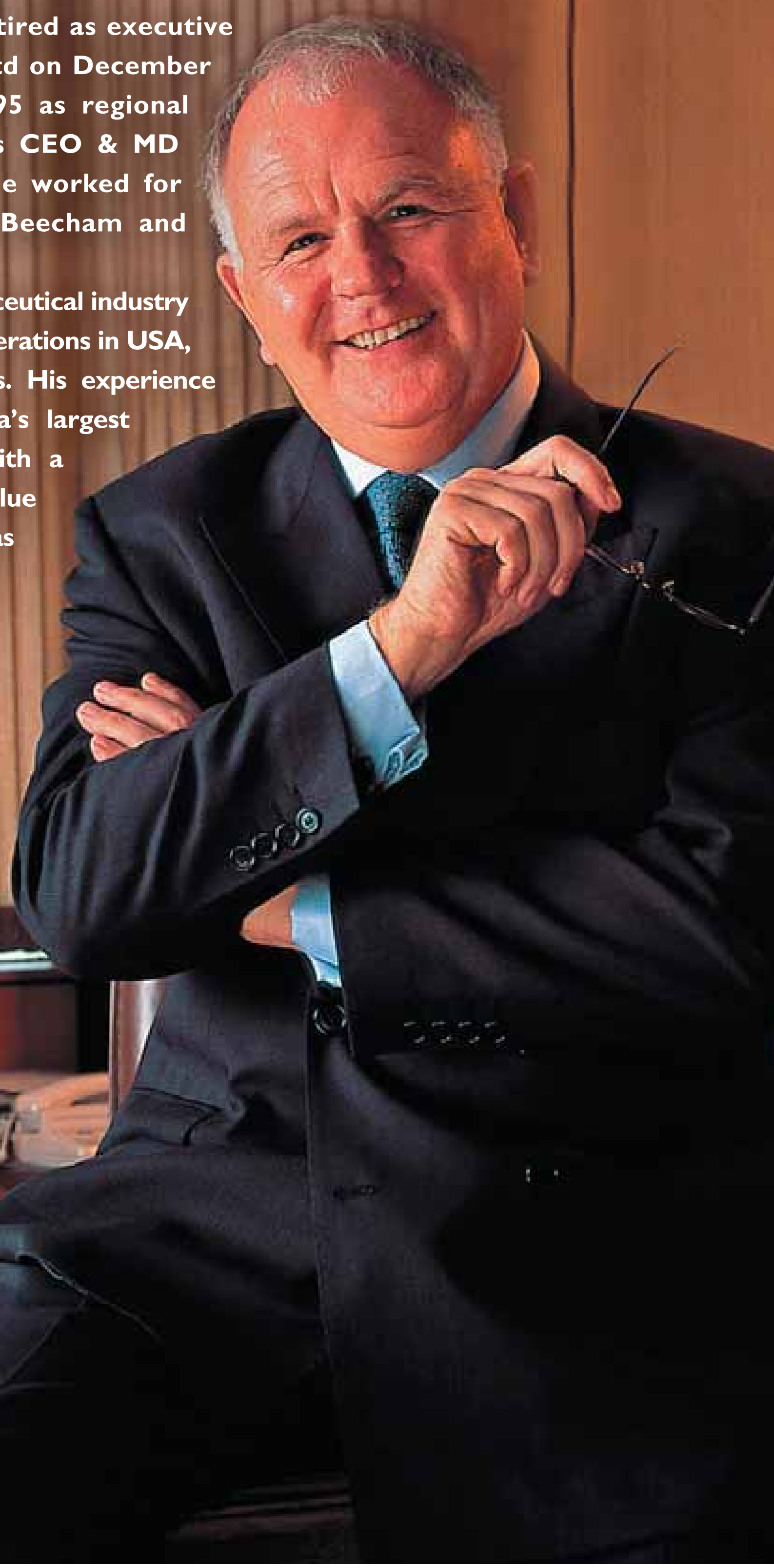
"There is a huge opportunity for India in the CRAMS sector"

...opines Dr Brian W Tempest, who retired as executive vice-chairman of Ranbaxy Laboratories Ltd on December 31, 2007. He had joined Ranbaxy in 1995 as regional director for Europe and was elevated as CEO & MD of the company in 2004. Prior to this, he worked for companies like Fisons, Glaxo Holdings, Beecham and GD Searle.

Dr Tempest has been in the global pharmaceutical industry for 35 years, having held responsibilities for operations in USA, Japan, Europe and other emerging markets. His experience as the Delhi-based CEO of Ranbaxy, India's largest pharmaceutical company, provided him with a unique insight into the challenges of a blue chip Indian company expanding into overseas markets, as well as the dynamics of the rapidly growing local market. All of this is rare among non-Indians.

In this exclusive e-interview with Rakesh Rao, Dr Tempest shares his views on the challenges vis-à-vis opportunities for Indian companies in the ever-evolving global pharma market.



About Ranbaxy's evolution from a small pharma company to today's leading player in the global space...

Dr Parvinder Singh's vision for Ranbaxy was one of the most forward looking thoughts during India's liberalisation. He focused on globalisation & innovation and this was the secret for the evolution of the company. I was just a part of the team that developed and executed this strategy along with many others.

Some of your memorable moments with Ranbaxy...

It was my first business meeting with Dr Singh and D S Brar at an investors lunch in the City of London. There was an amazing array of fund managers, analysts and bankers who wanted to hear the plans of this small Indian company based in Delhi that had only 20 per cent of its sales outside India yet had plans to take on the world.

India's position in the global generics space...

Everybody is worried about the cost of health and to address this need the generics industry is receiving strong political support from various governments and non-government organisations. India has the greatest competitive advantages because of the strength of chemistry and the innovative scientific strength of its scientists. This will continue for the next five years till China catches up with India.

Oppurtunities for Indian companies with a number of major drugs going off patent soon...

Indian generic companies are working 10 to 12 years ahead of launch, so all patents that expire in the near term are already covered and acted upon. The results are yet to be seen but all the work has been done and plans are already chalked out.

India's strategy to replicate its success in the generics into the bio-generics segment...

The expansion of this sector will be dependent on the evolution of regulatory approval processes in the western markets. Indian companies need to continue working in this sector as it will become a dominant sector of the total marketplace. However, the products offered at the earlier stage may not prove profitable in comparison to those offered later on.

Key issues faced by the pharma industry – globally as well as in India...

There is a global need to expand the productivity of innovation at a lower overall cost. Everybody is searching for this and so most of the large MNCs are coming to India for their needs of molecular optimisation, clinical trial, electronic data capture and contract manufacturing.

Opportunities for India in the global research arena...

There is a huge opportunity for India in the Contract Research and Manufacturing Services (CRAMS) sector and also in the intrinsic development of new chemical entities (NCEs) through the scientific creative strength of the nation. In addition, the cost of innovation is extremely competitive on the world stage.

Pharma companies hiving off their R&D units into a separate entity...

I have worked for 12 years in the generics sector and 24 years in the research sector. These are two separate businesses with different drivers. It is generally ok to give birth to a discovery business from within a generic company but eventually they will need to be separated and given space. I am a great believer in separating out these businesses.

Purpose of Indian firms acquiring manufacturing sites in the Europe...

The CRAMS business is all about supplying overseas customers with the strength of India through contract R&D and contract manufacturing. Companies offering these services are investing overseas for factories, since their overseas customers are impressed by the local presence of some manufacturing assets. For the organic growth of the Indian pharma industry in generics and research, the competitive advantage of Indian R&D facilities and Indian API plants is clear. However, secondary plants for drug formulations are spread around the world based on local strategic advantages but the real added value is generated in R&D and in the API plants.

Steps to be taken by generics companies facing serious strain on the profit margins...

Competition is definitely rising and it is important to raise efficiencies. This can be in R&D, in the global organisation, by using India as a back office or in the size of a HQ. In addition, it is important to understand what is available in India and China to ensure that raw material purchases are made at a very competitive cost.

Chinese challenge to Indian companies in the generics market...

China will become a serious challenge in generics but not for five years. The first Chinese ANDA (Abbreviated New Drug Application) approval in the USA has only just happened and it took Ranbaxy 4-5 years to make a presence around the world after its first USA ANDA approval.

Expectations from the 'National Pharma Policy'...

People often ask me "Why have the Indian pharma companies been able to expand around the world while the Chinese and Japanese companies failed to achieve a similar coverage?" I personally put this down to the policies of the Indian government in encouraging exports through the passbook mechanism and also supporting R&D through tax breaks. Indian governments of all colours have over the years been very supportive. The Japanese and Chinese governments have done nothing more than inject regular price cuts on their domestic companies, which has led to cutting off the knees of their local companies and preventing them from expanding overseas. So, well done to the Indian governments and let us all hope that this clever foresight will continue.

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Role of India in the emerging global pharmaceuticals market...

Indian domestic companies will dominate the world generics markets, and on this I have no doubt. In addition, the Indian companies will bring low-cost high-quality medicines to the developing world, which will assist in dealing with health challenges from the rural areas.

Outlook for the Indian as well as global pharma industry...

If global pharmaceutical companies do not meet the challenge of finding greater innovation then the prognosis is poor. Roche has been exceedingly effective at developing its NCE product flow through the acquisition of Genentech, which was a relatively small company with a very productive pipeline. Under Roche management, Genentech has been allowed to remain a relatively small and independent company. The bigger pharmaceutical companies may need to demerge into smaller groups in order to rekindle innovation within their beaurocracies. Generics will continue to take a larger share of the marketplace owing to the political needs of reducing the cost of health.

At the end of the day, both generic medicines and the discovery sector are dependent on each other and generics actually gives headroom within government and insurers' health budgets for innovative medicines to receive a full financial return for their successful investments. MPh