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**KEVIN ALI/MERCK**

# India is an invest-to-win market for us

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MUMBAI

In October, Merck and Co. Inc., the world's fourth largest drugmaker, announced a restructuring of its global operations to sharpen its commercial and research focus.

Under the new plan, the US firm will focus on diabetes management, cancer therapies, vaccines and critical care businesses segments. The company also plans to cut about 20% of its 81,000 worldwide workforce and sell of some of its real estate assets to improve its performance in the short term and save \$2.5 billion in costs by 2015.

While it has picked up 10 priority markets—the US, Japan, France, Germany, Canada, UK, China, Brazil, Russia and Korea—which account for the majority of the company's revenue, the group will keep investing in newer markets such as India for long-term value creation, according to Merck's emerging markets president Kevin Ali, who heads a business region that includes some 116 countries.

India will make a bigger contribution as it is going to be an innovation factory for the US multinational (also known as MSD Pharma outside the US and Canada). Ali said in an interview during his visit to India earlier this month.

Edited excerpts.

**As the head of emerging markets, including India, how do you look at the new global strategy for these markets? What transpired in the India business review meeting?**

By next year, emerging markets will contribute a quarter of Merck's global sales. So you see the importance of these markets not only by scale but also in the context of the significance to the company. Emerging markets, in

general, and India, in particular, are critical for the company to succeed for a variety of reasons.

India is like an innovation factory for the global business as some of the practices that come out such as SPANISH, the education programme for diabetes patients and doctors, which is being implemented in rest of Asia, and the calls are on to implement it in Latin America, Eastern Europe and Africa. We may also start something like that in the US.

So India is an innovative country and we need to tap into that market. We have used some of the local talents for our global decision making.

The second factor is growth. The local unit, MSD India, is growing robustly at double digits. Where there is growth and where there is opportunity it will not only do good for the patients, but also good for the shareholders. Hence, we are ready to invest (here). That is why India is among what we call "invest-to-win" countries. We must continue to invest in India and we must win in India.

From that perspective, we need to be more efficient everywhere, including India, and that's the change in strategy.

**What do you mean by increasing efficiency?**

Instead of increasing the headcount on our own, we have been creating local partnerships such as the product development and manufacturing joint venture with Sun Pharmaceutical Ltd. Also, we have product promotion partnerships for the local market for our new diabetes products—Januvia and Janumet.

Similarly, we have a tie-up with Lupin Ltd for the vaccine



Partnership route To increase efficiency, Ali says, Merck has been creating local tie-ups such as the joint venture with Sun Pharma, instead of increasing its own headcount.

business. So, by having more partnerships like that, we are becoming more efficient. It helps to reach a broader market.

**How is India different from the other emerging markets?**  
It is an important market in our domain. Of the 116 countries reporting to me, we prioritize in terms of our return on investment for a variety of reasons—not only financial but the greater good we can provide for patients.

We are looking for countries which are important in terms of size and growth. Mexico is an important country for us. It is very sizeable but is not growing fast and robustly.

The issue in India is that we were playing catch-up to the game. It doesn't have the size yet but it is clearly growing. Now that India as a market (is set) to be among the top 10 pharmaceutical markets in the world by

2017, we hope that the local partnership like that, we are becoming more efficient. It helps to reach a broader market.

**Are you looking for more partnerships?**  
We are always looking for more partnerships. Either existing or new. We are looking for more responsibility with them or looking for new partners in other areas of business. We go by the strength of the partners and for us partnerships are the way to grow. Innovative programmes in a large country like India is another way to make impacts in the market. For example, we have launched an Internet portal which is a disease management that irrespective of whether we are in that segment or not, it is purely for continued medical education of doctors and physicians who can customize it to their requirement.

We have also started an antimicrobial stewardship programme in the country. It helps physicians identify the bacterial resistance levels at the hospital environment and prescribe medication to patients accordingly. It is a serious issue as some countries, such as Russia, have 50-60% resistance level and the same problem exists here in India.

**MSD India is not very strong in the oncology market. What's your strategy for the segment?**  
It is one of the areas we have prioritized for the future. There is so much unmet need there. We have a very healthy pipeline of products which we think are going to be very innovative and unique. India, too, is an important part of this unique opportunity.

**Most of your new generation products will be under patent protection, but the product pricing should**

vary according to market situation, is Merck open to that kind of a strategy?

We follow responsible pricing. Look at Januvia and Janumet (two of Merck's new patented diabetes drugs launched in India), the price at which we offer Sitagliptin (the key molecule of these drugs) in India is what I consider responsible pricing so that maximum number of patients can benefit from this innovation. It is probably the most responsibly priced in the world that we have today.

**A meeting last Oct. when you were one of the key announcements made by Merck in the October statement. Any impact in India?**

The current chief executive officer has a clear target as far as creating efficiencies in the business, and he is pursuing that as part of a more sharpened focus in terms of commercial as well as research point of view. He wants the company to be more efficient and focus on aspects which are our core.

I am not privy to the details of the so-called austerity measures. But this will be done over a period of the next couple of years till 2015. I don't think India would have any direct impact of this and rather it will become a more focused market among the emerging geographies.

**When do we see products rolling out from the joint ventures with Sun Pharma?**

We have made a few product submissions in the emerging markets in the world and are waiting for more outcomes. Some of the products will be rolled out soon from this joint venture. I cannot divulge more details at this point. This is one of the most successful partnerships that Merck has signed in the recent past, in terms of the strength of the partners and the progress thereafter. We will look forward to more such partnerships in India where the local partner has the larger capabilities in that particular area to win the market in terms of patient access and also in the business context.

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Industry