Interview: Dilip Surana â?? Chairman and Managing Director, Micro Labs, India

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A strong advocate for quality, Dilip Surana, chairman and managing director of Micro Labs, explains how the companyâ??s strong focus on the quality of its products and move to specialty generics has led them to success in both the Indian and US markets.

When we met in 2011, the company aspired to be among the top 15 in India within two yearsâ?? time. Now, you rank 14th. How happy are you about the performance of Micro Labs?

We have been very satisfied with our performance despite the challenges that Micro Labs and other companies have seen on the NPPA front. We were severely affected by the pricing policy as the prices of our drugs were the same as those of foreign multinationals. On the one hand, we have always ensured that the quality of the drugs met the expectations and needs of the Indian patients, but on the other hand we expected an upstanding price of such drugs. In a way, quality needs to be rewarded. My father believed in high prices for good quality and we try to continue living up to the standards that he brought to this company.

We have been active players in the market for the past 40 years and we have always positioned ourselves as a premium brand with quality at the forefront of our philosophy. Many years back, it was not the case. In my opinion, the image that you acquire in the local market strictly depends on how you position yourself; if you position yourself as a cheap manufacturer, you are accepted in the market accordingly. Take Mankind Pharma, for instance, and the way they are trying to ameliorate their image through advertising as they entered the market by presenting themselves as a low-price drug producer. When this happens, doubts on the quality of such drugs arise.

Among the therapeutic areas that you focus on, which have been performing the best?

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At the very beginning, we were mostly focused on the Indian market as this is where we started. Over time, we expanded to non-regulated markets such as some African countries, Russia and certain other countries here in the region like Sri Lanka, Nepal and Myanmar. Gradually, we moved up into Europe and the US. As far as our business in Africa is concerned, firstly we moved up the value chain and we stopped the production of vanilla generics [commodity generics that are â??off-patentâ?• in the regulated markets. They offer little or no innovative value over the innovatorâ??s product â?? Ed.] and we moved to branded ones. This is a common focus in every market in which we identify the potential for branded promotion â?? especially in West Africa and South Africa. In the latter, we also have our own manufacturing plant. Secondly, another area of focus in these countries is antiretroviral drugs. To this purpose, we are doing a lot of work with local foundations.

Last time we were in India, local companies seemed to be on the radar to be acquired by multinational pharma (the attempts made by Pfizer and Mylan are an example of this.) Now this seems to have cooled down. How could you explain this trend?

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Even at the point in time when we were getting these proposals and were deliberating whether to sell off our business or not, there was a lot of talk regarding small companies not being able to survive the competition and ending up acquired by some bigger companies. Every time that this came into question, we always decided to stick to our business and run it ourselves. Back then, it was common belief among Indians that only foreign multinationals can acquire Indian companies or that Indian companies would not have enough financial and management strength to survive the market. Now, it is rather the opposite â?? people have realized that transactions can happen between local pharma too (think of Unichem and Torrent or Ranbaxy and Sunpharma) and, to a certain extent, it is even easier as there is no regulatory approval needed. This is a trend that has changed now and this has made Indian business very stable over the past few years.

Overall, I reckon that doing business in India is much easier â?? every promoter understands the Indian business very well and everything is controllable. Take a look at our regulatory system for instance; it is far less complex than other regulatory environments in other countries. This is something we discussed with Pfizer and Mylan when they approached us many years ago.

Micro Labs has a long-term commitment to developing bio-equivalent generics with the help of world class research and high-quality standards. Indiaâ??s five top drug makers together spent a record of 1.2 billion US$ for year 2017. Can you give us an overview of Micro Labsâ?? current R&D strategy?

We have three R&D centers, one is used for the production of APIs where we synthetize a lot of new molecules with over 170 scientists here in Bangalore. The other two are for the development of our finished formulation for all markets. In total we have 400 scientists. In terms of key therapeutic areas, our focus in on cardiology, diabetology, ophthalmic and CNS.

When it comes to manufacturing, the global trend is more and more to outsource production with two thirds of pharmaceutical companies choosing this strategy. What have you seen as the benefit of manufacturing your entire production chain from APIs to finished formulations?

Up until three years ago, our only focus was on formulations. Then, we realized that it is vital to be able to have an outstanding API production in order to tap the US market. Furthermore, if you operate in very niche areas like we do in the ophthalmic segment, you also want some sort of secrecy and it is much more beneficial to produce the molecules yourself. Outsourcing is advantageous if you are looking at commodity type of items. Also, if there is a mistake in the bulk and there is an FDA issue concerning your API, you cannot blame it to anyone but to yourself, whereas if you let the API production to someone else and this someone else gives it to you, you feel very bad. At Micro Labs we have created a culture of reliability and high standards, meaning that our scientists do their best to produce outstanding molecules â?? if this is the mindset of your employees nothing can go wrong. Whenever there is an FDA inspection we are ready for it.

How has the reputation of pharmaceutical companies evolved over the years?

Quality was never an issue as far as India is concerned, it has always been an issue related to the packaging material. China has historically had issues with quality on the API side and this is something we were facing at the beginning when we were dependent on Chinese APIs. We would send a person to China to test the product and ship it here. At the moment, as far as packaging is concerned, you cannot differentiate between the Indian products and the European products. In addition to this, I believe Indiaâ??s image as a whole changed entirely â?? Prime Minister Modi has been very active and engaged in making India a trusted hard-working partner to the eyes of other people and I give full credit to him and his team. He has made everyone more accountable.

Micro Labs is constantly growing and expanding. How committed are you to finding partnerships that enhance your corporate goals and strengthen your competitive position internationally?

We have started looking at in-licensing locally, whereas internationally we have more of a joint venture approach. For instance, in France we are tied with Biogran through which we market our products in France â?? you share your profits, but you also get the volumes immediately. In short, we are doing a lot of molecule-to-molecule as well as country-to-country business.

What is your final message for our international audience?

We want to be associated with quality. Our focus will be on niche generics and retroviral drugs, which is my brotherâ??s passion and in which we are doing a lot of work. In order to grow and develop specialty generics, quality is crucial.

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