

Interview with Dr. Rajesh Jain, Joint Managing Director, Panacea Biotec

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The Indian biotechnology sector is quite particular. In spite of its young age, the industry has grown significantly in a very short time. In your view, where does the Indian biotech sector stand today within an international context?

Indian biotech companies, in particular in the vaccines industry, would be among the largest suppliers to the developing world, in partnership with Unicef and the World Health Organization (WHO). In terms of coverage per number of children, India surpasses everyone with figures as high as 60 to 70 million children being reached through Unicef alone every year among new born.

What are the main aspects to take into account as a player in this market?

When you talk about vaccines, you basically talk about children. Largely, all investments in this area are driven by the governments. They are the ones that come forward and make the immunization of children mandatory. The money that is being brought to the table, the manufacturing capacity that is being developed in a particular country, and so on, is largely dependent on the government.

To be successful in this field, it is thus inevitable that, as a company, you work with the government. In the vaccines industry, a company should not only be thinking of profits, value creation and growth. Instead, they should prioritize their understanding of how to support the government to continue to increase the availability of vaccines, while continuously reducing their

cost base.

Succeeding in vaccines is finding the way to strike the balance between the nature of the industry, the need for capital, the ROI time, the right product mix, and an attractive price to eventually ensure product procurement by the government. A company that manages to fit all these pieces in one puzzle will make a great company in the developing world.

How did you do it?

The vaccines industry is in fact a very technology-intensive area, and represents a “real science”. Whether you are in the USA, the UK, India or Japan, the quality of vaccines in each of these countries cannot vary. It takes numbers of years to strike that balance. Age is crucial, making it very important for companies to build up experience and mature as they grow.

Apart from the very focused and intense competition, you also need to be able to deal with a group of stakeholders that have completely opposite objectives. The government, in particular, is a different stakeholder altogether, who is both supporting and very demanding. Apart from the figures per se, this business needs a lot of emotions. Until you really empathize with the different stakeholders and go beyond numbers, this business will not be viable. You need to make the market understand how many children have benefitted from your vaccine, and how you have been able to improve overall healthcare by making a global impact through immunization. You need to be able to demonstrate and communicate the value you have created across a number of years and products, rather than on a quarterly basis.

When it comes to building relationships with the government, Panacea Biotec really hit the news with its agreement to develop the H1N1 vaccine. How important was this as a milestone for the company, and its ability to work together with the government?

In my 20 years of experience, I experienced this moment as a renaissance for the entire Indian vaccines industry. We could not be more indebted to the government of India. It was a fantastic, fabulous and out of the world experience. It was not even a question of money, but rather an experience to go through this entire process for the very first time. It started as a new chapter and a reference base to engage in further government initiatives. I am also very pleased to say that the government has been continuously showing the commitment it showed at that time.

Why was Panacea Biotec chosen?

At that point in time, the government’s objective of getting access to the vaccine was more important than picking a particular company. Many companies were invited, and we became one of

the 3 to go ahead. Competition, in general, is not a big issue for us, as we are reasonably able to withstand competition.

In terms of financial performance, results last year seem rather positive. In December 2010, Panacea announced 38% revenue growth as well as a 210% increase in pharmaceutical formulations exports, for the 9 months end of the fiscal year. Overall, how satisfied were you with these numbers, and how do you explain these strong results?

We have been very excited recently, as we crossed the Rs. 1,000 crore milestone (roughly USD 220 million) in February 2011. We have enjoyed every moment of achieving these levels of performance.

Several things came together to reach such numbers. Already in 2007, we asked ourselves what would happen to the company beyond the year 2010. In order to become a company that could last forever, we understood that we needed a vision for the future. In this sector, you really need to understand who you are, and who you want to be. You need to ask yourself how you want to be remembered at the end of the whole journey. Over a period of 2 years, we developed our vision 2020 and set ourselves the relevant goals and objectives. We developed the entire strategic plan for the next 5 years.

At that time, we also clearly came to realize that we needed to do something different than the rest of the large companies, in terms of systems and processes. Carved out from our vision, we developed our own systems, processes and technology, in order to become the biggest, largest and most admired biotechnology company by 2020. We believe that we are on track to achieve this position. Whether or not we eventually reach this goal, is not as important, as the fact that we enjoy this journey. It is most important to have a journey that excites and liberates us.

A cornerstone of this vision has become innovation. This means that, in everything that we do, innovation would be key. Whether it is business processes, technology, or customer service, we set ourselves to reach some extent of differentiation in every aspect.

2007 was also the year when you came out with the Oncotrust Division to tap into oncology as a new growth area. At that time, you said putting effective distribution in place and occupying more market share would be the key priorities to start with. How successful have you been with this action plan so far?

We have done very well in that niche, and I am very pleased to announce that we have been able to launch one of the best technologies from our Mumbai R&D center (GRAND) just last month. This

R&D centre is focused on microparticles, nanoparticles and liposomes. We have successfully managed to bring out PacliALL for breast cancer at almost half the innovator's price.

The government's goal is to have affordable cancer treatment for every patient in India. We once again realized the importance of bringing down the cost of anti-cancer products, and felt that we could slash prices using our breakthrough technology. As a consequence, we have commissioned another Rs. 50 crore investment just yesterday, to put up a new production plant for PacliALL. This plant should be up and running before the end of 2011, and will be located in the state of Himachal Pradesh.

One year later, in 2008, Panacea decided to enter the healthcare delivery sector in cooperation with Umkal. What was the vision behind that strategy?

This relates to the aforementioned aspects of innovation and differentiation as an integrated part of our strategy. Patients needs can only really be understood, once you start living with patients and practicing with doctors. One could thus consider this agreement as a move to further trigger innovation in our business. We have 4 R&D centers and more than 300 scientists, who can work closely together with these doctors. Healthcare, in itself, is currently underlying a metamorphosis in the developing world with respect to treatment. With this decision we have placed the company in such a position that, whatever the next big change in treatment will be, Panacea will be part of it.

A third reason is that some of our products will be brought to clinical trials, which will in turn be facilitated by this entry into the hospitals. A particular growth area in that niche will be stem cell research.

A lot of the work does not need to be done alone. In 2005, Panacea already entered into a joint-venture with Chiron (Novartis Vaccines). Do you still see this as a desired approach for the future?

Absolutely! I do not think that any company can fully contribute to healthcare without alliances. It is the only way to create a credible, sustainable difference to healthcare in a speedy manner. Innovation cannot be done all alone. By aligning your work with your strategic partners, you will better be able to create synergies. "Sharing and Caring" and respecting every individual and entity, becomes very important. Respect for the competition, the country, and the institution you work for, are our 3 brand mantras. Collaboration is the only way to follow these mantras as we go forward.

Collaboration can also result in enhanced market access. This March you just entered into an agreement with Laboratorios Clausen to access the South American markets. How did this fit within your strategy?

The agreement was based on simple, yet novel thinking. From one side, it gave Laboratorios Clausen S.A access to our product "Tacrolimus" (Pangraf) in a few markets in Europe. In return, Laboratorios Clausen S.A agreed to provide technology of Mycophenolate mofetil (MMF) to Panacea Biotec where in Panacea Biotec manufactures and markets the products in a few key international markets. With this -so far very successful- agreement, both companies have been able to complete some of the gaps in their portfolios.

Further to that, what do you see as your major international growth markets?

There are 20 markets for us to focus on, including the emerging markets. Some of these are in South America, with countries such as Brazil and Argentina. In Africa, we currently focus our efforts on South Africa and a few French-speaking countries. In addition to that, we also focus on growing in some of the Southeast Asian economies. Whether it is immunization vaccines, biosimilars or pharmaceuticals, these countries will essentially constitute our key growth areas for the coming 5 years. While India remains very important as our domestic market, the majority of our growth and revenues will be coming from the international markets, no matter what we do and how well we perform in India.

You already mentioned that respect for the individual is an important cornerstone of the company culture that should support this growth. As part of this culture, Panacea has already announced a so-called EASE formula. Can you elaborate on this?

It is part of the proprietary practices we have picked up. Once a company structure is established, there will be certain ways on how people report to one another and how they treat each other. As a result, it can happen that top-down forces come into play, which do not really help or encourage the people at the base of the organization.

At Panacea Biotec, we tried finding ways on how to do things in a manner that encourages everyone and unleashes the energy that is hidden in every individual. The EASE formula stands for: Encouraging, Accelerating, Supporting and Enhancing potential. In fact, we understood that there is a lot to learn from how and why people play games. Why do people do everything to attend or play a sports match in the weekend, but are hardly motivated to come and spend the weekend to work for the company?

We realized there was a strong correlation. Playing games is done with friends. Even the captain of your sports team is highly respected, but not more than the first among the equals. In the corporate world, a boss is generally not a captain. By bringing in game-like features into the company, we realized we could better succeed as an organization.

Several initiatives in the company have therefore been put in place. They are driven by people that are being drawn from different functions, where one of them is appointed as a captain. On a personal note, I feel I can only contribute in this company if I am not considered as a boss. Unless I work as a team player, the people within the organization will not be satisfied.

Changing such mentality takes time. Does this imply that you recruit only a particular type of people?

We have identified roughly 100 people in the company who are directly responsible for generating revenues. They are pivotal to our growth and can be found throughout the organization. We have checked the leadership potential of these people, by asking them to give a minimum of 6 references that would rate the individual across 4 different spectrums, such as leadership and outreach. Through specific software, we used this data to generate hotspots throughout the organization. This enabled us to better understand which people could work well together, which ones would increase the energy of the team, and so on.

Has this resulted in below industry average attrition rates then?

At a corporate office, plant, and quality level, we are practically the best in the industry. However, in sales we have not done well until last year. Since the last quarter, we have seen this changing as the respective salaries were adjusted.

On a personal note, you are obviously responsible to drive energy throughout the organization. What gives you this energy on a daily basis?

Typical of many Indian people, is their strong belief in God. It is in our blood, our culture and upbringing. I also believe that there is always someone that is higher than me, who looks after me. When I come here, I thus do not work for myself. Instead, I am trying to create an institution that will last beyond me. A temple is also not built for 5 to 10 years, it lasts for thousands of years.

Whether or not we reach our Vision2020, the most important thing is that we can work together as a team, create value, enjoy the work, and not work for ourselves. This can give someone an extent of energy beyond anyone's imagination. Moreover, it is essential to strike the right work-life balance in one's life. If you are successful at managing your home situation, the rest will follow.

Going forward, my mantra is: “One click, zero slip, zero defect”.

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