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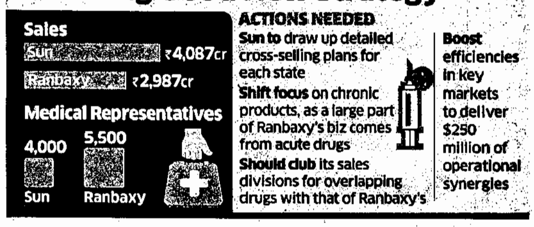
Sun Pharma to Firm Up Steps to Boost Ranbaxy Drug Sales

Chalking Out a New Strategy



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New Delhi: Sun Pharmaceutical Industries, India's biggest drug maker, is planning to firm up a series of measures soon with the aim to improve field force productivity in domestic operations of Ranbaxy Laboratories, the company it is in the process of acquiring from its Japanese parent Daiichi Sankyo. The drug maker also plans to draw up detailed cross-selling plans for each state, according to industry consultants familiar with the matter.

Most of these changes will take effect a year after Sun Pharma closes the Ranbaxy deal, which is expected to happen by end 2014, they added.

"If one assesses the productivity of a Sun Pharma medical representative, each roughly generated about ₹90 lakh worth of annual business in the year ended March 2014. In contrast, each Ranbaxy medical representative, on an average, brought business worth ₹55 lakh," said one of the consultants quoted above. "While some bit of it could be attributed to the nature of products they sell, Sun believes that a big chunk of this gap can be plugged by taking a series of measures to improve productivity of Ranbaxy sales force."

Sun focuses on chronic products while a large part of Ranbaxy's business in the domestic market comes from acute drugs.

In April, Sun agreed to acquire rival Ranbaxy. The transaction worth $4 billion is the largest in-bound deal in the domestic pharma sector and is set to create the fifth largest generic drug maker globally and the largest player in the ₹75,000-crore domestic pharma space.

The deal is awaiting regulatory approvals, including that of the Competition Commission of India, which is evaluating if the new combine can have adverse impact on competition in the domestic market.

While Sun has on its rolls about 4,000 medical representatives in the domestic market, Ranbaxy has almost 5,500 medical representatives here. Sun clocked sales of ₹4,087 crore in the domestic market in the year ended March, according to Aiocd Awacs, a market research firm.

"Sun plans to draw up detailed cross-selling plans for each state. For instance, in states where Ranbaxy has a firmer foothold, mainly northern states such as Delhi and the National Capital Region, Punjab, Haryana, Uttarakhand, Uttar Pradesh, Bihar, Sun plans to use its infrastructure to deepen penetration of its own products. Similarly, in states where Sun has a stronger grip such as Tamil Nadu, Karnataka, Andhra Pradesh, West Bengal and Rajasthan, it plans to use its presence to sell Ranbaxy products," said the consultant quoted earlier.

A Sun spokesperson said the company has no comments to offer on the matter. While announcing quarterly results last month, the company's managing director Dilip Shanghvi had said that Sun is intensively planning integration with Ranbaxy.

Industry experts say Sun should look at clubbing its sales divisions for overlapping drugs with that of Ranbaxy's. "Post-acquisition, Sun should merge sales team for common products between the two firms for better efficiencies," said Ranjit Kapadia, senior vice-president, Centrum Broking. While the fresh recruits among Ranbaxy's sales force should be directed to general practitioners, experienced hands from Ranbaxy should be trained better and made to handle specialists, he added.

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In the last four years, while Ranbaxy has lagged behind the average growth in Indian pharma market, Sun has outperformed it.

Between the first and third year of acquisition, Sun Pharma plans to focus on realigning Ranbaxy's sales division and reap benefits flowing from integrating procurement and supply chains. During this period, it also aims to boost efficiencies in key markets, such as India and the US, to deliver $250 million of operational synergies it has promised by the third year.

Within a year of deal closure, Sun hopes to have brought to the US market two of Ranbaxy's pending exclusive marketing opportunities — generic versions of Nexium and Valcyte, which earn its parents — Astra Zeneca and Roche — more than $5 billion in annual US sales. Between the third and fifth year, Sun plans to use Ranbaxy's infrastructure in emerging markets — in many of which it is not present — to launch its own products and partner with Daiichi to make a foray into the Japan market.

Company