent past and also expected in the coming period. This will give Chartered Accountants very good exposure in the areas of valuation, financial integration, joint ventures, tax planning and so on.

Challenges

Coupled with opportunities, there are also particular challenges that finance professionals have to face in this segment. Apart from accounting and technical knowledge, in order to succeed in this segment, Chartered Accountants need to put extra efforts to gain knowledge of the business operations. This should include distribution model, manufacturing model, R&D advantages *etc.*, so that they could apply the financial skills to make meaningful business decisions.

The key pressure for most Pharma companies has been to maintain the profitability. On one hand, due to price control regulations and generic competition, there is pressure on realisations and on the other hand, in view of inflation and very high standard of compliances, the operational costs

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are increasing. This puts a lot of pressure on the CFOs and finance professionals who have the prime responsibility to deliver profit targets.

Due to the high expectations from emerging markets, there is a high pressure for topline growth and therefore it is a challenge for the finance professionals to maintain appropriate balance between business growth and compliance. With cost control measures and restriction on man power, the workload is expected to be much higher. In the time of consolidation where more and more mergers are expected, talent will be very crucial for survival and growth.

Another critical point is that particularly young chartered accountants need to remember in this current time of job-hopping is the need to be stable in a company and pass through a cycle to gain knowledge, contribute to the company's growth and make a meaningful career. One needs to have patience as learning is a process and does not happen overnight and it takes time to get fruits of your investment in terms of experience and hard work.

Last but not the least, never be complacent. Acquiring qualification is the only entry ticket to the industry. Rest all is about learning, performing and delivering what is expected. ■