

# Interview: RS Raghav - Managing Director, Oaknet Healthcare, India

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*RS Raghav, founder and managing director of Oaknet Healthcare, documents the key fundamentals that have enabled Oaknet to proudly become a Top 100 player in the competitive Indian market within only three years of existence. Looking forward, he also documents the importance of in-licensing partnerships, digitalization, and the company's expertise in identifying unmet market needs to further propel its growth and break into the Top 50 within the next five years.*

**You have honed a 30-year long industry expertise at prestigious positions among leading domestic companies, including your last assignment as an executive vice president at Lupin. What was the market opportunity that you identified in 2015 and that prompted you to set up Oaknet Healthcare?**

Two main market dynamics caught my attention and convinced me to take the leap of faith to set up my own company. First, I noticed that most domestic companies were focused on the global market while India was - to some extent - a secondary priority in these companies' strategies.

Second, I realized that the crowded Indian industry and its 10,000+ companies would undoubtedly experience significant consolidation moving forward - whether it relates to portfolio or company acquisitions, which would also entail exciting market opportunities. Indeed, an incredibly high number of small and mid-size domestic companies with turnover of USD 18-30 million were founded by first-generation entrepreneurs, and the latter may be eager to sell their businesses at a

premium price if such opportunity arises.

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### **What is the business model of the company?**

Overall, Oaknet Healthcare is a specialty pharmaceutical company with three main areas of interest. The first one is dermatology, a segment that was relatively underserved a few years ago, while large players were concentrating their efforts on chronic diseases like cardiovascular diseases and diabetes.

Women's health emerges as our second area of focus: while women's labor force participation in India is increasing year after year, higher incomes nurture the demand for better healthcare products and services. Few years ago, women were typically given a lower priority with regards to healthcare spending, but the situation has been tremendously evolving over the past years and we see great opportunities moving forward.

The third area of interest is cardiology and anti-diabetic segment, we believe that cardiology and diabetes will continue to emerge as interesting areas in India in the coming years, but large players are already well established in these fields. Nevertheless, our teams have been working on building up our business to ensure it holds the critical mass to be competitive in these fields, while we are now actively looking at acquiring brands to further enrich our portfolio in these areas.

We have also identified ophthalmology as an interest area where we nonetheless plan to grow exclusively through acquisitions.

In this regard, we continue to screen interesting opportunities that would enable us to develop our footprint in this area, where price control is less pressuring than in other therapeutic areas. While digital devices are daily used by hundreds of millions of India, we moreover see that patients typically display a higher willingness to pay for high quality products when it comes to eyecare.

**In 2016 - a year only after Oaknet was initially founded - you completed the acquisition of the Indian operations of South Africa's Adcock Ingram Healthcare, which propelled Oaknet into the Top 100 pharma companies in India. How did you manage to conduct such a significant acquisition at a very early stage?**

In 2012, Adcock Ingram acquired the pharmaceutical brands of privately held India's Cosme Farma Laboratories [*for around USD 86 million - Ed.*], which was at that time ranked 54<sup>th</sup> in the domestic market. However, the business experienced a rapid decline and the company was eventually hovering around the 95<sup>th</sup> rank three years later, which led Adcock Ingram to consider exiting from India.

Given the poor performance of this asset and the fact that it comprised a large workforce (which could generate additional headaches for a potential acquirer), few buyers were interested in acquiring this company as a whole. As Adcock Ingram was exiting the market without ruling out the opportunity to re-enter it at a later stage, they were looking for an acquirer that would take good care of their people and not only be interested in adding brands to its portfolio. On the other hand, this company boasted good market coverage as well as strong dermatology expertise, which made it an appealing prospect in our eyes.

Through our multiple meetings with Adcock's management, they understood that Oaknet was a start-up company aiming at rapidly building up its capacities in a country where hiring good talent within short timelines may be difficult. Finally, Adcock Ingram had already set up exit timelines and wanted to close this deal as soon as possible, which brought a lot of efficiency to the overall negotiations process.

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**Where does Oaknet stand in the market today and what have been your main growth drivers so far?**

We proudly stand amongst top 100 players in India. Currently ranked 79<sup>th</sup>, our goal is to break into the Top 50 within the next five years. After rather slow beginnings, our revenues grew 18 percent during the last financial years [*while the Indian pharma industry grew at a high single digit rate on average - Ed.*], and we aim to expand this growth moving forward.

We largely owe this great performance to our successful in-licensing and acquisition strategies; beside the acquisition of Adcock Ingram's Indian footprint, we also acquired seven brands from leading multinational companies in the likes of Sandoz to enrich our portfolio. Moving forward, we will continue building up our specialty focus and only pursue acquisitions in our main areas of focus. Overall, we look at underperforming assets that we could rapidly turn around thanks to a heightened focus and support.

International companies typically struggle to operate in a market comprising 29 states and seven union territories with many local languages and varying regulations. If international players want to make justice to their products in the Indian market, the best way forward is to license/partner with strong Indian partners – and Oaknet is actively pursuing this kind of partnership opportunities, especially in the dermatology area. There are still myriads of products and technologies that are not yet available to Indian patients and physicians, which creates promising growth opportunities to leverage if a company holds the right marketing and sales network and strategies.

In the meantime, we have been able to stabilize our field force and restructure our distribution network; we also relocated our marketing and sales HQ to Mumbai while keeping a presence in Bengaluru, where Adcock Ingram was historically based. Moving forward, we do not foresee any demand slowdown in India, and the key success factor will be to better leverage technology in our processes to expand our reach to the remotest parts of the country.

In the near future, India will remain our main market, although we are already exporting some products to Sri Lanka, Kenya and few other countries – which makes up around 3 percent of our sales where we are also registering our new cosmetic portfolio.

**In the very competitive Indian pharmaceutical market, differentiation has truly become the name of the game to gain market shares. What are Oaknet's differentiators?**

A first aspect in terms of differentiation is to focus on underserved niches. For example, within the fast growing but underserved dermatology area, we are pushing the development of our cosmetology portfolio. As a matter of fact, we are currently in advanced discussion with French and Italian companies vis-à-vis the opportunity to bring products that are not yet available to India. In the meantime, we are also discussing the opportunity to develop unique solutions that better meet the needs of the Indian ecosystem, including a sunscreen that holds anti-pollution protection. Such a product was not available in India and we become the first company in the market to launch it. We are essentially a marketing company and rely on manufacturing partners with regards to production, so our expertise truly lies in identifying market needs as well as developing unique products and successfully launching these brands on the market.

In this regard, Oaknet's second strong differentiator relates to our marketing approach, in a country where most companies still lag behind with regards to the adoption of digital tools. In such a large, dense, and competitive market as India, it is particularly difficult to ensure products and brands get the visibility they deserve, and we strive to be innovative when creating a digital connections with our customers and partners. For example, we have set up a data-based gathering

together physicians, customers, and consultants which we plan to use as a launchpad for our marketing strategy. This emphasis on digital communication also helps us to deliver the right information at the right time to our partners – and better meet their needs. For example, during the 2018 European Academy of Dermatology and Venereology Congress, we were able to swiftly share the latest conference updates across the country thanks to our strong digital basis. Finally, we aim at fostering knowledge transfer between global leaders, Indian physicians and our own people through webinars that have proven being extremely successful.

Finally, I want to highlight that behind the sustained growth of the Indian market, the quality of services delivered to the market has been decreasing. While all companies are looking at rapidly expanding their portfolios, attracting the best talent and rapidly launching new brands to the market, the importance of science-based training has somehow been overshadowed by the current growth prospects. As per Oaknet, we deeply believe it is our responsibility to train our people to ensure they can bring a strong added-value to the Indian ecosystem. As a result, we allocate significant resources to our training department, while some of our training managers come from well-established, larger companies.

**The government announced in the last Union Budget the promising National Health Protection Scheme (NHPS), which will cover more than 100 million vulnerable families and should be implemented by October 2018. What is your take on this promising decision?**

The government spending on healthcare has been increasing over the past, which is really positive, although private healthcare spending is increasing at a faster rate and thereby drives most of the market's growth.

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Although the government seemingly wants to put the emphasis on pure generics rather than branded generics, I nonetheless believe that the main question at stake revolves around the quality of medicines accessed by the population. The utmost priority is to give access to quality healthcare to the largest share possible of our population, while the outcomes of our country's fast growing economy should year after year drive the demand for most sophisticated products. In the grand scheme of things, the most important aspect is that one hundred millions families will get healthcare access through the NHPS; moving forward, we can foresee that millions of Indians eligible to this scheme would steadily look for better products and services and slowly move to the branded market, especially if their purchasing power keeps on increasing.

In a nutshell, NHPS will propel the growth of the entire market.

**What would be your final message to our international readers?**

We want our international partners to see us as a company based on three pillars - technology, ethics and quality - and we want them to know that we will never compromise these values to accelerate our growth.

Overall, India holds major healthcare opportunities, and it makes no doubt that the country will year after year entrench its position as one of the world's largest pharmaceutical markets. In this regard, India truly emerges as an opportunity impossible to miss in the long term, and I invite international partners and investors to come closer to this exciting market, reach out to us, and start developing their business and operations in the country.

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