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Pratima Reddy, GM at Merck Healthcare India reviews the importance of Merck's Indian affiliate, discusses the recent reforms that have contributed both to improving patient access and to fostering foreign investments and innovation, and explains the representation of Merck's portfolio in the country, and how the company navigates the local payer and reimbursement landscape.

Can you provide an overview of your career within the life science industry, specifically your tenure at Merck?

Over the past decade, I have had the opportunity to contribute significantly to Merck’s success, marking a tenure that encompasses over 18 years in the broader landscape of my professional journey. Commencing my career at Accenture in Strategy Consulting after obtaining an MBA, I transitioned into the consumer health sector before taking on a pivotal global role in portfolio management at Merck.

Despite my initial educational background in accounting, I carved a niche for myself within the R&D domain, actively engaging in idea generation and adept project management. My trajectory within Merck led me to a diverse range of experiences, including involvement in the India business during an internal portfolio transfer. Following the successful completion of this project, I had the opportunity to contribute to the oncology business unit, making a shift from consulting to the

transformative world of healthcare.

This transition demanded not only leadership acumen but also a profound understanding of the technical intricacies inherent to the life science domain. Subsequently, I assumed the role of a Regional Franchise Lead based in Singapore, overseeing diverse Asian markets excluding China, with a specific focus on the cardiometabolic franchise.

My journey eventually brought me back to India, where I presently serve as the Managing Director for Merck's healthcare business. Recently, I took on the role of the Country Speaker, representing all of Merck's business units in India, encompassing life sciences, healthcare, electronics, R&D capabilities, and IT centers within the country. This multifaceted experience underscores my commitment to impacting the healthcare sector with a strategic vision and unwavering leadership.

Could you elaborate on Merck's significance within the Indian market and its presence in the country?

India stands as a strategic cornerstone for Merck, boasting a substantial workforce exceeding 4,000 employees. In the global landscape, it potentially claims the prestigious position of the third or fourth largest affiliate within our organisation. This influence transcends conventional commercial operations, extending its reach to encompass pivotal manufacturing sites and cutting-edge centers of excellence.

Our commitment in India is not confined to being another multinational pharma company alone, it extends to the essence of our operations. Beyond the internal workforce, approximately 500 external collaborators are integral contributors, enriching various facets of our organisational endeavors. Merck recognizes and actively taps into the immense potential embedded in India, going beyond the traditional scope of commercial operations. Our focus is steadfast on leveraging the multifaceted capabilities inherent in this dynamic landscape, reinforcing our dedication to innovation and excellence.

What are the most significant trends you are observing in India today?

From a healthcare standpoint and in the context of India's overall trajectory, there are promising avenues for growth and innovation. Projections indicate that by 2030, India is poised to become the world's third-largest economy, boasting a commendable growth rate of approximately eight

percent. Crucial reforms, including the streamlining of the tax system and advancements in the ease of doing business—exemplified by the introduction of the Goods and Services Tax *(* GST)—have exerted a considerable influence on the nation's economic expansion. Furthermore, governmental policies have cultivated an environment conducive to foreign direct investment (FDI), propelling the nation toward a positive economic trajectory.

The Indian government is actively steering the nation towards a path that nurtures economic prosperity. Visible strides include simplifying business processes, refining tax structures, and promoting online transactions. The emphasis on enhancing regulations to attract foreign investments is noteworthy. The delicate equilibrium sought by the government, balancing healthcare accessibility, fostering innovation, and promoting value-driven pharmaceutical development, is evident. The establishment of the National Health Authority underscores the commitment to improving patient flow and accessibility to medical treatments.

India has made commendable progress in intellectual property (IP) regulations, reflected in a growing number of patent applications and impartial outcomes. However, the government grapples with the dual challenge of ensuring healthcare access for the entire population while fostering innovation in the pharmaceutical industry. The government's commitment to addressing these issues is evident in initiatives like the Universal Health Care Scheme. Nonetheless, there remains a considerable journey ahead, including the ambitious goal of increasing public health expenditure from the current 1.2 percent to 2.5 percent.

India show promise in the medium term, fueled by a favourable demographic profile characterized by a young and expanding population, a rising per capita GDP, and increasing purchasing power. The nation holds significant potential, with a clear commitment to enhancing accessibility and affordability solutions, coupled with continuous improvements in IP regulations. This collective trajectory positions India as a pivotal market for the future, but one that requires careful navigation through the evolving dynamics at play.

How is Merck's portfolio represented in India?

In India, Merck functions through three main franchises: cardiometabolic, oncology, and infertility. Significantly, the cardiometabolic franchise holds a substantial 40 percent share of our market presence, offering a range of products dedicated to cardiovascular health, diabetes treatments, and thyroid medications.

In a divergent distribution, both oncology and fertility franchises contribute equally, each comprising approximately 28 percent of Merck’s market presence for over a decade. Over the past two years, Merck has successfully introduced specific products targeting lung cancer and bladder cancer into the Indian market.

Given the status of legacy products, how does Merck strategise in the context of India’s healthcare market dynamics, particularly considering the balance between established and innovative portfolios?

In the Indian healthcare market, the predominant value, approximately EUR 24 billion out of 25 billion, is comprised of branded generics, with the innovative portfolio representing a comparatively smaller share. The key differentiator lies not primarily in pricing but in scientific communication, and engaging with healthcare professionals, aiming to provide access to global scientific expertise, new data, and real-world evidence and most importantly, keeping patients’ wellbeing at the core. This segment continues its rapid growth, driven by the high burden prevalence of cardiometabolic diseases in the Indian population and dependability on tested and proven drugs that have benefitted millions globally over the years

Lifestyle-driven diseases, notably hypertension and diabetes, are widespread in India. While the innovative portfolio encounters higher price barriers, the emphasis is on a combination of differentiation through a carefully curated selection of innovative products and driving access-related initiatives for patients.

Merck’s capability to source numerous components from the global organisation ensures a distinct brand identity and quality, setting our products apart from local generics. Merck is actively focused on unlocking the potential within our cardiometabolic portfolio, which not only serves as a robust foundation but also plays a pivotal role in the development of our innovative franchises. This underscores its significance as an essential aspect of our overall organizational priority.

What can you tell us about the healthcare system, particularly related to payers, access, and affordability?

Navigating the payer and reimbursement landscape in India presents a nuanced challenge compared to Western markets, given the diverse schemes spanning central government, states, and various organisations. Merck adopts a collaborative approach, engaging with different

stakeholders and leveraging market access teams to facilitate discussions with various entities. Notably, reimbursement contributes approximately 30 percent to oncology sales in India, underscoring its strategic importance. However, Merck's focus extends beyond affordability; it places significant emphasis on awareness and diagnosis to ensure maximum patient benefit.

Recognising the need to address gaps beyond pricing models, Merck collaborates with institutions such as the Employee State Insurance Corporation (ESIC), the Indian Railways, and other key payers. We initiate awareness programs in areas with limited hospital access and concentrate on capacity-building among clinicians, offering support for diagnostic testing.

While affordability remains a central concern in India, Merck believes that the solution transcends mere price reduction. A comprehensive strategy involving awareness and capability-building initiatives is imperative. Merck acknowledges that ensuring accessibility requires sustainable, economically viable solutions.

In recognising the support and infrastructure needs of these institutions, Merck aims to complement rather than compete. Collaborative initiatives, such as the recent program with a Delhi State Cancer Institute, aim to provide financial counseling and treatment options to patients unaware of available choices, yielding positive responses and guiding patients to appropriate treatments.

Regarding self-pay, within the oncology segment, 70 percent of Merck's sales emanate from self-pay scenarios, prompting the implementation of patient access programs. These programs strike a balance between costs and free treatments, directly aiding patients based on physician recommendations. This patient-centric approach aims to alleviate the financial burden on patients, particularly in the private sector where cancer treatment costs are substantial.

Patient segmentation within these programs provides valuable insights. Understanding the benefits and treatment duration is pivotal, with ongoing assessments aligning with the objective of aiding more patients and extending therapy duration.

Another noteworthy development is India's emphasis on innovation, potentially leading to expedited product approvals. The evolving regulatory environment, especially the openness from regulatory authorities in India, has facilitated clinical trials with smaller patient pools, instilling confidence in Merck's approach without necessitating full-scale trials.

Recognizing this evolving landscape, our organization actively considers India for clinical trials, establishing trial patient sites and aligning with global strategies in pharmaceutical innovation.

CEO Belen Garijo stated at the recent capital markets day, that Merck will return to growth in 2024. How do you expect Merck India to further contribute to the global group’s ambitious growth targets?

Exactly how our global CEO Belen Garijo mentioned on the Capital Day markets day, “Merck’s business model has been put to the test over and over again in previous years and proven itself resilient. Even in challenging circumstances, we see ourselves optimally positioned to continue to generate attractive growth rates in the future.”

Within Healthcare, India emerged as one of the fastest-growing market within the APAC region. As we approach the conclusion of the December cycle, there is optimistic anticipation for high double-digit growth in the upcoming months, ranking among the fastest experienced, excluding the immediate post-COVID period. Even during that challenging time, we demonstrated resilience, swiftly recovering despite supply chain challenges and rising competition in certain franchises. This year, the growth appears slightly higher than the levels observed during that testing period.

At a group level, Merck continues to harness the potential of India across commercial, manufacturing and via the capability centers for IT and R&D Healthcare. Merck in India today has close to 4000 employees, and we will continue to explore opportunities to build on our strong legacy of over 55 years in this dynamic country.

Can you elaborate on the significance of diversity and inclusion within your leadership?

Diversity and inclusion stand as pivotal priorities within Merck, reflecting a robust commitment from our top leadership. We have established clear KPIs with the aim of fostering diversity across diverse roles and diligently track our advancements. Beyond mere words, we authentically cultivate a well-balanced leadership mix, with a particular emphasis on gender diversity. This approach is not just rhetoric; it resonates throughout the team and is evident in our leadership structure, where women hold several key positions.

How do you perceive and address the challenges pertaining to diversity and inclusion, and how does this relate to transforming the cultural landscape within the country?

Yes sometimes, as the only female participant in many meetings, I find it essential to emphasise my role as a diversity factor in the room. Advocating for a shift in perception and leading the way in diversifying leadership teams is crucial. While we may effectively identify talent, encountering challenges in the field, especially during late-night fieldwork in certain regions, poses a greater hurdle. The cultural context makes it challenging to attract and retain women in the workforce due to familial responsibilities and societal expectations.

In response, our focus is on setting a top-down example, conducting inclusive leadership sessions, training managers, and implementing policies that support individuals returning after breaks. Implementing these changes remains an ongoing challenge, influenced by cultural aspects and infrastructure within the country. The key to progress lies in creating a safe environment for women, consistently promoting diversity, and implementing policies that support gender equality in secure work areas.

What is your approach to fostering talent at Merck?

At Merck, our strategic focus on talent development and global mobility underscores our commitment to fostering a dynamic workforce. Given our robust educational background and proficiency in English as Indians, we find ourselves uniquely positioned for global opportunities. Our initiatives, including mentorship, short-term assignments, and targeted exposure to regional and global roles, are designed to propel individual growth through robust talent development programs.

Regarding mobility, we have noted a distinctive eagerness among Indians to explore global prospects, setting us apart from some counterparts in developed markets. The impact of aspirational values and cultural influences is evident. Simplifying mobility, we have implemented potent Individual Development Plans (IDPs) that prioritize personal aspirations, guiding individualized paths for career growth. Encouraging freedom of choice in career transitions within the company empowers individuals to explore diverse roles. Our success stories underscore the influence of longevity, shared values, and the company’s bold stance in taking risks to foster growth.

Our dedication to individual growth is exemplified by developing talent across diverse backgrounds, spanning communications, project management, executive assistants, and beyond. Despite the intricacies of multinational setups, seasoned individuals joining from diverse backgrounds enrich our culture, fostering a diverse and inclusive environment.

As we conclude, what is on your wish list for the next phase of your journey?

I hold a crystal-clear vision for our next journey phase. Foremost on our agenda is driving access to our innovative portfolio in India, prioritizing maximum benefits for a broad patient base through strategic access approaches, payer engagement, and a profound understanding of the evolving market.

Moving to our cardiometabolic segment, our focus is on expanding both deeper and wider. Despite our established presence, we see a significant population that can benefit from our therapies, and we are eager to extend our reach to seize this opportunity.

The third major area involves accelerating the introduction of our innovative portfolio, particularly in fields like neurology with substantial unmet medical needs. Our goal is to establish effective go-to-market strategies to address these gaps comprehensively.

Lastly, the fertility market is both unique and evolving. Despite India’s high population, the declining fertility rate raises concerns. Shaping the market involves enhancing access to IVF treatments and influencing policy discussions to raise awareness among women. These four key areas—access strategies, cardiometabolic expansion, innovative portfolio introduction, and shaping the fertility market—are our primary focus, supported by ongoing projects and a strategic roadmap.

Our broader objectives encompass nurturing talent, optimizing the potential in India’s manufacturing landscape, and amplifying India’s voice within our organization. If we execute these plans successfully, we envision positioning India as the next significant growth market.

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