

Interview: Satish Varma Managing Director, Fermenta Biotech



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Satish Varma, managing director of Fermenta Biotech Ltd., one of the world's largest and leading producers of Vitamin D3, provides insights into the indisputable benefits brought by the Vitamin of the Century, his approach to instill the best quality and regulatory standards in the company as well as his priorities to turn Fermenta into a globally renowned company focusing on nutraceutical and preventive healthcare.

Fermenta Biotech holds a unique positioning among the 25,000+ companies that comprise India's dense pharmaceutical and healthcare industry. Could you introduce the company to our international readers?

Fermenta is a very niche and specialized company, whose main product Vitamin D3 makes up 70 percent of our revenues. This product however relates to a large variety of application-based segments including pharmaceuticals, dietary and nutritional supplements, food & beverages, as well as the veterinary field. Among all these eye-catching development avenues, we identify the nutraceutical segment as holding the most promising growth potential moving forward. Over 90 percent of Vitamin D sales in India are still based on prescriptions while it is essentially an OTC product in developed markets.

Fermenta is not only one of the world's largest producers of Vitamin D3, we also proudly stand as India's only manufacturer of this product and cater to more than 90 percent of the domestic market. From a global perspective, the DIL Group [the parent company of Fermenta Biotech Ltd., previously known as Duphar Interfran Ltd. Ed.] moreover emerges as a historic producer of

Vitamin D3, which it has been manufacturing since the set up of a joint venture with Philips Duphar (later taken over by Solvay Pharma) in the 1960s. This joint venture, among others, was handling the manufacturing and global supply of Vitamin D3; however, after the demerger in 2001, our contracts restricted our sale of this product onto international markets for five years and therefore had to content ourselves with servicing Indian companies. In 2003, the DIL Group decided to move the Vitamin D3 business to the group's subsidiary Fermenta Biotech Ltd., while the latter started operating again in international markets as a standalone entity in 2008.

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This year actually marked the beginning of an eye-catching era of international expansion for Fermenta, and our production volume has soared 10 times from 2005 to 2017. Today we export Vitamin D3 to over 58 countries, while the US is one of our key international markets. We posted revenues of INR161 crores [*almost USD25 million Ed.*] for the FY16/17 and we are still experiencing a strong growth momentum. As a matter of fact, we have already overcome the INR200 crores mark [*around USD 30 million Ed.*] in the first nine months of FY 17/18.

The aforementioned reasons led Fermenta Biotech to start again its internationalization process in 2008, which stands as a rather late market entry compared to your international competitors. How did you overcome this hurdle and manage to establish yourself as a global powerhouse despite this delay?

Being a latecomer offered both challenges and opportunities. On one hand, we had to break entry barriers and overcome the competition of well-established players, especially in mature markets. On the other hand, the fierce price erosion driven by Chinese players has generated a global industry context where only two companies based outside China still supply Vitamin D3 in 2018 with Fermenta being one of them. In this regard, our company has emerged as an interesting alternative, while we moreover boast a successful and long-standing track record when it comes to Vitamin D3 manufacturing. This historic presence has sharpened our credibility and attractiveness in the eyes of international customers, allowing us to leverage long-standing partnerships with some global companies to prove our reliability. Finally, one should not overlook that entering international markets at a later stage also meant that the market demand for Vitamin D3 was already particularly strong.

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It makes no doubt that getting ready to service international markets was a long and resource intensive process, as we had to ensure we held the required production capacity and above all complied with regulators' and customers' expectations. This focus on quality and regulatory compliance has undoubtedly become a key success factor to outperform competition. Furthermore, I would highlight that our company's expertise was first honed as a joint venture with the globally respected Solvay Group, which also helped us consolidate Fermenta's focus on quality compliance from Day 1. Finally, Fermenta has always put a special emphasis on providing its partners with a heightened level of services, with the objective to build long terms relationships with our customers.

What makes Vitamin D3 such an interesting product?

First and foremost, Vitamin D is the only vitamin that is naturally produced by the human body, although lifestyle changes have altered this specificity over recent decades. If it is considered the 'Vitamin of the Century', it is due to the fact that Vitamin D deficiency has been linked with a large array of diseases and disorders, ranging from arthritis, cardiovascular diseases, diabetes, Alzheimer's to tuberculosis, while an ever-increasing number of scientific studies clearly proved

Vitamin D's indisputable benefits.

Over the past five years, the global Vitamin D market has been growing at a double-digit annual rate in the pharmaceutical and dietary supplement fields. In India, these market segments have been growing at a CAGR comprised between 30 and 40 percent. Moving forward, the global market still displays huge growth opportunities, as over 80 percent of the world's population is Vitamin D deficient. Looking at India specifically, only 10 million people – out of a total population of 1.3 billion – are aware of the benefits and are purchasing vitamins and nutritional supplements, which gives you an overview of the tremendous growth potential that our country's market holds.

Finally, in a completely different arena, Europe has recently followed the way paved by the US, where Vitamin D has been used as a low-toxicity rodenticide for more than 30 years. This new approach also entails promising growth potential.

In the past decade, changing the focus of healthcare has become a priority in many countries, with a global shift from treatment to prevention. To what extent is this trend gaining traction in India?

There is indeed a global trend where a heightened emphasis is put on nutrition and preventive healthcare to avoid costly treatment, and we do believe that our country should embrace this approach too.

Although India clearly lags behind other countries in this regard, one should not think that these dynamics are not steadily gaining momentum in India too. As a matter of fact, an increasing number of online retailers today offer nutraceutical and dietary supplements in our country, while multiple awareness campaigns have been rolled out by the industry and public authorities alike. Furthermore, the government has recently decided to support the fortification of crucial food items, which would notably encompass adding vitamins to milk oils, and other staple foods. The Food Safety and Standards Authority of India (FSSAI) is currently designing standards and requirements for food fortification which are aligned with those already implemented in other countries; for example, regulations set up more than seventy years ago in the US and Canada stipulating that all the milk sold must be fortified with Vitamin D.

Despite government support for fortified foods, we still identify a few hurdles to overcome: first, India has been rather slowly embracing packaged foods, which are required to enable food fortification. Another key issue at stake is that a large share of the Indian population is vegetarian; however, vitamin D3 is extracted from lanolin, a non-vegan ingredient sourced from sheep wool. In this regard, India's food industry has traditionally favored Vitamin D2, which is produced by some plant extract in response to UV radiation. As per Fermenta, we put an end to the production of this product over 30 years ago, as scientific studies have proven that Vitamin D3 displays a higher efficacy in the body than D2 and the rest of the world chose Vitamin D3 over D2.

We might be interested in producing Vitamin D2 again; however, the fact that this product will mainly target the Indian market forces us to be extremely careful vis-à-vis the strategy and the partner which would prompt us to move forward on this matter.

Do you aim to remain a Vitamin D-centric company moving forward?

No, our objective is to build on our leadership in the Vitamin D segment to establish Fermenta as a company that focuses on nutrition and preventive healthcare. In this regard, we look at expanding our portfolio in the micronutrient field, including vitamins, minerals, and other supplements.

With regards international markets, we will continue favoring India based manufacturing, as our country truly holds an unrivalled expertise when it comes to high quality and cost-efficient manufacturing.

For the Indian market, we however consider the opportunity to enter into long-term partnerships with some of our current customers and bring our own nutraceutical formulations to the nascent but fast-growing Indian nutraceutical market. We would also be interested in bringing products, delivery mechanisms and technologies from abroad to fully tap into the potential of our domestic market and consolidate our position as one of the main end-to-end integrated vitamin players in India. We have not yet fully cemented our B2C strategy on whether we will partner with a marketing company or develop our in-house marketing capacity â?? but we clearly identify India as the perfect market to develop our customer focused footprint, as the Indian market is less saturated than its Western counterparts.

Many Indian companies â?? including some heavyweights â?? have recently suffered from increasing regulatory scrutiny. While the US FDAâ??s focus was initially centered on formulation manufacturers, API companies are now increasingly targeted by stringent inspections. How can you ensure that you will remain ahead of compliance issues?

Beside the utmost expertise of our quality and compliance teams, we ensure that they are provided with the required autonomy, independence, and resources to fulfill their mission, while keeping them away from any business pressure. As far as quality is concerned, the size of the organization has no importance as what truly matters is the overall mindset instilled in the entire company by the companyâ??s management. In this regard, I believe that quality compliance truly comes as a top-down endeavor, which has to be generated by the companyâ??s heads before flowing throughout all layers of the organization.

It is true that the Indian pharmaceutical industry has recently suffered from increased regulatory scrutiny, but this aspect should not lead potential partners to shy away from Indian companies. In this regard, it is absolutely key to conduct a thorough and comprehensive due diligence process of potential Indian partners while building the relationship step by step. Following such a meticulous approach would actually make sense in all countries, but it is evermore crucial in emerging markets like India, although the latter has been rapidly catching up with the best international standards.

Indian entrepreneurs are no different from their counterparts in the most advanced markets as they look at building a long-term and a win-win relationship. Indian CEOs with global aspirations know that they cannot take any shortcuts when it comes to quality standards and regulatory compliance, but the trickiest part is to convey and nurture this approach to their teams. In a vast and highly populated country like India, the paramount importance of quality and regulatory standards might not be obvious to all layers of our population, which highlights the utmost responsibility weighing the companyâ??s management shoulders.

You have been driving Fermenta to new heights since 2000, what do you enjoy the most about this journey so far?

We are operating in a field that is extremely exciting, with plenty of opportunities ahead of us. Finally, the possibility to further combining the capacity of Fermentaâ??s R&D center which is the companyâ??s jewel of the crown, also which targets both new product development and process innovation with our longstanding expertise in the nutraceutical field puts us in a privileged position to better meet patientsâ?? and partnersâ?? demand.

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