

Umang Vohra - Global CEO & Managing Director, Cipla



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Umang Vohra, managing director and global CEO of Indian pharma giant Cipla, discusses the company's ambition to grow in both the domestic and emerging markets as well as the opportunities that Cipla sees as a specialty pharmaceutical company in the US.

What were the highlights for Cipla in 2017?

We are currently in the process of repositioning the company. There is a lot of energy being spent in trying to make sure that Indian market lives up to its promise - as you know it is a USD 36 billion market and Cipla is aiming to reach USD two billion in terms of sales in the country. The opportunity to service such a vast patient population is huge and we made this our main mission. However, our repositioning is also about ensuring a strong stance in the US market as Cipla is not a company that had an aggressive market penetration in the country from the beginning. The rationale behind this decision is the firm belief that we have the required knowledge of the types of products that will soon go off-patent and are difficult to reproduce. A therapeutic area where we believe we can contribute greatly is, for instance, oncology. It is on the very back of these things that we are trying to build our business in the US and on how we can exploit the capability that we have possibly better than other companies.

There is an early validation of that as we received approval for our products in Europe, Australia and other regulated markets. In short, 2017 was a year in which we were trying to find the best

way to enhance our business in the biggest market in the world, which is the US. It has also been the year during which we evaluated how to gain a bigger share in some of the emerging markets. South Africa is a great example of this as we are the fourth biggest pharmaceutical company in the country. We see this as a great opportunity because, while the time for Africa may not be this or next year, there are billions of people living there and some of these places are ignored by companies because they are not the most exciting locations to set up shop, compete and grow. Cipla's ethos has always been about treating HIV and life-threatening conditions such as cancer. Specifically, we have been very successful at serving the mandate of HIV and we are now looking to replicate our success in the oncology segment. We are trying to deepen our position in Brazil and China because, believe it or not, China has a huge unexploited respiratory market.

You managed to maintain a steady growth in your core markets, with India growing 10 percent last year. What are the key drivers behind this growth?

We want India to grow a lot faster as we believe the opportunity in the market is to grow beyond 15 percent. We believe the Indian market will consolidate as the number of manufacturers is increasing. I think what is driving India is, first and foremost, affordability. More and more Indians can afford medicines which, in turn, increases market penetration. Hospitals have reached a certain standard of care and we see patients increasingly using hospitals to get treated. The second trend that we observe is a more conspicuous amount of consumption that goes into tier two, three and four cities. Last but not least, there is a favourable environment in terms of policy that generates access – price controls are one way to generate more access. As such, India is largely a volume growth story. The respiratory segment accounts for 70 percent of our entire business in India and we would like to believe that one in seven patients use one of Cipla's products. Today, there are currently 20 million people in the country that are on asthma treatment, but we believe that the number of people actually affected by asthma is around 80 million. There is a lot of stigma around asthma and some parents do not want to come to terms with the fact that their child has the disease which ultimately results in the deterioration of their health conditions. To this purpose, we are running awareness campaigns on asthma to showcase that those affected can carry out their lives just like they were doing before being detected.

Although Cipla was one of the companies that fought against multinational patents in India, we are today the preferred partner for multinational companies. This is true for a number of reasons. Firstly, Cipla does not give incentives to its sales reps – they are all on a fixed salary. This is something that multinationals like as they see that we are not biasing the doctor's or the sales

representative's behaviour to sell a given product. We are increasingly becoming the multinationals' natural partner of choice and we are open to partnerships in India while also replicating this business model in some of the emerging markets where we are present, such as South Africa.

How does your Indian success help you replicate the business model in other emerging markets which account for 22 percent of your revenues?

Having the right talent in the countries where you have a presence is the key to being a successful organization. A lot of people that we send out to emerging markets are Indians as they can easily adapt and understand the trends in emerging markets. When you look at India three years back, places like Morocco, Algeria or some African countries are easily associable to what the country used to be like. Accordingly, we tend to replicate the Indian business model in some countries. However, not only is the Indian model helpful in emerging markets, but the expertise that we acquired in therapeutic areas such as HIV allows us to position ourselves as a specialty pharmaceutical company in the US. What we have created in India was out of research – India did not have patents until 2005 and accordingly there was a lot of chemistry talent looking at how one could re-engineer the product and make India the drug powerhouse to supply medicines to the US. On the other hand, we do not have many biology talents and as a result innovation has not happened for a long time.

How will the three recent launches of Renvela, Dacogen and Pulmicort strengthen Cipla's standing in the US?

Cipla's current tracking in the US is about USD 100 million a quarter. Our goal is to increase this considerably and each of these products have great potential in terms of revenues. We love launching products ahead of others, we love them to be at a reasonable price as we do not want our products to be pushed out of the market because they are unsustainable, and we love to be in a state of compliance, having facilities that keep up with US FDA standards.

How will the new US corporate tax law which was brought down from 35 percent to 21 percent impact your business?

The lower the tax breaks, the more we increase our business in the US. Today, I would not hesitate to set up a new facility for inhalers in the US because, ultimately, it is the largest regulated market in the world. We are still figuring out how to move forward. I would like to think that this reform may actually encourage more M&A activities. I assume that there will be a fair amount of inorganic activity in the non-generic space, because on the generic side companies are aware of the fact that prices are falling, and the FDA is more stringent. Many companies that are mid to large size in the US would probably not want to deploy too much capital on generics. However, a lot of small companies in India who are looking at the US opportunity would love to deploy their revenues into generics because that is where their growth comes from. I reckon that mid to large size companies would like to deploy their revenues into specialty generics in the US because what we are going through in India is a shift from commodity generics to primary specialty products, thus moving up the innovation curve.

I think the India story is still about access and penetration – pricing power in India, though improving, is still limited. The only way to grow is by deepening your penetration in the market. A large portion of India gets treatment when it is too late because people may not have the financial resources, the diagnostic labs in that given area and there are no healthcare system protocols. The role that we have to play as a pharmaceutical company is to find ways to fill the gap and complete the whole ecosystem of awareness, diagnosis and compliance – most people suffer silently and when they are aware of their health condition they do not have the financial resources to be diagnosed. I sense the need in India is to move from being a seller of medicines and pills to allow patients to have a better quality of care by filling the said gaps in the ecosystem.

In the US you have good diagnostic centers and an overall advanced healthcare system. In India the healthcare system is not inefficient, but rather desegregated – someone has to physically go and take a report to the doctor and there are missing gaps that do not allow for access and awareness.

As a highlight of last year, in November 2017, you received an approval for your product Q-TIB, for TB prophylaxis in HIV, from the WHO, which will allow you to launch it globally. What is the significance of this approval for Cipla and for HIV patients worldwide?

For Cipla, I think, it is very clear – Q-TIB is a mission from the heart. We do not see it as a potential USD 50 million product and chances are that we are not even getting close to that amount, we see

it as something that completes the families' hopes. The product will be launched in about 25-30 countries in Africa and we will ascertain whether we can bring it to some parts of India, too.

Cipla invested 7.6 percent of its revenues into R&D last year. What is the company's R&D strategy and on what therapeutic areas are you currently focusing on?

We have laboratories in the US, in South Africa and in India. We have three buckets of R&D. The R&D activities carried out in the US are aimed at our inhalers business, whereas those in India and in parts of the emerging markets such as South Africa are a bit value-added to what we are offering. The third bucket involves coming up with treatments for unmet needs and this is also carried out and aimed at the US. We are aiming to become a specialty pharmaceutical company and move up the value chain.

I would like to think that India has the financial resources to accommodate the needs of global pharmaceutical companies. However, while there are many smart and capable scientists, who understand a disease and can engineer a product for patient's unmet needs, the fact is India is lagging behind. This is why innovation is behind the curve in India.

Disruption seems to be the name of the game in every industry. Where do you see the next disruptors in pharma and what role do you believe India can play in that sense?

Frankly speaking, I believe that India should be at the center of disruption because we are soon going to reach a stage where 1.3 billion people will find it difficult to get treated with the current healthcare infrastructure. I envisage start-ups playing a bigger and bigger role in providing remote healthcare services in villages, as this is something that is already happening. I think the role of disruption will be a full-fledged integration of healthcare and the level of interconnectivity will be very high. Digitalization will also play a central role. Nowhere is the problem as intense as India and China.

Coming up to your second year as managing director and global CEO, what you want to achieve in 2018?

We will have good visibility of our respiratory segment in the US generic space, and we envisage that our Indian domestic growth and that of some other emerging markets should be faster than

the market. I think if Cipla can meaningfully add hope to people living with HIV in Africa and to oncology patients all over the world, it will be a great goal to accomplish.

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