

Satyanarayana Chava - CEO, Laurus Labs, India



"In the grand scheme of things, our strategy is to gain a dominant position in a few, well-identified product categories rather than building a huge product portfolio. In the meantime, we want to increase our presence across the globe."

01.06.2018

Tags: [India](#), [Laurus](#), [Pharma](#), [APIs](#)

Dr. Satyanarayana Chava, founder and CEO of Laurus Labs, provides insights into the distinctive model that has allowed Laurus to become one of the world's leading API companies as well as the partner of choice of the most prominent MNCs globally - after only 13 years of existence. He also outlines his expectations for the development of the company's formulations and CDMO businesses, which follows Chava's vision to establish Laurus as a leading player in offering integrated solutions for global pharmaceutical needs.

Having previously worked for large domestic companies such as Ranbaxy and Matrix Labs, you founded Laurus Labs in 2005. Since then the company has achieved impressive results with revenues of over USD 280 million, while it also services nine out of the ten largest generics companies in the world. What have been the main fundamentals behind this success story?

Laurus Labs is an R&D-driven manufacturing company that has grown consistently to become one of the leading manufacturers of APIs for anti-retroviral (ARV), Oncology and Hepatitis C, while we also manufacture APIs in other therapeutic areas. Overall, we work with the most prominent MNCs in the world for both generics APIs and NCE programs.

The best way to describe our approach is through the concept of uniqueness, which is fundamental in our decision making. The uniqueness we provide for the most part consists of a combination of the elements of cost, complexity, capacity and compliance. In this context, our competitive advantage comes from our ability to align our products uniqueness and the combination of the

aforementioned aspects with our customers' specifications. To reach this objective, we invest significant amounts of resources, time, man-hours and materials into the development of any particular Active Pharmaceutical Ingredient (API) we ultimately produce.

We follow the same quality standards for all our products regardless of their markets, we differentiate markets based on price, but not on quality. This single standard quality approach has allowed us to navigate the regulatory environment effectively, at a time where many companies have experienced significant regulatory and compliance issues. To date, we have undergone more than 25 separate inspections by stringent regulatory authorities over the past twelve years, and we have successfully cleared all of those.

Overall, our company's differentiator on the global market stems out from its knowledge - i.e its ability to develop unique products aligned with customers' requirements - as well as from its manufacturing expertise, as we continuously innovate to manufacture products in the most cost-efficient way possible without compromising our quality standards.

What are the pros and cons of the Indian ecosystem in regards to developing a research and development based company in a country that is more reputed for its manufacturing expertise?

India as a country is an excellent environment for research and development. While Laurus' R&D opex investment amounted to around 5.6 percent of our sales for the financial year 2016-2017, our research and development spending is valued highly within India.

However, significant amounts of money are necessary in order to grow based on research and development. There are no guarantees of success in any given program and the ability to overlap technology and scale is essential part of our strategy.

Equally research and development requires large numbers of highly skilled individuals. As such, we currently have a research and development team of 800 people in a company with a total of 3200 employees, and we are lucky we can rely on India's large talent pool of scientists and researchers to build up Laurus' R&D capacity.

[Featured_in]

For the FY 16-17 APIs were still driving around 91 percent of Laurus' revenues, with ARV drugs making up around 65 percent of the total API business. Given the strategic importance of these products, how do you see the demand for ARVs evolving in the coming years?

According to UNAIDS, there are 36.7 million people living with HIV worldwide, and only 70 percent of them know that they are HIV positive. In the same vein, more than half have access to antiretroviral therapy, but only 44 percent have viral suppression.

In this context, UNAIDS set up the *90-90-90* HIV treatment targets, with the objective that – by 2020 – 90 percent of all people living with HIV are aware of their status, 90 percent of those diagnosed receive sustained antiretroviral therapy, and 90 percent of those receiving antiretroviral therapy achieve viral suppression. As awareness around the disease keeps on improving, the fulfillment of these targets will nurture an increasing demand for HIV products to treat patients and prevent new infections.

As per Laurus, we are very happy to be a part of that market growth and we have been tirelessly working on addressing remaining gaps in our HIV offering. We entered the ARVs field through products in which we held a technological and technical edge, such as EFV-based combinations. In this regard, one of our main priorities has been to enrich our portfolio – for example, by developing a full basket of second-line products – while remaining consistent with the concept of uniqueness I mentioned earlier. This stands as a challenging and time-consuming endeavor, but I believe we have already consolidated our leadership in the HIV field; looking forward, we are better positioned than ever to meet increasing and evolving demand for these crucial products.

One of Laurus' key success factors on the API side has been its focus on building a large, product-specific capacity. As Laurus is currently expanding its reach to new therapeutic areas such as oncology, CVC, anti-diabetic, and ophthalmology, isn't it a risk of dispersing Laurus' capacities over too broad a range of products?

Although Laurus today stands as a Top 5 API company globally in terms of sales, we are not even in the global top 20 with regards to the overall number of DMFs that our company holds. This means that we still hold some potential to further expand our portfolio, without losing sight of our historical objective to reach a leadership position globally for the products we manufacture.

In this regard, one will notice that all new APIs we have been developing are aligned with a very clear strategy: to the exception of oncology, our new APIs target chronic diseases with huge patient pools, in areas where the patients use products over several decades. Finally, these new APIs operate in areas with little product obsolescence, which will allow us to maximize our development investments.

On the contract manufacturing side, how do you see the relationship between Indian suppliers and Big Pharma evolving?

Many Indian manufacturers have faced regulatory issues over the past five years, which has – in the eyes of MNCs – generated an element of risk when using an Indian Contract Manufacturing Organization (CMO). As per Laurus, we have never experienced such regulatory and quality issues, but on the other hand we have only been active in the global market for over a decade. Therefore, we do not boast such a long legacy as some of our Western competitors, and we must tirelessly strengthen the great reputation we have already built for ourselves.

Today, Big Pharma companies undoubtedly want to have input in regards to the plant's design, the plant's systems, the process and the procurement that will be set up by their CDMOs. Moving forward, the trend will be towards forging close, long-term partnerships rather than contract based relationships.

As a matter of fact, Laurus has entered into this kind of long-term partnership with South Africa's Aspen, for which set up through a risk-sharing model a dedicated manufacturing block to manufacture and supply products exclusively to the Aspen Group. In addition to further expanding this collaboration with Aspen, entering into new long term partnerships with other MNC companies also emerges as one of our key objectives moving forward.

Given the prominent position that Laurus has already reached within the global API industry, what will be your main growth drivers in the coming years?

Historically, API companies have not been able to surpass a certain threshold. Moving forward, we may be able to grow our API business to reach USD500 or USD600 million, but it will be extremely difficult to go beyond this level.

In this context, we started Laurus' formulation arm in 2014 as another growth driver which will propel the company to new heights once our API business's growth will be challenging. Although the development of a formulation arm is an extended process which truly requires substantial CAPEX and may take five to seven years, the threshold associated with formulations is much larger than APIs and the opportunities are much greater.

In the meantime, our CDMO business for Big Pharma companies has increased from USD5 million in 2012 to over USD 25 million during the latest financial year. Moving forward, the development of our formulations and CDMO businesses will be our main growth drivers in the long term.

You just started selling HIV formulations in the US, where you will notably face the competition of larger, well established generics companies. In the meantime,

originators are still successful at switching patients to their newer therapies, in a market where price sensitivity is less important than in emerging countries. What makes you believe you can be successful in the US?

The rate at which patients are diagnosed in markets such as the US and Europe is incredibly high, while in the meantime they are able to access a larger number of therapeutic options and do not suffer from supply gaps. In this context, the US and European markets undoubtedly emerge as strategic markets for our formulations business, and we believe the latter could get good traction in these competitive countries too.

However, in these markets, it is not simply pricing that will increase market share: ability to respond to the market needs faster than others will be more important. While some of our competitors in the US market operate with a 2000-product wide portfolio, a company like Laurus with strong R&D and manufacturing capacities but only 50 SKUs stands as a very agile player.

This agility does not mean that we will embrace a first mover strategy, as our priority is rather to emerge as the last company standing. We plan to fully leverage our company's vertical integration as well as our proven capacity to generate higher margins than most of our competitors in the API field to thrive in a highly competitive market context marked by rapid price erosion.

In the grand scheme of things, our strategy is to gain a dominant position in a few, well-identified product categories rather than building a huge product portfolio. In the meantime, we want to increase our presence across the globe.

As you are significantly investing in the development of Laurus' formulation arm, you will eventually end up competing against some of your API customers - isn't it a problem for your API business?

This assessment of the situation might have been relevant a decade ago, but the industry has changed: stakeholders do not recognize the same boundaries as before, where companies used to stick to their areas of expertise. To give you a concrete example, the number of legal actions between two originators today are significant when compared to the number of trials between originators and generics companies. In the same way, generics companies are trying to climb up the value chain, while originators have been expanding their business model to the generics field. There is not a single company operating at the global scale that is not diversifying its business model and venturing into new verticals to better benefit from emerging market trends. I believe that our API customers understand these dynamics, as they follow the same approach when it comes to the diversification of their own revenue stream.

At the end of the day, if Laurus is able to offer a better API at a lower price and with a greater capacity than a given competitor exclusively focus on APIs, I have no doubts that our customers will remain loyal to our offering – even if we eventually become one of their competitors on the formulation side.

As a fast-growing and increasingly significant company on the global stage, could you share with us what is the vision driving the growth of Laurus Labs?

We aim to become a leading player in offering integrated solutions for global pharmaceutical needs. We wrote this vision in 2007 and it remains the same today, we just enriched it over time as we keep on strengthening our company's expertise and capacity.

[See more interviews](#)