

# Interview with Pankaj Madan, Country Head, Lupin Russia

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**Recently held a number of discussions regarding increased cooperation within the pharmaceutical sector. For example, the two nation's health ministers have discussed decreasing administrative barriers to drug registration and establishing the mutual recognition of clinical trials. On a socio-economic level, how would you describe the synergies between these two nations?**

Russia and India have had a very positive relationship since the time of the Soviet Union. The Russian public—especially the older generation—has a high opinion of the Indian nation. They remember the best parts of India. This high regard and cultural attraction is a strong foundation for commerce.

I believe that it is very important, if a company is to conduct business in any region, that there be a good relationship among people. If such a relationship exists, we can do something great. In practical life, if one Prime Minister meets another Prime Minister, sure, this is positive. They make decisions; they plan the strategy. But the realistic implementation will only come from the physical activity that one nation's enterprises will then conduct on another nation's soil. So once again, it is a very big plus for Indian companies that Russian people have a positive view of India. We have a mutually beneficial future ahead of us.

After the dissolution of the Soviet Union in 1992, many changes took place in this country. Indian companies are still trying to compensate for a number of mistakes that we made in the post-USSR period. These mistakes may be attributed to some weaknesses of the socio-economic system that was put in place in Russia in the later 1990s and early 2000s, and our poor navigation of this system. Now, the system has been much improved—this is well known. First Mr. Putin, and then Mr. Medvedev, have put a number of regulations in place that bring a measure of stability. They are putting the right officials in the right offices, they are creating a smart strategy, and they are creating smart laws. This has improved the business platform in Russia.

Once the platform exists, our role is to play the game. People and organizations are the actors. We now have to perform our role. For this, we have to appraise our position, and where our strengths and weaknesses lie.

## **What is the position for Lupin?**

Traditionally, Lupin has been strong in the anti-tuberculosis field. But from 1998, when we sent our first Cephalosporin API to the U.S., the picture has changed—we entered into the Cephalosporin

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market, and the U.S. market, and we became strong in antibiotics. Our biggest strength is now in the U.S.â??around 700 million dollars worth of business, mainly in antibiotics. We do not work in the anti-tuberculosis market in the U.S., because tuberculosis is not a problem there.

In Russia, we are traditionally famous, once again, for anti-tuberculosis products. In Russia, tuberculosis remains a problemâ??there are many patients left, and it is an epidemic condition. Our focus remains on tuberculosis here. But we also focus on our global Cephalosporin antibiotic strength. At the same time, we are working to penetrate the OTC segment, which is a big market in Russia, comprising almost 30% of the total market. We would like to build strong OTC brands.

In tuberculosis, we are the leader in the Ethambutol segment, with our product Combutool. We supply 80% of GDF drugs, and 100% of the APIs for this product. This product is a first-line drug, and essential for all tuberculosis patients. That is why, directly and indirectly, we are a leader in the anti-tuberculosis market in Russia. Directly, we sell finished goods; indirectly, we contribute to the production of finished goods by selling APIs. We are very strong in this sphere.

Over the last two years, we have improved our positioning for Cephalosporin. We were the first company to introduce a generic Cephalosporin product in Russia. When we first introduced our product, we had a leading position, but with increased local competition, we can no longer say that we are the leader. But we are a major player. Among Indian companies, we lead. Why? Because of quantity and quality. Data shows that we lead in supply, but any company can quote that kind of dataâ??few companies can boast that they are the best in quality at the same time.

As I mentioned earlier, Lupin looks to have a bright future in Russia, and now we are on the way. Russia is the best emerging market among the BRICs. It could be on par with the U.S.â??after some time, of course. We are very optimistic, and our president has announced that we are open to any kind of acquisition, any JV, any brand purchaseâ??any instrument that can boost our company image and our presence in Russia. We want to be viewed not only as a tuberculosis and Cephalosporin player, but we want to build our image as a company with diverse and powerful brands. I think that all companies are working in this direction.

### **How does Lupin differentiate itself if all competitors are working towards the same goal?**

Firstly, our greatest advantage is that we are a strong company at home and transnationally. Whatever resources and value we have in India, we can use in the Russian market as well. We are not number 10 or 15 in any of our niches. We are at least number 5, number 7, everywhere. We are the third-largest generics company in the U.S. these days. This gives us the strength to move in a positive direction. Once again, we are finding the way. I believe everything will go quite well for us in the coming years.

### **What strategy do you present to Lupin headquarters in discussing the correct way forward?**

The plan that I have presented is very simple. In considering this market, I believe we must look at it segment by segment. For example, in order to improve the anti-tuberculosis business: we will revise our pricing, our distribution network, and our relationship with the Russian government.

In the antibiotic segment of our prescription business, we will revise our portfolio. The biggest barrier that we face in Russia at the moment is product registration. We are in the process of registering a number of medicationsâ??we are awaiting approval for over 16 products. The process is quite a hurdle.

### **Perhaps with the increased Russian-Indian cooperation in this sector, the barriers will soon be eased?**

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This discussion has been ongoing for the last two years, but nothing has yet happened. I believe that indeed, it will happen—but this matter must be resolved as soon as possible. From September 2009 until date, the government has approved approximately 500 new registrations—give or take—which is a very low number. Given the usual pattern, if we submitted documents in 2009, we will not have these products on the market until 2013 or 2014.

How do we solve this problem? We have good dossiers, and our documents are in order; we have good technical support and a good database. But how do we go faster? The system is simply not allowing it at the moment. We encounter a hurdle in every stage of the process. For example: we submitted a number of dossiers some time ago, and at the time, we did not need Russian clinical trials for approval. Before the registration could go through, the government announced that clinical trials would be necessary! So now we must do clinical trials here before we can get these products to market.

Our other focus is OTC. We are interested in acquiring existing brands, where we see room for improvement. So we are working in three directions: anti-TB, antibiotics, and OTC.

We are also present in Russia in the API business. But again we return to the problem of product registration. To sell the API, you must register it—and how much time this will take is uncertain.

Another direction is local manufacturing. In this case, we are interested in a joint venture. There are different kinds of JVs available: we can take 100% stake in an existing local manufacturer, and handle operations ourselves; we can take a partial stake in a company, and conduct business together—promotion, marketing, sales, etc.; or, we can take part in a contract manufacturing venture. In terms of contract manufacturing, it is well known that the number of local manufacturers up to GMP standards is quite low, and there are no companies up to U.S. FDA standards. This presents a problem.

But we are open to manufacture locally. We do repackaging in Russia already, with a number of partners—among them Mosfarma and Pharmsynthez.

### **What do you look for in a partner in Russia?**

We take a structured commercial approach. We look carefully at different proposals, and consider the company's quantities, market presence, resources, etc. For example, Pharmsynthez is one of the leading manufacturers of anti-tuberculosis medications, so they were a natural choice for repackaging of our products in that segment. Actually, our relationship started with re-packaging, and now they are purchasing our APIs.

We also work with Akrikhin—they distribute Rifapentine for us, a product for which we are the sole supplier in Russia. We chose that partnership based on Akrikhin's sales and marketing ability. It is a very good product, and has a much lower toxicity level than competitors' offerings.

### **Is this what Lupin brings to the collaboration? The unique product—and of course the Lupin quality?**

Yes, exactly.

### **What do you see for the future of this company here? You are exploring many options, but five years down the line, how will you measure your success?**

Our five-year target has already been decided! We will become a \$100Mn company within five years.

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That is quite a jump! Statistics show that you currently take in approximately \$10Mn per annum.

Yes, approximately around \$8.5-10Mn.

**So you must grow 10 times over, within five years. Is this realistic?**

Oh yes, why not? In Russia, it is realistic. This is an emerging market! There is a wealth of possibility here. Small companies are doing well here, and these companies cannot compare to Lupin. If they are successful, we will certainly be successful as well.

Globally, we have set a target to become a \$3Bn company by 2013. Our Russian strategy is an aspect of our greater strategy. We in Russia must contribute in a tangible way to this turnover.

So we are very serious. Our approach should be finalized by the end of this year, and then we will implement it.

**You mentioned at the start of our interview that the policy heads make the legislative decisions, and the companies are then the players. You have worked with a number of Russian companies thus far. Do you find that the business workings on the ground actually reflect the political synergies?**

I will give you an illustration. Let us say I invite a guest to our company. I will more readily choose a major player; only afterwards would I consider the more average players. I would of course treat multinationals as major players, because they are very large. Lupin cannot compare with them—we do not think of ourselves as a multinational company, but rather a transnational company.

Any company welcomes, first, the major player: multinationals. But Lupin has also raised their interest. It will take time—perhaps a few years—but one day quite soon, we will be considered on par with the major players. It will happen because we have unique strengths, and unique quality, that multinationals do not have.

**What do you have that multinationals do not?**

It is the combination of quality and pricing. This is the basic strength of a good business—if you have superior quality, at an attractive price, you will be successful. And your partners will be successful as well.

**What is your final message on behalf of Lupin Russia to the international readers of Pharmaceutical Executive?**

We are committed to this market. We are a leader throughout the world, and we will endeavor to be a leader here in Russia as well.

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