

# Interview: Vinay Sapte Managing Director, Maneesh Pharmaceuticals, India

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[India](#), [Maneesh](#), [Pharma](#), [TB](#), [Joint Venture](#), [Internationalization](#), [R&D](#)

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*Vinay Sapte, founder and managing director of Maneesh Pharmaceuticals, provides insights into this company’s unique development path. Maneesh was one of the first Indian companies to establish joint ventures in the US and Europe more than ten years ago and today stands as one of the largest India based partners of the WHO for anti-TB products. Sapte also documents Maneesh’s specialty pharma model and its eagerness to forge new partnerships, at the moment the company is ready to bolster a new era of growth on both the domestic and international stages.*

**Over the course of the past three decades, Maneesh has truly established itself as a frontrunner among India’s industry, especially with regards to its international strategy. Could you introduce the company to our readers?**

We started our activities as a pharmaceutical manufacturer in 1986 and swiftly counted as our customers over 15 Indian companies, including powerhouses in the likes of Cipla and Piramal. However, we realized the importance to develop our own R&D capacity and enrich our offering with in-house developed products, which we eventually supplied to reputed domestic companies such as Emcure and the Serum Institute.

Leveraging this momentum on the domestic stage, we decided to build up our presence beyond India’s borders through the set up of a dedicated subsidiary, Svizera, with a clear focus: the relief market. The market appeared to us as a niche but well-founded therapeutic area, which was notably supported by substantial resources coming from European and North American aid agencies. We steadily accumulated a unique expertise in anti-TB products, which was at that time and still is a

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major disease in India. While the WHO was raising awareness about the worrying TB emergency affecting many emerging countries around the world, we actually managed to develop a unique tuberculosis formulation in 1999. Through the WHO's Global Drug Facility (GDF) and the Stop TB partnership, Svizera stood as the world's sole supplier of the WHO for this aforementioned product until 2004.

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This first milestone gave birth to a long-standing collaboration, as we still stand as one of the largest partners of the WHO for the supply of anti-TB medicines. Furthermore, this partnership has been instrumental in helping us continuously upgrading our manufacturing standards and ensuring we can deliver highly needed products meeting the best international standards at a very low cost. To give you a concrete example, we managed to decrease fivefold the price of anti-TB products supplied to the WHO, which had a huge and positive impact on the organization's budget as well as with regards to health care accessibility around the world.

In 2005, we decided to further enrich our scope of actions with the objective to build an integrated pharmaceutical company, which would also encompass the marketing and distribution aspects. The same year, we acquired the loss-making Sigma Maneesh's first ever acquisition and rapidly turned around the company to become a prominent pharma player in India.

During the rest of the decade, we increased our international footprint through a series of 10+ joint ventures and acquisitions in strategic markets, including the US, the UK and Brazil.

**Maneesh has indeed been a pioneer in the set up of international joint ventures, a model that is almost fifteen years later widely imitated by the rest of the Indian industry. In the UK, you notably set up the joint venture Tillomed, which today stands as a top 10 generics player in the country, but Maneesh eventually sold its stake to India's Emcure in 2014. What was the reason behind this decision?**

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The 2008 Global Financial Crisis (GFC) and the worldwide economic downturn it generated had a harsh impact on our operations. Given the difficult financial situation we were facing, our first and foremost priority was to repay our debt rather than further consolidating our international presence, which ultimately led us to divest most of our overseas assets to pay back our creditors. These times of financial pressure lasted for almost four difficult years, but as from 2012 we consolidated our position and are now ready to start a new phase of growth for our company. Today, we generate revenues of around IN 500 crores [USD76 million], and we stand as a top 70 company in the domestic market. We are now on the right tracks to renew with the 25-30 percent CAGR that Maneesh was proudly posting until 2012.

**What are your strategic priorities to grow Maneesh on the international stage?**

In 2017, we set up a new joint venture called Ergos Life Sciences with Mr. Sakti Chakrovorty, the former president of India's premier pharma company Lupin Ltd. This new entity will focus on diabetes and cardiology areas. In the meantime, we are one of India's major players in the woman's health field, and some of our branded products such as our medicine for morning sickness in pregnancy women are leaders in this area.

Beside the aforementioned diabetes and cardiology arenas, we aim to consolidate our presence in the dermatology and orthopedics fields. While the Indian market comprises over 30 areas and countless subdivisions, we have favored a specialty approach and decided to target only four or five

therapeutic areas.

Our current objective is to strengthen our vertical integration in these targeted TAs; to fulfill this endeavor, we can already rely on the strength of our manufacturing arm, which has been operational since the 80s, and leverage our distribution expertise. As a result, the next step moving forward is to concentrate our effort on the marketing aspect.

**Building up a portfolio of branded products in selected therapeutic areas is no easy task. How do you go about accessing enough branded products to gain the critical mass needed to make a success of this specialty model?**

Our in-house R&D pipeline is particularly eye-catching and it should provide us with a satisfactory number of high-potential branded products in various dosage forms in all areas of focus for our company.

Nevertheless, we do not plan to exclusively rely on our R&D capacity to fulfill our development vision, and in-licensing partnerships have gained a large and ever-increasing importance in our strategy.

In this regard, forging partnerships with international companies and bringing to the domestic market products that are not yet available locally stands as a great opportunity that cannot be overlooked. As a matter of fact, we just in-licensed a product from an Israeli company, which truly showcases that Maneesh is pursuing all kinds of in-licensing opportunities, whether they come from domestic or international companies.

**Given that Maneesh doesn't hold the marketing and sales coverage of Indian giants like Sun Pharma or Dr. Reddy's Lab, what makes you an attractive partner in the eyes of potential, foreign companies?**

Besides our reliable, high-quality manufacturing arm, the strength and width of our distribution branch stands as a crucial competitive advantage. As a matter of fact, we can ensure that our partners' products are available in all urban, semi-rural, and rural areas of our country in all states of India. This offering has already caught the attention of several international companies, with which we are currently negotiating.

**There is a soaring demand for international products in India, but the latter is still limited by India's low public spending on healthcare and the increasing but still low purchasing power of the population. Do you see the recent reforms of the government boosting the growth of the domestic pharmaceutical market?**

Despite the growing share of our population that can afford branded, foreign products, we still lag far behind developed countries.

When releasing the Union Budget for 2018-19, Finance Minister Arun Jaitley announced a new, ambitious National Health Protection Scheme, which will provide a health insurance cover of INR 500,000 [USD 7,800] per family per annum and cover more than 100 million vulnerable families, especially in rural areas. This program should increase the access of the population to more sophisticated products and incentivize physicians to prescribe branded products to families covered by this new scheme.

Overall, the impact should be positive, but more efforts are clearly needed to make our country progress towards the objective to provide our population with universal healthcare.

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**In India, the top three companies hold a 19 percent market share while the top 50 companies make up 84 percent of the market. How do you see this market structure evolving in the coming years?**

Consolidation has been happening over the past years and I see this trend gaining in importance moving forward. However, I do see some rooms for mid-size companies to thrive; as a matter of fact, companies ranked between 20 and 70 are on average growing faster than the top 20 companies, while the latter are also relying on acquisitions to further fuel their development.

Whether they concern brands or companies acquisitions, Maneesh is evaluating all opportunities that may arise in order to accelerate its growth. Our objective is to break into the top 50 within the next three years, before integrating the top 30 a few years later.

**As mentioned earlier, one remarkable aspect in Maneesh's history relates to the fact that you set up international joint-ventures at a time where most Indian companies contented themselves with basic export strategies and the latter now aim to replicate this approach to overcome price erosion and rising protectionism in key markets. How do you plan to leverage this unique experience to deploy Maneesh's new international presence?**

We were clearly ahead of time. Although the GFC had a devastating impact on this strategy, we have learnt crucial insights when it comes to defining these joint ventures' structures and business models and protecting ourselves from variations of foreign currencies. As a matter of fact, all joint ventures we set up around a decade ago and in which we were forced to divest our stakes have been flourishing, which proves that we correctly calibrated their strategies and positioning.

We are now on the brink to kick-start a new international phase for Maneesh, while two of our Indian plants were successfully inspected and approved by the US FDA in 2016. In the meantime, we are putting a special emphasis on our R&D strategy and look at developing products specifically targeting the US market. As a matter of fact, we already hold 10+ products that we plan to submit to the US FDA within the next two years, as well as in European markets. At the moment, we are looking for distributors that will partner with us for the marketing of these selected products.

In order to ramp up our internationalization strategy, we also plan to in license branded products with a high potential in developed markets, while we hold the capacities to handle both the manufacturing and marketing of these products. In the grand scheme of things, our overarching vision is to follow the way that we paved ten years ago and become an integrated pharmaceutical company in strategic foreign markets. This approach clearly emerges as the only way to be profitable in today's industry context.

### **Why is that so?**

As you know, Indian exports have been recently plateauing especially in key markets, while very few domestic companies' plants have been spared by US FDA's warning letters or export bans, due to increased regulatory scrutiny from the US regulator. When you add these aspects to increasing competition and foreign governments' push to foster the local production of medicines, Indian exporters are left with no choice but to evolve their export strategies. As a matter of fact, some Indian companies have already been embracing this new model based on joint ventures with international companies and localized production.

In this new paradigm, success will depend on Indian companies' ability to forge competitive, cross-border alliances as well as their capacities to set up/acquire and run overseas plants. As per Maneesh, we started setting up and developing competitive manufacturing assets overseas in the

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early 2000s and this long experience today emerges as our best chance of success.

As a result, we are now working on the set up of a new plant in the US with a partner. In the meantime, we are looking at vertically integrating our international manufacturing capacity, through partnerships with API companies. While larger Indian companies are vertically integrated, smaller players are typically active in either formulations or APIs. Through upcoming collaborations, we aim to combine together these two sides of the business, which would undoubtedly stand as another great competitive advantage for a company of our size.

### **Where will Maneesh be in five years?**

Leveraging our specialty focus on the domestic market, we expect to break into the top 50 in India by then. In the meantime, we plan to continue focusing on the relief area by tirelessly sharpening our expertise in anti-TB medicines and expanding to the malaria arena. Furthermore, the kick-off of our US business within the next three years should allow us to reach the USD200 million by 2023.

I am a first-generation entrepreneur, and I have dedicated my life to this family business. In the fulfillment of these aforementioned objectives, we are lucky to rely on great investors, including the Rare group, which helped us overcome the consequences of the GFC. and we will be able to leverage its guidance to continue growing at a sustained pace in the coming years.

### **What is your final message?**

In spite of the challenges faced by Indian companies over the past years, they are on the right tracks to comply with the most stringent expectations of regulated markets' regulators. As per Maneesh, we hold expertise across the value chain from R&D, manufacturing, and marketing and we are looking to forge strategic alliances to trigger a new phase of growth on both the domestic and the international stage.

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