

Interview: Manni Kantipudi - CEO, GVK BIO, India



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Manni Kantipudi, CEO of GVK BIO, talks about the evolution of the company, which he took from USD 20 million to its current USD 120 million, its future, its strategic competitive advantages within the Indian CRO industry and his personal aspiration to reach the USD 200 million goal by 2021.

Could you tell us about GVK in terms of the structure of the organization and how the entire conglomerate helps GVK BIO strengthen its position?

GVK Group operates in many different sectors (infrastructure, airports, hotels, transportation & power plants) and is considered to be a big brand in India. The company is well known, it has a position within the top 25 conglomerates in the country and in Hyderabad it is a very big brand. GVK BIO is an independent company, we are not owned by GVK. Sanjay Reddy, the Vice Chairman of the company founded the business and Mr. DS Brar joined him as a partner. Although the family is involved, we are an independent entity with our own board and we make our own decisions. GVK is a big brand and we benefit greatly from it in many ways, from recruiting employees to working with bankers.

The company was started in 2001 by Sanjay Reddy and I joined in 2007. Sanjay moved to Mumbai in late 2005 and by the time I joined it was 2007. Since then, I have been running the company. Today, we work with about 400 companies around the world and most of them are international companies - I would say more than 95 percent of our revenue comes from outside the country.

You offer a wide range of services, from discovery to development as well as manufacturing. Could you give us a brief introduction to the services that you offer?

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We are a CRDO (Contract Research & Development Organization) and are modelled very much along the values of the pharmaceutical value chain. The core of any pharmaceutical company is R&D, and we want to focus on this portion. We have a highest density of PhD students and scientists in the company across the country (around 200). We try to develop R&D solutions for our customers and our basic value proposition is very much like the one in the IT industry in India. The IT industry has a large number of engineers, the country is producing very hardworking and relatively inexpensive engineers, thus IT outsourcing is a big trend here. Similarly, in pharma outsourcing we see a large number of English-speaking and very hardworking scientists who are reasonably inexpensive, allowing us to charge around USD 60,000 per Full-Time Equivalent Agreement (FTE) to do something that in the US would cost USD 300,000 per FTE. That is the value proposition right there, we believe there is a tremendous value in working with companies like ours.

The outsourcing market was estimated at USD 115.7 billion last year of which 49 per cent is accounted to contract research organisations (CROs). What is GVK's outlook for growth and what are the competitive advantages that ultimately have drawn the interest of your customers?

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I would say multiple things. Firstly, our very broad range of services, there are many CROs in India but most of them focus only on one aspect such as analytical, or only formulations, but you can come to GVK BIO with an idea and we discover the molecule for you; we can develop it and manufacture it - we are fully integrated in that sense.

Secondly, we are one of the very few CRDOs in the country that operates in multiple sites across the country. Our philosophy is to be where people are - it is us going to the talent. We have facilities in Hyderabad, Bangalore, California, in the bay area in San Francisco and we have a campus in Vizag, a Special Economic Area (SEZ) with many pharmaceutical companies. We also have a global customer base, which helps us think globally.

We have revenues of USD 120 million right now, by 2021 our aspiration is to reach the USD 200 million goal and we think that to achieve this target, we need a three-leg strategy. The first leg is

discovery. We are the biggest in discovery in the country, we have over a thousand chemists in India, the largest number of chemists in one place, and that is our real strength. Discovery will grow about 15 percent year over year for us and we are putting in place mechanisms for this to happen. We are working to increase our penetration within our existing clients as well as new clients to grow.

The second leg is our development side of the business, which comprises developing the API and then the formulation. We are seeing very rapid growth, this year we grew about 30 percent in that business, it is smaller but a lot of our customers who had discovered the drug with us are finding that is better to do development with us instead of going to some other supplier. This gives us a tremendous advantage because we have a large pipeline of discovery projects coming into development and we just put up a new manufacturing facility in Vizag to have more capacity of growth than a lot of our competitors. We grew 30 percent in 2017 and in 2018 we expect to grow about 40 percent.

The third leg is our entity (Aragen Biosciences Inc.) in the United States, which is into Biologics. We are not only into small molecules like most companies in India that are only chemical companies, but we are also into Biologics because many pharmaceutical companies are becoming Biopharmaceutical companies. We are one of the few companies in India that has acquired a company internationally. Many of the Biologic companies are learning from the previous generation of Pharma companies that they do not need to set up their own infrastructure, laboratories, and facilities, they can outsource that part. The decision we took was not focusing on setting our Biologics in India but to go to the United States, go to the best, acquire the talent, look at the strong service players and that's how we settled on Aragen.

I think between the three legs, Biologics is right now a small entity, we acquired it, we have turned it around, it is making profits now and is growing well, but we intend also to set up something in India to have an even more competitive advantage. So between our current business strength which is discovery, development, and Biologics, we think we will achieve a strong growth.

What makes GVK BIO a strategic partner for the pharma industry?

To begin with, let me say that I introduce ourselves as a CRDO and not as a CRO. There are two kinds of CRO, there are Clinical Research Organizations and Contract Research Organizations. We work in discovering and developing molecules, therefore, I do not like the term CRO applied to us – that is why I call ourselves a CRDO.

We are discovering the intellectual property for our customers, that makes us very strategic and important for them. The kind of deals to outsource clinical trials have changed. The deal-making between companies have evolved and now a company like Sanofi will make a deal with a company like Covance and say – you do all our clinical trials, and we have a fixed rate, but you become a strategic supplier for us. In 2006, we were the first ones across India and China to do a deal like that for R&D with Wyeth before they got acquired by Pfizer. For this deal, we had 150 people in one building dedicated to the R&D center for them. We also were one of the first companies who, as a CRO, did a strategic deal with a biotech company. These show how GVK BIO is innovative in deal structuring.

We are seeing an enormous emergence of technology and technology platforms that facilitate the data aspect of the development process in terms of both collection and aggregation. How do you embrace technology at GVK BIO?

We have several differentiators. We have come to our customers with technology and in October 2017, we launched an app called eCule, that has allowed us to be the only company in the country with an app to take orders from customers and that tracks the lifecycle of the projects. If you go to our labs; you will find that every single reaction that is done is tracked and monitored. At the end of the day, I know how productive the workforce was, how many reactions and steps were done, how many compounds were made and shipped, everything is on a dashboard. I think we are by far, the strongest in this matter in the country, we take IP (intellectual property) very seriously because we are discovering valuable drugs for companies, this has a cost, but for us is valuable.

What do you identify as key trends in pharmaceutical outsourcing and what competitive advantage you see in India compared to the rest of the world?

If you map this over the last 30 years – and I also compare it to the technology industry – in the past, pharmaceutical companies were fully integrated. Companies did everything, from research to manufacturing. That trend started to change, manufacturing started to get outsourced – except from key products that were manufactured for local market. We have the case of Sanofi in India, they had a partnership with Emcure to make their drugs. Later companies started to outsource the clinical trials. In 2001 when the dot-com bubble burst and unleashed a financial crisis, the pharma companies really started to think about outsourcing R&D. This was completely new because R&D was their core, and nobody was willing to outsource it, so GVK BIO was founded and I think we caught the wave at the right time. It was very difficult because the costs and barriers of entry were very high, but the companies that invested properly at that time have grown with the industry.

I see mainly two trends that will favour India. One is that there will be more outsourcing of R&D, it may grow to 60-65 per cent penetration. The second trend will be business from other CROs in the west. Many companies find that costs of R&D of CROs in the west are almost the same as their own costs; while the costs in India or China are significantly lower. If we talk about China, most of our competitors have set up shop in Beijing and Shanghai, some in Chengdu but because of the fast-growing Chinese economy over the last 20 years, the costs there are higher than in India.

The other advantage that India has is that it is one of the largest English-speaking countries in the world (25 to 30 per cent of the country speaks English reasonably well). Finally, the other advantage that India has is its diversity. We have now people from several parts of the world and every state is very different, from the way we think to the way we dress, so when we get that pool of diverse thinkers into a role in R&D, where you need diversity of thinking, we get great ideas. In manufacturing you need people that just follow orders and do, but for R&D the Indian thinking works very well.

2017 marks the 10th year anniversary of your collaboration with Nuevolution. Could you expand more about this collaboration?

There are many clients that have been with us for 10 years, I joined the company 10 years ago and we focused on customer retention and customer satisfaction. I think you will see many more. Some customers are not very keen in making announcements about their core R&D being in India, they do not want their competitors to know that they work with an Indian company, but Nuevolution wanted to make the announcement. They came here, they did a great celebration and took all the scientists for lunch, everyone was very happy. I think it was great when they asked us if we were open to make the announcement.

In one of your interviews you stated that GVK Biosciences is offering pharma companies an ability to bring down the cost of innovation by doing R&D in India using the talent pool for drug discovery. Does India have capabilities to evolve as an R&D hub?

Absolutely, there is no doubt about it. If I ask you what is the manufacturing hub of the world, I think you would say China, but India has certainly emerged as an R&D hub for pharmaceuticals. I do not think we will be taking over China, that should not be the goal. They are growing rapidly, they have a very strong local market which India does not have, especially for innovative drugs. India mostly works on generic drugs, the Indian government goal is to make drugs available to the masses at the lowest costs, that is why they go after generics and China has a better ability to afford new drugs. Our company is unique in that space, we are mostly working with innovator

companies in the west. The value we bring is the cost of man-power, well trained scientists, and superb execution (timelines and quality).

You have been with the company for 10 years now, what has been your proudest achievement?

I think it is basically taking the company from less than USD 20 million to a USD 120 million. I am very proud of that journey. Overall, I am proud of the fact that I came back to India. I never worked in India before, I worked in the United States and moved from the tech industry to the pharma industry. I had multiple changes in one transition, I knew nobody in this industry, I had no network, I was at a senior level in Intel but here I am at the helm. I stayed and thrived, and I have grown with the business. We have much more to do!

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