Interview with Pankaj R. Patel , Chairman and Managing Director, Zydus Group

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Tags: Zydus Group

You have very successfully executed a vision that you have had for the company since it was a 200 Rs Cr turnover, India-focused enterprise 15 years ago. You have had 18-fold growth since then, and you are set to achieve 1Bn USD in turnover for the first time this March! How has the company evolved under your leadership up until this point?

I think that essentially, our company has focused on the right things. Initially, we dedicated ourselves to growing on the domestic market, and becoming a significant player in India. We managed to become one of the top ten grossing companies domestically in 1996.

Subsequently, we decided to start globalizing, and looking at markets beyond India. We did not go everywhere in the world, but rather targeted very specific territories. Many of our moves were unusual—we were the first Indian company to move into France, for example. We then went to Spain, and then to the U.S., and then to Brazil, and to Japan, and so on. Our internationalization strategy was to select the right markets—markets where we saw an opportunity for us to really grow. We wanted to be a good competitor, rather than just another competitor, in our selected regions. We selected those where we believed that the market would expand if we entered, and that there was enough for everybody to share. We would not go into a market where we would create a confrontation that would ultimately prompt value loss across the local industry, and neither Zydus nor anyone else would benefit. We grew quite well from this selective strategy.

Another part of the business that we developed focuses on capability building. We strongly believe that if we want to compete globally, and offer a basket of quality products, then we must focus on building the internal capabilities of the organization. We created several verticals on which our business has developed. Of course, originally, formulation was our first vertical. Thereafter, we developed a biological vertical; we developed a vaccine vertical; we developed some specialized product verticals etc. We have been able to take advantage of market opportunities by utilizing a strong internal structure.

We have focused a lot on talent management. We constantly make an effort to hire good talent, and to retain good talent. We have also created a culture that is very unique to our organization. We instill our values in our people and they are encouraged to, in effect, think differently, and to do things differently, and create something unique.

Classically, companies have grown many-fold because they make acquisitions. We have of course made some acquisitions ourselves, but I want to stress that all of our acquisitions have been very strategic in nature. When we wanted to understand a new market, we obviously acquired a company to help us understand it. But our objective was never to create a volume gameinstead to acquire the capability to market products in a particular country. Most of our acquisitions have been small, and were meant to provide strategic leverage in some way.

Another driver for us was partnership. We always believed that partnership is a very important factor in the success of any organization. This is particularly true with pharma—and if you look at it globally, everybody competes and everybody partners at some level. That is the scenario in our industry. At Zydus, we consciously focus on partnering, and as a result we have a number of successful alliances. We believe in being good partners, reliable partners—and every partnership that we have initiated has grown further and further.

Can you tell our readers more about these partnerships? You have licensing deals with companies like Abbott; you have full joint ventures with companies like Nycomed, Hospira, BSV, and most recently Bayer. How have you seen these collaborations adding value to your business?

As a company, we have a sound capability in development and manufacturing. But Zydus is not a completely global company that has a presence in every market. Even in markets where we are present it always helps to have a partner who can complement strenghts and grow the business so both partners benefit.

Similarly, we have an opportunity to do something in India—whether it is manufacturing, development, supply, or marketing. Here, we can partner with another company, and provide our

skills to that partner; much like they would provide their strength in a market that is foreign to us. Zydus may not yet have a pipeline, but the partner can bring the pipeline: when it comes to Bayer, they have a pipeline, and we have the capability to help them bring that pipeline to India, and hence it is an interesting proposal for both companies to grow their business.

You mentioned that your growth by acquisition has been quite strategic in nature. As you said, some other companies treat acquisition as a volume game. Can you more fully address your selection process for acquisitions?

Whenever we look at acquiring a company, we look at whether it will add capability to Zydus: in terms of products, technology, or market. We do not believe in acquisition just so that we can increase our numbers—because that is very expensive, and, in my view, it is not the right thing to do. We have a very robust process set up, in terms of applying filters and considering sensible acquisitions.

The company has long had a very calculated strategy for its development, and after you enjoy your first billion in sales, you plan to achieve 3Bn USD turnover by 2015, and then leverage your generics growth to become a fully research-based company by 2020. What are the convictions behind this evolution?

We have been on the path to innovation since 1995—we planned 25 years ago to become a research-driven company by 2020. In 2000, we invested in a basic research facility, and created a center where we could focus on doing novel molecule research and related activities. We have built up a capability where we can do everything from conceptualizing a target, to developing and actually testing it—and we can do all of it in-house. We can do our own in-silico molecule design, our own chemistry, our own biology, our own pre-clinical studies; we can create INDs, we can do Phase I studies.

I think that the dream of any pharma company would be to discover new medicines—because, ultimately, the goal of a pharmaceutical company is to dedicate itself to health, and to provide people with the means to improve their wellbeing and quality of life. Our maxim is actually exactly that: “Dedicated to health.” In order to do that, you can, obviously, make generic products; but the aim is to move towards offering something new.

I do not see any reason why Indian companies cannot, or should not, do this. We have the capability, and we have the resources. And if we do everything in India—if we do it ourselves—our costs can be significantly lower than in the West (except, of course, in the late stage of development, when we conduct trials around the world: for that stage, costs would be

comparable).

Our goal is to move towards this paradigm. When we opened our facility in 2000, we said that we would have 10 active INDs by 2010—and we have achieved this. This is proof that we are really executing our plans.

In this space, we again have a very focused strategy. We are focused on certain therapeutic areas—on highly selected targets. I think that if things go well, many Indian companies can follow suit and do what we have done, and be successful in doing so.

China is also very actively trying to innovate, and the Chinese receive a wealth of governmental support for research, and enjoy good collaboration with academia. These are factors that are making Chinese research quite successful. India seems to be lacking in this kind of support and partnership—is this a palpable issue for you?

The government does provide some support for research. But in actual terms, I will admit that this is not yet fully realized. I think we need to strengthen our processes in India: particularly our regulatory processes, so that we can get timely approvals and be able to move quickly; we need to also improve some of our animal testing regulations—again, so we can move faster.

Notwithstanding limitations, I must emphasize that we have a lot of brilliant, trained people, and we have the means, and we certainly have the infrastructure.

On the path to innovation, Zydus is already a leader in biotech: you have 15 biosimilars in your pipeline to complement your first novel products. At the recent founding of the National Institute of Pharmaceutical Education and Research, you said in your address that the global development of biotech is moving towards markets like India, and that in the near future, India will be a true leader in the biotech sphere. How is India gaining such momentum in this field?

This is a newer science, but over a period I can see that a good number of Indian companies have invested resources in terms of learning the technology, and implementing their knowledge. India will be a hub for the further evolution of this technology because in the same way that our costs are lower in other areas, they are lower for the development of biologicals.

Another advantage of India is a bit counterintuitive: Indians are late to the party in the biological sphere. But because we started late, we have access to the newer technology. When the first-generation biologicals were being developed around the world, the efficiency of things like cloning and expression was not as high as it is today. When the science was fledgling, you could expect some X yield—today, that yield can be as high as 5-10X. That is where our advantage is: though we

started late, we are starting from an advanced position, and I think we are going to catch up very, very soon.

This is the purpose of my lectures at NIPER and other universities. I want to convey to young minds that they can definitely contribute something to this nation, and that there is a great future for them in this field.

Do you have a final message that you would like to send to our international readers?

I think that India has achieved what it has today, originally, with the support of the government, and the entrepreneurs have picked up from there. Now India has capabilities that we can be proud of, and the pharmaceutical industry outputs a truly multinational product—you can find Indian pharmaceuticals anywhere in the world. We at Zydus are very proud to contribute to this industry. The message is that whatever good was done from the policy initiatives of the government has made us rich here. I hope the government will continue the support. The world is looking at India, and trying to copy what Indians have achieved in terms of building up this platform.

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