

Contract Manufacturing: The Boon for Developing Economies

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Abstract: The paper highlights about the Business to Business Scenario in India mainly in terms of the status of contract manufacturing approach. This work also tries to find the role & importance of contract manufacturers in the Indian Industry. The impact of various factors like regulatory pressure, industry competition, change in patent regime & labour cost arbitrage is also looked upon. The paper highlights the need for contract manufacturing in this particular sector for domestic & international sales. The paper concludes by emphasizing on the fact that the industry is in growth stage and if it is able to integrate various growth factors, it'll be one of the most promising sectors in India.

Index Terms: Contract Manufacturing; Original Equipment Manufacture; Food Sector

I. INTRODUCTION

Contract manufacturing refers to giving own manufacturing work to another manufacturer by a company that legally have the possession of product design and Intellectual Property Rights. Contract Manufacturing refers to the process of manufacturing of products developed by “hiring” firm by “hired” firm due to reasons mainly related to cost & expertise. Original Equipment Manufacturer (OEM), is a term that refers to containment-based re-branding, it is the process by which a company is using product or component manufactured by another company within its own production or there may be the instances that a company is selling the product of another company. So, the term OEM refers to that company which originally manufactures the product. Contract manufacturers are sometime manufacturing a number of products it may be in 100s or 1000s, on the other hand OEMs always specialize in a particular segment or particular group of products.

Following are some identified areas in which Contract manufacturing is employed in medical device technology are:

- Assembly
- Coating
- Cutting
- Electrical Discharge machining
- Fabrication
- Full-Service Manufacturing Electronics
- Kit Assembly
- Machining
- Micromachining
- Tube forming
- Turnkey Engineering, Electronics

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II. CRAMS: CONTRACT RESEARCH AND MANUFACTURING SERVICE

Now a day, *Outsourcing* has been a buzzword in the business corridors. This acronym tells about two different stages of drug delivery, namely, Contract Research & Contract Manufacturing. Until the late 1990s, these firms used to do an in-house research (which is a very costly affair) and then used to outsource production to various contract manufacturers. However, in recent times, with increased competition, weaker product development pipelines, fewer approvals, the need to accelerate the time to market new products & pricing pressures have compelled the pharmaceutical companies to outsource the product development also to the contract research firm.

India, with its distinct competitive advantage of availability of high intellectual capital with low labour cost has attracted global pharma companies and has become one of the most preferred outsourcing centers for a range of activities.

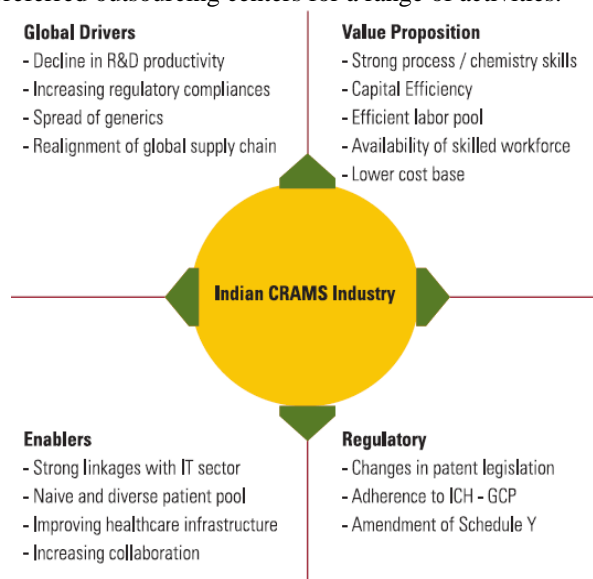


Figure 1: CRAMS Industry

The four main components of this market are:

- Intermediaries
- APIs
- Formulations
- Custom Synthesis

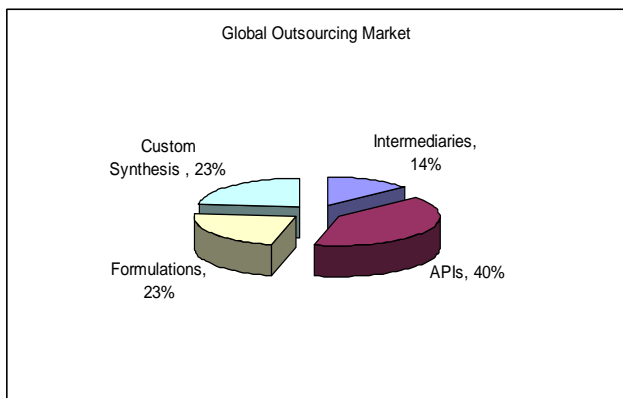


Figure 2: Global Outsourcing Market

Table 1: Notable acquisitions in the CRAMS space

Acquirer	Target	Country	Deal Value (USD mn)
Nicholas Piramal	Avecia	U.K.	18
	Pfizer Facility	Morpeth, U.K.	38
Shasun Chemicals	Rhodia's CCS business	U.K.	5
Jubilant Organosys	Target Research Associates	U.S.	33.5
	Hollister Steir Laboratories	U.S.	122.5
Dishman Pharma	Carboogen Amcis	Switzerland	74
Dr. Reddy's Laboratories	Roche's Facility in Mexico	Mexico	61

Source: Citigroup investment Research, May 2007

III. FINDINGS

- For the purpose of making more and more profits, now a days most of the companies are entering into contract manufacturing to the countries which are less developed.
- A lot of major companies have started their projects or in process to outsource their major portion of the business operation.
- It is expected that Outsourcing will increase up to 17 percent every year, led by high increases in the spread of various activities and change of location of front office and back office and its processes.

In this regard, pharmaceutical outsourcing is a new concept waiting to occur which will give substantial return for the various local pharmaceutical enterprises. It will be very correct to say that all Indian big as well as small companies have also seen the same. Those companies might be taking measures to project them as one of the best companies to attract outsource activity.

Packing in collaboration and manufacturing in contract both are very tough business. As it is well seen that the supply chain has so many challenges in various steps and aspects. The new companies who are not aware of it many a time bound to be a failure. As a practice the big food companies never change or make product according to the various requirements as they stick to one product and even, they never try to give competition to their newly launched products. Now this gives a scope for other companies to enter into contract with companies to packing and even to manufacture the products for the same and try to provide the support at every level.

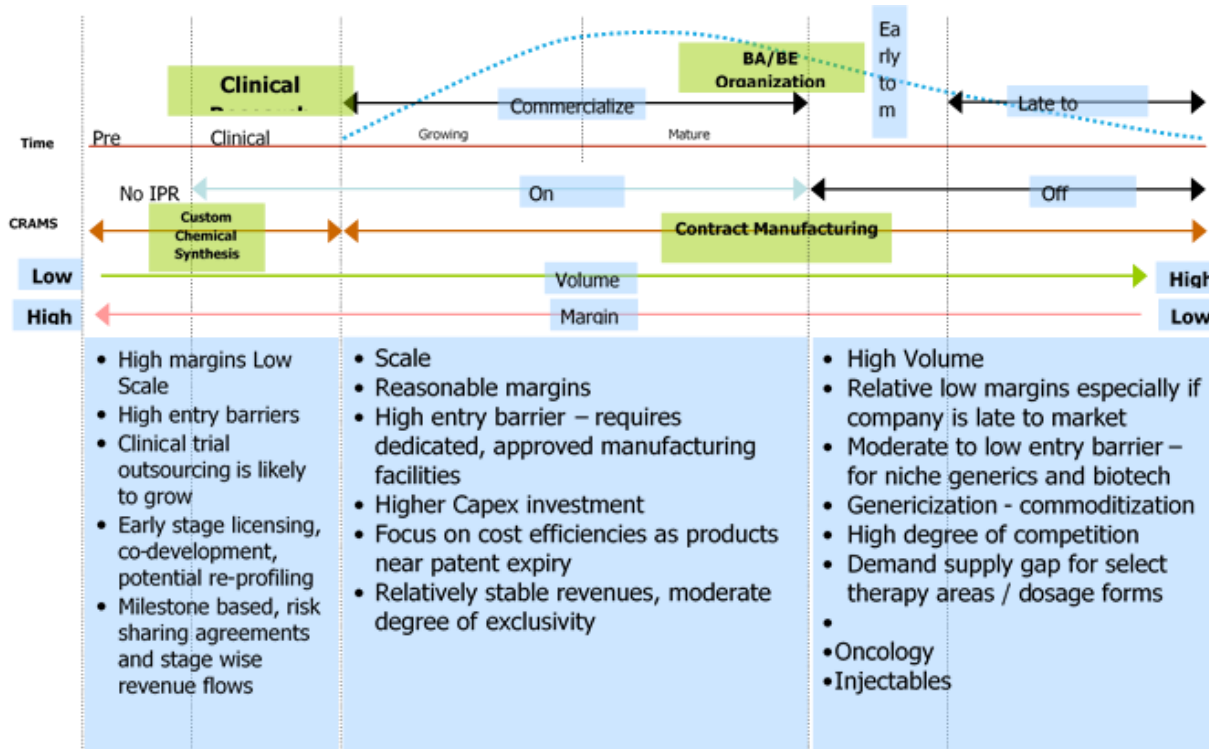


Figure 3: Role of contract manufacturing

A larger producer will not convey that sort of item which make an open door for contract makers. To be effective, an agreement mixing and fluid handling master must assistance customers build up their very own leap forward items.

Co makers of basically every sort of sustenance and drink are putting their cash where their client's item improvement premiums lie. Contract Manufacturers in food industry is undergoing **customer- centric reformulations**. Today, CM are not only, say just a packer; they are a **value-added partner**.

Progressively, contract makers are offering configuration administrations to the business. The benefits of this to restorative gadget organizations are laid out.

Expanded open door has prompted more noteworthy challenge among contract producers. The need to separate or extend administrations has turned into a significant method for building up an upper hand. These extended administrations can be found at the two parts of the bargains and undertaking lifecycles.

On the item side, contract producers have expanded their value-based administrations to incorporate store network the executives and assembling administrations. On the task side, contract producers are advancing by including structure and improvement administrations. The expansion of configuration administrations to contract assembling has turned into a reasonable choice that can yield accomplishment for contract makers and their clients.

IV. CONCLUSION

- Value arranging isn't separate from other vital arranging forms.
- If contract producers can coordinate their centre capabilities to client esteem criteria then they can gain by business-to-business connections.
- To give most extreme worth, providers must create a far-reaching rundown of basic worth components for every client and work with those in connection to authoritative ability.
- To become expectant, providers of agreement production must go past the client for field esteem appraisals and take a gander at how other outer powers are affecting on clients' worth necessities.
- Essentially, the analytic instrument controls the agreement maker through the ID of changing customer and market prerequisites. It enables the agreement producer to meet these progressions through the tuning of assembling activities, so that not by any means the scarcest lack of concern exists that may damage hierarchical adequacy in the conveyance of significant worth.

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Dr. Babita Singla, Associate Professor, Chitkara Business School, Chitkara University, Rajpura, Punjab is an MBA, UGC-NET and PhD in Management. She plunged into the teaching profession since 2010. She has successfully organised three National Level Conferences and one International Conference in capacity Conference Secretary. She has conducted and organized various Faculty Development Programs and many research publications in various journals and conferences. Her overall research-oriented mindset and rich knowledge and dedication towards her responsibilities has awarded her with the most prestigious ‘**Teaching Excellence Award**’ from the **Honourable Education Minister of the State**.



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