

# Arjun Handa CEO & Managing Director, Claris Lifesciences India

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**You already joined the company in 2001, and returned after an MBA in the USA in 2004. This was also the time the company really took off, as you subsequently became COO, and then eventually CEO. How has this learning curve been for you?**

I have a Bachelors degree in Accounting and a Masters degree in Business Administration But when I joined; I had to enter a very technical business with zero technical background. Nevertheless, I have always had some sort of engineering and technical interest. The most important learning was to be done in the first 6 months, therefore decided to spend a considerable amount of time in the technical areas of the company. Initially, I started in the labs. New product development became the first source of management control as well as the start of my learning curve. From then on, I went into operations, which meant managing the manufacturing process. In 3 to 3,5 years, I managed to build up strong technical knowledge. Because of the capital-intensity and quality importance of injectables, one has to be very focused on the manufacturing aspect of the business. While formulations are obviously important, they are a different breed than the technologies used in manufacturing, where you tend to spend a greater deal of investment.

**Despite being a second-generation entrepreneur, you also managed to establish a strong sense of professionalism in the business. How did you manage to do so?**

If you want to grow and scale-up the operations, having a good team is essential. Claris Lifesciences is active in a niche segment, that is being dominated by a few international players such as Baxter and Hospira. There are no major Indian competitors for a majority of the products that we deal in. Keeping in mind this characteristic of the industry, it is very important to focus on growth opportunities, new products, technology, machine vendors, customers, and so on. I travel more than 15 days per month all over the world to meet these different stakeholders. Relative to managing the business day-to-day, the strategic decisions are more hands-on for me. It was almost a need to have such strong professional management in place.

**With more and more products going off patent, competition is expected to increase. How do you see this affecting the market structure, and what measures can you take?**

Claris's success has primarily come from two aspects: on the one hand, we have had a first mover advantage in product development, and on the other hand, we have managed to scale up our products significantly. As a company, we roughly have the 3rd or 5th largest Propofol manufacturing capacity in the world, which is our flagship product. We have now managed to successfully take our products into 76 countries. For the top 20 or 30 of these countries, we are distributing more than 20 of our products, implying a significant presence from a product basket point of view. Going forward,

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these 2 aspects are also our key strategic focus. Keeping this in mind, the entire focus will continue to be on developing new products and taking them to scale. Like Propofol, we have some big blockbusters in the pipeline. I do indeed see more products going off patent and more companies entering the injectables market, and I expect other companies to be following our business model. However, as we have been moving fast and ahead of the market, I do not see any impact in the near term. Building state-of-the-art production facilities to address some of the highest regulated markets in the world will take time for these other emerging players. All in all, the new product pipeline will remain key for whatever we do next. It has been our success mantra until now, and we hope to keep this as a philosophy.

**What made your blockbuster, Propofol, such a success?**

When we were selling blood products in India, it was very clear that we had entered a niche space, where the hospitals were the primary institutional buyers. When we entered the hospitals with our injectables, we saw that there were 2 categories of products: run of the mill products which were easy to get from 10 to 20 different manufacturers, and hard to get expensive products from MNCs. We thus saw a vacuum in the market to become the first Indian company that would give the country an India-cost based product at world-class quality, which would obviously appeal more to patients and consumers.

**You decided to climb this mountain, instead of taking a more traditional road, such as going into the tablets arena. Why?**

Being part of a business family, business automatically comes in your blood. It is the way you are brought up, as business becomes a given. Personally, I am not as motivated by scale as I am motivated by the niche. As an entrepreneur, it motivates me to identify what is missing in the market, compared to what is already there. What motivates you every day, is the challenge you are trying to solve. In India, there are numerous business men as well as an older generation of entrepreneurs that have given India the basic infrastructure. What is now needed in the country, is what is not there. And if you bring those missing aspects to the country, maybe you can use the country's advantage in scaling up those novelties to take your business global. Like the internet had Web 1.0 and Web 2.0, I now call this Pharma 2.0. As big companies have already occupied the tablets space, there is no more story to cover there. I am not running Claris Lifesciences to tackle off-patent products, which is an area that everyone has been eyeing on, and which largely only serves the US and Europe markets. In that aspect, Claris's business model has to be balanced between off-patent products while working on improved products. In the healthcare space, there are newer types of players that are looking into how they can enhance and complete the healthcare industry. As no one was addressing the injectables challenge, I decided to take on that challenge and turn that into the story of Claris.

**Profol was a big success. Where do you now see future growth coming from?**

Over-reliance on only one path can be very dangerous for one company, especially as the injectables space faces heavy and ever-changing regulations. I do not want one market or one country to become very big within Claris. Therefore, the strategy is to continue to grow in a fragmented manner. In this way, we will continue to add new products, new geographies, technology, and so on. Our primary niche will be innovative generics, such as Claris's three-chamber injectables bags. Obviously, there is also an off-patent new product pipeline that continues, as well as an ongoing blockbuster pipeline. We aim to diversify while maintaining a certain level of uniqueness. In terms of markets, we aim to pursue a mixed strategy of regulated and emerging markets. The emerging markets are moving fast, in particular in countries such as India where domestic consumption and infrastructure is increasing drastically. We have heard similar stories of the other emerging markets. While riding the wave of growth in the emerging markets, we will also take advantage of the increasing generic penetration in the regulated markets. What we have noticed in many of these regulated markets, is that once you pass the quality test, you are greatly welcomed because of your cost advantage.

**You have indeed recently entered the US market. How do you judge this timing?**

We have now been active for 3 years in the USA, while we had already started filing our products

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some 5 to 6 years ago. Slowly but surely, we started tackling this key market. Because of the generic penetration and the significant volumes, the US market will remain an important market for us. In 5 years from now, however, I do not see Claris becoming a US-centric company. We will become a mix of India, the emerging markets and regulated markets, where the focus on Europe will even be as much as on the USA. While Europe, for example, is an equally interesting market as the USA, the challenges there are different.

**A major milestone for Claris was obviously your deal with Pfizer. Can you tell us more about that?**

One day I simply received a call from Pfizer, saying they wanted to meet. In my experience, they have moved the fastest in terms of big pharma. From the time we met, we nearly finalized the deal in 4 months, and eventually closed our agreement in just 6 months. Even post-Pfizer, we saw an increasing interest of the international community in Claris. Globally, we also see an increasing interest in India and the injectables segment. But because injectables are so important, we do still see some skepticism in that area. However, I think that they will slowly find the confidence to further look into India for this niche. Pfizer wanted to in-license our products in a non-exclusive deal, which I considered as a good opportunity to develop a relationship with this pharma major. One partnership can pave the way for many other opportunities, be it with the same company or a different player. This relationship gives a sense of credibility to go out into the market and explore more options, while it can also give you more scale if you meet the partner's expectations. This is particularly important in the injectables space, where your capacity utilization has to be in excess of 40% to be profitable. Our strong focus on manufacturing has therefore also helped us to engage in such deals.

**As you mentioned, there is still some skepticism about India. What will it take to make this disappear?**

Time is probably the best healer. India will just need to display a couple of significant milestones. The top tier companies have already shown their world class quality. The second tier companies now have to display that same level of quality. This is why these partnerships are so important. They are a learning experience in terms of knowledge and technology transfer.

**What kind of partnerships is Claris now looking for in particular?**

Claris can offer contract manufacturing, new product development, etc. We will thus be looking at various types of partnerships. However, our focus largely lies in licensing and supply models. Claris already has a good presence in the emerging and regulated markets. Rather than investing in marketing, I would prefer to invest in new product development. I therefore see more use to partner with a very good sales & marketing company, which can give a good reach to our products.

**Nevertheless, what factors make your field force stand out in the market?**

First of all, training is key. Claris has been ranked as one of the best employers in the country, and has managed to attract good talent. We strongly believe in good HR policy, and focus a lot on training and building a good culture. Our top and middle management attrition rates, which are the most important, are definitely lower than the industry average.

**In your view, is the right talent available in the Indian market?**

Fortunately, we are not too much of a chemistry company. However, I do agree that very good quality chemists are difficult to get. Overall, talent is available in India, even though it is becoming increasingly expensive. This makes it difficult to attract good talent at reasonable pricing points. Quality and regulatory talent will remain the most important type of talent on the labor market, and I do see the manpower being available there. However, the talent will not be sufficient to meet the strong growth ambitions of the Indian industry.

**As an entrepreneur, you have now come to manage a publicly traded organization. Has this affected your management style?**

Claris Lifesciences has been held privately for the last 10 years now. It has been a good transition from a family-focused company to a professional organization. Private equity has brought in a lot of good things, such as good governance, and has slowly prepared us for the IPO. Personally, I have run this company privately for a long enough time, to now take on the next challenge. The IPO was a worldly challenge to take up, but it has created a positive new pressure. Going public has its own

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merits, as the visibility, the profile, etc. of the company changes. We like this new hat we have put on, despite the fact that we had to upgrade many administrative processes within the company. At the same time, even in India, the capital markets have become more short than long-term oriented. It are the same investors that used to put their money in Europe and the USA, that are now focusing on countries such as India. Their philosophy and investment behavior therefore has not changed. But in this big world of investors, you can also find many like-minded people. I strongly believe that the maximum value of Claris can be achieved with a long-term strategy, despite the fact that the short term should also not be ignored. However, the moment you become a short-term oriented company, the long-term prospects will immediately decrease.

**Do you have a final message for our readers, on behalf of India or Claris Lifesciences?**

As an entrepreneur, I am very happy to be in India. As a pharma entrepreneur, whether it is the increase of domestic consumption or the acquisition of additional competences, India is going the right way. Today, India is at a place where it can help the world in various ways, such as the reduction of global healthcare costs, helping underdeveloped markets emerge, increasing access to patients, and so on. It is the right time for everyone to be looking at India. I look forward to the new Pharma 2.0 model, in which the entire healthcare system becomes more wholesome.

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