Interview with Kewal Handa, Managing Director, Pfizer Limited India

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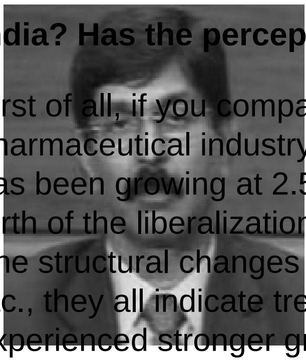

us how you have seen the pharmaceutical industry developing in India? Has the perception of India by big pharma changed over the years?

First of all, if you compare the growth rates of MNCs in India over the last 5 years in the pharmaceutical industry, and draw parallels with sectors such as automotive, you find that our sector has been growing at 2.5 to 3 times the rate of other industries. A large part of this growth has come forth of the liberalization policies of the Indian government, as well as its investment in infrastructure. The structural changes in terms of cities, investments in rural areas, the increase in income levels, etc., they all indicate tremendous growth levels. The Indian arms of the MNCs have consequently experienced stronger growth than the parent companies as a whole. This growth should be taken with caution however, as most of it is growth in terms of volume, rather than value.

The key driver of this growth has been, and is still today, the rise in income levels of the Indian population (in terms of GDP).

Market expansion has also taken place, which caused many companies to shift or enlarge their focus from urban centers to include rural areas. There are of course additional drivers that sparked the renewed interest of MNCs in India, such as the Indian patent law and the stagnating growth levels in Western markets.

You have always publicly announced that you see India as a potential R&D hub, including for companies such as Pfizer. Are there different opportunities today than 5 years ago?

A lot of companies today are looking at India as a source for global talent and global innovation. Companies such as GE and Cisco Systems have already set up their global R&D centers here. Moreover, Indian talent is generally better suited to serve the emerging markets that are driving global growth today.

In the fields of science, technology and R&D, there is already a lot of innovation taking place. For the case of delivery systems, Telemedicine is just one example. The low-cost turnaround of hospital treatments is another area that can serve as an example for many other places in the world. These are elements that can be taken from India and exported worldwide.

Yet, compared to places like China, India has not necessarily been able to catch up in every aspect. What is your view on this?

I see a number of reasons for this. First, the Chinese domestic market is very attractive as a commercial proposition today. The regulatory environment in China has improved drastically, both in terms of patent protection as well as data exclusivity. Unfortunately, even though patent protection has come to India, there are still litigation issues which increase the uncertainty for people looking to invest in India. There are various issues that deter people from coming here, such as rigidity in FDI and lack of implementation discipline in policies. Having said that, there are still many companies that invest in India in terms of R&D. Pfizer has also done so, and has invested in sourcing in India through tie-ups with 2 to 3 companies. While a lot of investment is taking place in India, investment in innovation is not yet happening at the same level as in China.

What do you think would really need to change in Indiaâ??s regulatory framework, to drive the nation forward in this area?

Changes are happening, but they are happening at a slow pace. Transaction costs in India are much higher than in China for example, and amount to 50 to 60 percent. This is an issue that lies within the structure of the system, and is due to tax levies and duties on the one hand, and commissions for traders and middlemen on the other hand. The government should implement GST at the earliest.

One pertaining issue is that the Indian government needs to clear the air on many things, otherwise additional investments from parent companies will become very uncertain. Issues such as patented product pricing, etc. are the sort of issues that hold up a lot of investment by the MNCs.

When looking at market shares over the years, it is clear that fragmentation in the industry has taken place. This, in turn, brings in different views and opinions on where the industry should be heading and what measures should be taken. The 3 or 4 industry associations in India each try to serve their own needs, because their interests are different. If we could manage to have one single voice for the industry, things would be much different.

The other thing is that there is a lot of sensitivity around pharmaceutical pricing. However, rather than based on data, the publicâ??s perception is generally based on emotions for this issue. The facts show that pharmaceutical prices are much lower in India, and only increased 1 percent for the last one year. The image of the pharmaceutical industry is thus very negative, and needs to be corrected. The hype that is being created around these misperceptions gets reflected in the thought process of the bureaucracy.

Rather than pricing, many have argued that the real issue for India is related to the availability and affordability of medicines. How can Pfizer contribute to resolving this issue?

Typically, the Indian government has a very good structure for providing healthcare. There are the primary care centers, the district centers, and so on. Unfortunately, these centers are understaffed and lack investments in infrastructure. This obviously creates a hurdle to efficiently and effectively deliver healthcare services in the country.

The pharmaceutical industry has already done a great job to enhance the availability of products. It are rather the hospitals and their treatments where the infrastructure requires drastic action for improvement. The industry cannot do this, because it is a sizeable investment which directly falls under the responsibility of the government.

However, there are opportunities to partner with the government, which explains the increasing number of public private partnerships (PPPs) we have seen happening in recent years. Such partnerships can play a big role, but the PPP model in itself first needs to be respected by both parties. Once this is the case, a lot of things can happen.

If the industry would be able to express itself in one clear voice, what can really be done to change this perception and image?

We should look at a number of different fronts. The associations, first of all, need to be united. The line between MNCs and local Indian players is already fading, because of increased collaboration between both fronts. Moreover, as Indian companies are now also engaged in R&D, they also want to have their products patented. In fact, there are only a limited number of areas where the views of both parties can differ.

How do you want Pfizer to be perceived, an MNC or a local player?

Pfizer India is a local company and has been here for 60 years. We have become increasingly relevant for the doctors and the patients, and are also becoming more relevant with our range of branded generics. We give doctors access to global products, launch global products close to when the global launches take place, and we bring science and knowledge to the table. I think we play a very important role in developing the clinical research landscape in India. Today we have seven Preferred Research Centres in India that build capacity and capability of R&D in the country. Finally, we have spent considerable effort in improving access to healthcare service providers.

Today, Pfizer has reached the number one position in terms of market share for Becosules and Corex. What enabled the company to reach this position in India?

We are a 60 year old company with a strong reputation and ethics. Moreover, the company has a strong field force, reasonably priced and high quality products. The quality of our products, of our manufacturing and of our people, is what differentiates us in the market.

Looking at Pfizerâ??s portfolio in India, the absence of blockbuster Lipitor stands out. Can you explain why this product has not been launched here?

Lipitor came through Warner-Lambert, which was initially never launched in India before the acquisition took place. By the time Pfizer took over Warner-Lambert and Lipitor, the Indian market was already saturated with many generic versions of the blockbuster.

What do you now see as the main growth drivers for your future performance in India?

Pfizer India is very strong in anti-infectives, cardiovascular, women healthcare, and CNS, to name but a few. There are of course some segments, such as diabetes, which we do not service here in India. For those categories where we are present, the Pfizer brands generally rank in the top 3.

Over the past few years alone, you have been drastically increasing your field force. How did you manage to do so in a very short time?

It is not a very short time in fact, but rather part of a strategic plan that was already in place. We have been very efficient in our execution, in particular in terms of hiring and deploying talent and launching new products. We have a unique business structure to support our launches, which consists of small and nimble substructures that are being given the power and independence to do things differently. While, before, we were mainly focusing on urban areas, Pfizer India has also been increasingly its presence in the extra-urban areas, which inevitably requires additional people. Launching quality-branded products at a very competitive price is what makes the difference at Pfizer.

Going into these extra-urban areas in a big country like India may not always be that easy. How challenging was this move for you?

The real challenge in India today is getting the right talent. The attrition rates in the industry are very high. Many companies in this sector are growing very fast, and therefore need to attract people to match the growth rates. In addition to that, there are several other growing sectors in India that absorb part of the available human capital.

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