

STRESSED EXPORTS

# Ranbaxy turns focus to domestic market

**CEO says the firm has set a sales target of ₹13,000-13,500 crore for the 15-month period ending 31 March 2014**

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**R**anbaxy Laboratories Ltd, after being hauled up frequently by the US drug regulator in recent years, is turning its focus back onto the Indian market, which currently contributes only about 20% of its revenue.

"India, our home market, continues to be a focus for us...and in terms of business performance, we have set ourselves a sales target of ₹130-135 billion (₹13,000-13,500 crore) for the 15-month period ending March 31, 2014," Ranbaxy chief executive and managing director Arun Sawhney said in an email on Tuesday.

Ranbaxy had set a target of ₹12,000 crore for January-December 2013, but is changing its fiscal year to April-March.

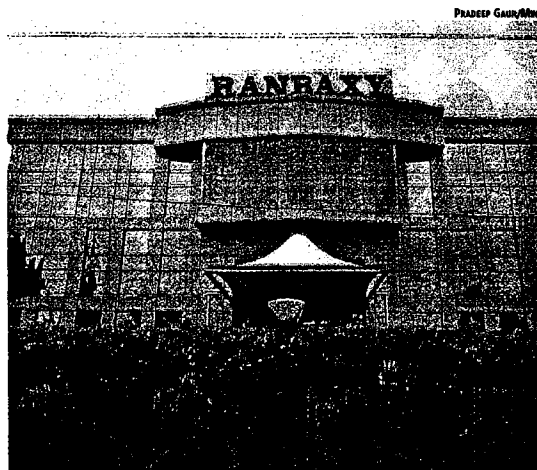
Ranbaxy, majority owned by Japan's Daiichi Sankyo Co. Ltd, has been under pressure in the US since 2008, when the US Food and Drug Administration banned its manufacturing plants in India from exporting to the US.

The US alone contributed more than one-third of Ranbaxy's revenue until then, and the company expects that market to remain under stress for some more years.

In contrast, the ₹77,000-crore Indian drugs and pharmaceuticals market staged a revival at the end of 2013 after a significant drop in growth due to pricing issues and other reasons.

Ranbaxy posted domestic retail sales of ₹3,026 crore for the 10 months to 31 October. Ranbaxy had a 3.9% share of the local market in October.

In April, 2013, Ranbaxy launched an anti-malaria drug,



*Cause of concern: Ranbaxy may face multiple issues in the local market as its main focus for many years was exports.*

Synriam, in India that it plans to take to other emerging markets following its domestic success.

"Since its launch, the new age anti-malarial has cured more than one million patients in India," Sawhney said in the emailed message.

Ranbaxy has sought marketing approval for the anti-malaria medicine in some African countries and expects to launch it in those markets shortly.

Ranbaxy's optimism aside, a pharma sector expert says any immediate spurt in domestic growth will be tough.

"The local market, although expected to continue to grow at the rate of 13-15% a year, is largely a volume-driven business for the drug industry. Hence, companies that depend on the local market for sustaining growth must put in place fresh strategies to significantly expand their reach according to the changing dynamics of the market," said this person, a corporate adviser in the healthcare sector with a foreign consultancy firm. The person didn't want to be named.

Ranbaxy may face multiple issues in the local market as its main focus for many years was exports, this consultant said.

"The company needs to immediately meet the changed dynamics of the market, especially the expanded coverage of price control over its products and a quick penetration into the untapped semi-urban and rural markets to take the volume of business up, besides establishing new products tackling the newly emerged competition."

Ranbaxy, at the same time, is keenly following up the issues in its export markets as well.

The US FDA had in September 2013 banned imports from Ranbaxy's plant in Mohali because of regulatory compliance issues. It was the third Ranbaxy facility in India to face such action from the US regulator.

"We successfully concluded our long-standing matters with the US department of justice surrounding our US business," said Sawhney.

Ranbaxy's US manufacturing plant, which was also in regulatory trouble, in November received an establishment inspection report from the US FDA indicating successful closure of its inspection. "The resumption of supplies of atorvastatin (generic version of cholesterol drug Lipitor) in the US in early part of the

year (2013) was a clear demonstration of our resolve to stand up to the increasing standards of the industry," Sawhney said.

During the December quarter, Ranbaxy also received marketing approval from the US regulator for its blood pressure drug Felodipine. Though the market for the drug is not significant in dollar terms, the development was nevertheless positive for Ranbaxy's US business, Sawhney said. Also, "Absorica, our branded product for recalcitrant acne, outperformed all expectations and notched up market share of around 19% in less than a year from launch," he said in his email.

"We registered growth in our other focus branded markets in Asia, East Europe, CIS (Commonwealth of Independent States) and Africa," he added.

Ranbaxy, which paid a \$500 million fine to the US department of justice at the end of 2012 to settle the criminal charges against the company after the regulatory compliance action at its Indian plants at Poanta Sahib in Himachal Pradesh and Dewas in Madhya Pradesh, is still working on resolving the compliance issues at these plants. These two and the Mohali plant, which are under import alert by the FDA at present, will remain banned from exports to US till the issues get resolved as per a consent decree signed by the company with the FDA in 2011.

"We are certain that the efforts under way in this regard will enable us to emerge stronger in our standards of quality and compliance," Sawhney said.

"The terms and conditions in the consent decree that Ranbaxy has signed with the FDA are quite extensive in terms of contractual obligations as far as the US approval to the factories are concerned. So the import alert will remain effective till all these get resolved to the satisfaction of the FDA and it will take longer time to resume the exports," said a former US FDA official, who has worked as quality compliance consultant to some of the Indian drug makers including Ranbaxy. This official didn't want to be identified due to confidentiality reasons.

The Ranbaxy stock lost 9.88% of its value in 2013 as the US drug regulator's clampdowns and the price erosion in the local market took a toll, while India's benchmark index Sensex gained 8.98% and the BSE healthcare index gained 22.55%.

Company