Making waves

VIC YEPELLO/THE STAR-LEDGER

Ranbaxy Laboratories Chief Executive Brian Tempest at the New Delhi company's U.S. headquarters in Princeton. With annual sales surpassing the $1 billion mark, Ranbaxy hopes to join the ranks of "research-based" pharmaceutical companies like Pfizer and Merck.

Generic drug maker is armed with ambition and a new CEO

BY DAVID SCHWAB
STAR-LEDGER STAFF

Ranbaxy is already the largest drug company in the world's second-most-populous country. But it has ambitions to get much bigger.

Ranbaxy hopes to rise beyond its station as a generic drug manufacturer based in India and join the ranks of the elite, so-called "research-based" pharmaceutical companies like Pfizer and Merck.

Annual sales at Ranbaxy Laboratories have already crossed the $1 billion mark, more than tripling in the last five years, and the company is the 10th-biggest generic drug maker in the United States.

It also has a sizable presence in New Jersey: The company's U.S. headquarters is in Princeton, and its key manufacturing plant is in North Brunswick.

Q&A

Since its founding in 1961, New Delhi-based Ranbaxy has focused on selling less expensive, generic copies of brand-name medicines that have lost their patent protection, such as Vasotec, Merck's blood pressure

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BRIAN TEMPEST

Born: June 13, 1947, in Morecambe, a town about 200 miles northwest of London

Lives: New Delhi

Family: Married, with three sons

Hobbies: Gardening and swimming

Oversees: The company has 9,100 employees, including 324 in New Jersey.

Key career decision: "My father was a hairdresser. When I was a boy, he told me to work hard at school and pass my exams, or I would end up next to him cutting hair. I started working hard. That was one of the crossroads."

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Ranbaxy: Hope and a new CEO

medicine, or pain killers like codeine and morphine.

But the company expects to develop its own new medicines and has eight products in its pipeline — including two in Phase II clinical trials — that are expected to hit the market beginning in 2006.

And now Ranbaxy has a new leader.

Brian Tempest, 57, a pharmaceutical industry veteran who joined Ranbaxy as a regional director in 1995, will assume the title of chief executive and managing director next month.

Tempest, who has a doctorate in organic chemistry, is the first non-Indian to head the company.

In a telephone interview with The Star-Ledger, he talked about the company's ambitious plans, the special role of generic drug manufacturers and rising influence of India in the pharmaceutical industry.

Q. What are your plans for the future?

A. The starting point is our competitive edges, and we have three.

The first is that, in our own market in India, we have been aggressive, and when we moved around the world we tend to carry that aggression with us. Second, the one most people from the U.S. associate with us, is the fact our manufacturing base and raw materials are in India.

But actually what makes a difference is the third, and that is the cost of innovation and what we get from our research and development budget.

We believe this is going to take us from a billion dollars to $2.5 billion in 2007 and $5 billion in 2012.

Q. What about the U.S. market?

A. The U.S. market currently represents 42 percent of our sales. Our U.S. model is quite robust. We will be expanding our shares. I believe an Indian wave will come through the U.S. in the generic segment and Ranbaxy will be at the forefront of that wave.

Q. Can you elaborate on the benefits of R&D in India?

A. When we meet with any of our alliance companies, we come away with the feeling we are spending less than they in R&D. We have a rich pipeline, and they are spending more than us and they are short of products.

We are launching about one product a week in India. And then we launch around the world, in Latin America, Africa, Southeast Asia, and move into eastern Europe, central and western Europe and eventually to the U.S. It takes about a year and depends on when the patent expires.

In the U.S., we filed 26 drug applications with the Food and Drug Administration, and that was the third-highest filed last year.

Q. What about other American drug companies in India?

A. There are some big pharmaceutical companies that do not have a presence in India; for example, Bristol-Myers Squibb and Merck. They pulled out many years ago.

But a number of them are coming back because there are such benefits. The country has a big population of chemists. The FDA has approved more manufacturing plants in India than in any other country outside the U.S.

Q. Isn't making generic versions easy compared with discovering medicines?

A. It is not that easy. You have to produce a generic that delivers exactly the same potency.

We have over 1,000 people working in our R&D and have alliances with companies such as GlaxoSmithKline and Bayer. We have a number of people who joined R&D from the U.S.

I am told that 15 percent of those working in the labs of the U.S. pharma industry are of Indian origin. I am also told that 40 percent of the people on the shop floor of generic companies are of Indian origin.

We attract a certain kind of individual to come back to India and help enrich our scientific community. Last year, we recruited 22 people from overseas. We are producing a scientific community which we believe will be quite competitive in the world stage.

Q. How do you expect to compete with the big drug companies?

A. It depends on the molecule.

For example, Bayer is heavily dependent upon Cipro. It is a twice-a-day antibiotic. A couple of years ago, little Ranbaxy discovered a once-a-day tablet. Bayer had tried for many years and couldn't find it. So we went to Bayer and sold it to them. Bayer got FDA approval and entered the market in the U.S. a year and a half ago. We earn a royalty every month.

We're looking to maximize our return. If the molecule is in a certain segment or niche and we can access a number of physicians, we might take it ourselves.

If the molecule has a very wide range, we may want to form a partnership with a bigger company and let them take it to market.

Q. How do you respond to criticism by big drug makers?

A. The generic industry is absolutely critical. The government and insurers pay a high price to reward innovation. At the same time, you have to have a strong generic segment, which enables you to balance your health-care costs. The two are really not competitive, but sit alongside each other.

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