

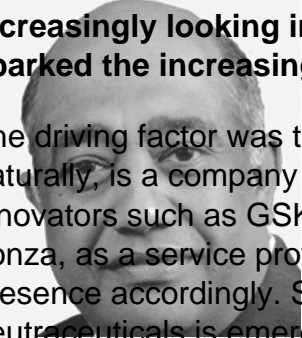
Interview with Dr. Harry S. Rathore, Managing Director and Country Head, Lonza India Pvt. Ltd

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Dr. Rathore recently announced that, despite being late in India, Lonza has been increasingly looking into expanding in the Indian market. First of all, what do you think sparked the increasing interest in this market?



The driving factor was the fact that the Indian consumer market has been increasing. Lonza, naturally, is a company that does not want to be left out and is now capitalizing on this trend. The big innovators such as GSK and Pfizer have already been increasing their presence in the country and Lonza, as a service provider to these major innovator companies, is inevitably required to align its presence accordingly. Second, apart from pharmaceuticals, a major market for health and nutraceuticals is emerging in India. Third, drinking water and the availability of fortified food and water offers great potential here too. These are all businesses Lonza is very strong in. Last but not least, we strongly believe in a future for interchangeable biologics, often referred to as biosimilars.

These are of course exciting months for you, with a Minister praising Lonza for setting up your first even biosciences hub in Hyderabad! How will this affect the role and importance of India within the Lonza Group worldwide?

Both India and China are volume markets, the margins are much lower than in traditional Western markets. Yet, with such volumes being present, the innovators are moving in and driving up demand in Asia. We already see the landscape changing today. We probably have to look into localizing the production sites. In order to succeed in India, you need to localized production here.

Lonza is looking increasingly its R&D activities in India in the area of biosciences and biologics, for which the reasons are simple: the scientific talent in India is enormous. India is no longer a copycat, and is now going through the phase in innovative research I see India in the next 10 years as the nation that will come out with new drugs, which are generated, developed and innovated in India. This is feasible all because of the scientific talent we find in India today. Lonza clearly wants to be part of this.

India, in my view, has three major success factors. First of all, the speed of execution is much faster than anything we experience in Europe and the USA for example. The second is the aforementioned scientific talent. The third and last factor, then, is India's cost-effectiveness. These three factors are the vital combination to build a competitive edge, and is the reason why all the Western players have been increasing their presence in India.

What role do you see for Lonza to be a pioneer in taking the innovative character of the local industry forward?

We are looking at India in the area of regenerative medicines and cell therapy. To be active in this area, we want to have an R&D centre, the right talent pool and cutting-edge technology. Of course, we alone cannot do that, which is why we are calling out to the industry to engage in collaborative work. There are players that are far ahead in this area. Reliance Life Sciences, for example, is very far ahead in terms of stem cell research. We therefore see the opportunity to collaborate and find medical solutions in regenerative medicine. This is what Lonza India is looking at today.

Another milestone for the India operations must have been the Simbiosys deal late 2009. How important was this moment for you?

I consider this as a very wise move, since we wanted to establish a platform. At that time, we were looking at several other companies, but found that Simbiosys had a very strong scientific people base. While Lonza already engaged in cell research in locations such as Germany and the USA, we wanted to set up R&D in India with local talent and not by bringing people over from elsewhere in the world. It was therefore important to build a strong base of local human capital, which Simbiosys provided.

Was the integration a challenge?

Integration is always a challenge especially for any Western company. There are two different cultures that need to be integrated well together, which is not always an easy thing to manage. The Swiss culture for example, is very risk-averse. Indians, on the other hand, are big risk-takers. Finding the balance and integrating both companies may therefore pose severe challenges. This is one of the reasons why, traditionally, joint-ventures in India have not been successful.

Yet, you still aim to grow through partnerships in India. What do you think will make such cooperation successful then?

As with any partnership, both parties need to bring something to the table. Lonza is looking for partnerships where there are technological synergies, as well as manufacturing synergies. We have a very clear view in case we decide to enter into a joint-venture partnership. In such case, we will be looking for a partner that is fully capable and that can stand by itself. With this, I mean that the partner can be left alone, without us imposing our Swiss culture. However, where the regulatory or quality part comes in, we will not compromise. Thus, we look at a model where our partners can remain independent, while we will create centers of excellence based on where we see fit to build on our own capabilities.

The Group performed well in 2010, but how satisfied were you with Lonza's performance here in India?

Lonza India has grown very much. Lonza's current business in India is roughly \$ 80 million. We have been growing almost 30 to 40 percent in the last few years. Therefore, we can be pleased with what we have achieved so far, but also want to make clear that we are here to stay. I am a very firm believer that Lonza, as much as any other company in the world, cannot ignore India today. India's time has come!

In that sense, you focus on different segments, target markets and services. What do you see as the main growth drivers for the company in the long run in India?

We aim to grow in neutraceuticals, microbial control and biosciences. Lonza India is very focused in offering formulated disinfectant biocides for pharma clean-rooms. As the biologics manufacturing in India will increase, there will always be problems with contamination. One of Lonza's most recent product - MycoTOOL - allows predicting contamination, preventing temporary plant closures which can take up to several months. Such systems will inevitably see an increase in demand in the coming years.

When you mentioned earlier that there is a lot of scientific talent in India, does this mean that attracting the right people has not been a challenge for Lonza India?

I do see this as a big challenge in India. The scientific talent in India so far has been largely chemistry-based. Unfortunately, Indian talent is not strong in biology yet. This is why the theme of most bio-conferences relates to bio-partnering, simply because it is so hard to find that sort of talent in India. In this line of business, you need the partners that have experience in this field.

How do you aim to attract the best and the brightest at Lonza then?

Lonza has a strong reputation which plays an important role when attracting talent. It is also because of this reputation that we find it so important to find the right alliance partners to work with .

Can you elaborate on your programs to reach out to the local community and be a responsible actor in society?

We are a member of most trade associations and participate actively in their agenda. Further to that, we also have a social responsibility program, through which Lonza for example supports the Clinton Foundation for HIV/AIDS, in particular as most of the HIV drugs are produced and supplied out of India. Lonza forms part of this chain as it supports Indian companies with some key intermediates. At Lonza, we value corporate social responsibility very highly, although we approach this indirectly by reaching out to the community and patients through our customer base.

On a personal note, we see that before returning to India, you spent part of your career in the USA. What has been the main challenge since you arrived?

Well I was born in India and also did my Bachelor's and Master's in Pharmaceuticals here. I then moved out of the country in 1982 to pursue my business degree and Phd. in the US. I have thus seen both East and West and worked at international companies before joining Lonza in 2004. This has given me a good grasp on how the dynamics work in these markets. What I have seen as the key challenge today is to attract and retain this human talent. Lonza's attrition rate is very small, roughly 2 percent, but this number generally lies around 15 to 18 percent in India. When attrition takes place, you do not only lose the talent, but also all of the efforts that went into the training of these people.

Second, Indian middle level managers are still not trained to the level their counterpart in Europe/USA. While they are very tactical, they should now learn to think more strategically. Their short-term views need to change into long-term strategic plans. Lonza, as a European firm, has a very strategic mindset and maintains a long-term view.

I have tried to gather my team in India by encouraging them to think out of the box. Therefore, I ask them not to worry about today, but instead build a culture of change that allows for more strategic thinking. To encourage this, we are pushing local managers to participate in global teams, global sales conferences and global leadership conferences. We now need to further reflect this mindset throughout the entire organization, in order to build more robust teams.

While you will be rather occupied in the coming months with establishing offices in Hyderabad, what else will be at the top of your agenda?

The first priority is indeed the relocation. Lonza is now constructing an R&D site and is looking into a number of potential collaborations, and manufacturing alliances. Overall, we are very positive about India.

Do you have a final message for the readers of Pharmaceutical Executive?

I truly believe that India's time has come. Even those that were holding back and portrayed India as a copycat in the past, are now seeing things differently. We have seen Abbott acquiring Piramal, Merck has announced an increasing interest into India's branded generics, the number of ANDA filings has been increasing, and so on. My only message to the Western companies is "look into India strategically, there will be plenty of opportunities here."

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