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INTERVIEW: ADITI KARE PANANDIKAR

MANAGING DIRECTOR, INDOCO REMEDIES

We will reach ₹1,000-crore sales in a year-and-a-half

Sixty-seven-year-old Indoco Remedies re-invented itself almost a decade ago to take advantage of a pharmaceutical market on the cusp of massive growth. It reaped the benefits soon, with revenues jumping from ₹243.43 crore in FY06 to nearly ₹630.8 crore in FY13. Managing director Aditi Kare Panandikar *took charge of the ₹1,279-crore Mumbai-based company about four years ago, having spent 21 years in its various departments. In an interview with* **Pallavi Ail**, *she discussed the impact of the amended National List of Essential Medicines (NLEM), the USFDA's action against Indian firms and Indoco's future plans. Excerpts*

Indoco Remedies caught investors' attention in FY14, with the stock jumping 131%. What caused this surge?

We have been growing consistently, whether it's the strategy we adopted in the US — to go with niches or difficult-to-do formulations — or our emerging markets strategy. We were always under-leveraged in the market. People didn't know much about us, partly because we aren't the type of company that goes out and says too much. We have seen a period of high investments in the last 3-4 years and probably everyone can see it is time to get returns.

How did the amended NLEM impact your revenues?

It was not very significant — about 1% of our domestic sales. Naturally, on a recurrent basis, you will see some impact. For Indoco, the largest brand that came under NLEM was an azithromycin product, but we observed that volumes actually more than multiplied. So, we saw 20-25% growth in units. It still does not make up for the value degrowth, but I have enough confidence that we will be able to gain what we have lost in terms of topline.

Traditionally, we have never had more than 11-13% of products under NLEM. With the latest amendment, it might have expanded a couple of percentage points. We are not overdependent on a single brand — 80% of our domestic revenues come from top 20 brands.

Long ago we had a cefadroxil brand. The year it came under DPCO, sales were adversely impacted as it was the second-largest brand. Since then, there has been a definite strategic thought — as we build brands, we will not put all our eggs in one basket.

What are your plans for the sales mix?

As much as 65% of our sales come from the Indian market. The US, the largest market in the world, comprises only 5% of our topline. When approvals come and sales rise, naturally contributions will go up.

The contribution of the international business is slated to go up gradually. We expect that at the ₹1,000-crore mark, we will have 55% from domestic and 45% from international businesses. We expect to touch that mark in a year-and-a-half.

We have always concentrated on complex products. We were never going after big blockbusters as there is so much risk related to getting the timing right. If you get there in time, it is a big plus; if you miss the boat, it's a huge loss. That never works for a company of our size, so we have always gone with the difficult-to-do formulations, where even if we don't get the timing right, we have not lost too much of an opportunity. We have always tried to play with products/segments/ molecules where competition is naturally low.

So, the US will do its own part, but the size accumulation coming from that market will not be the kind that people expect. When I say 45% will come from the international business, probably 30% of that will still be from Europe.

Currently, 90% of our products are acute therapies and 10% are chronic, but there are plans to shift focus to chronic. It's not as easy as planning on paper, but the intent is there. We are looking at at least 20% from chronic in the next couple of years. Over the last couple of years, all new marketing divisions added have been in either chronic or lifestyle. For me , any prescription that runs more than 3 months is typically like chronic.

What are your views on the increased USFDA scrutiny? How has your experience been with the regulator?

Our experience with the USFDA has been pretty good. We have had six inspections in FY14 — three for the sterile unit , two approvals and the third re-approval is pending. We have one on the solid oral plant, one on our research centre and two on API units. So it has been pretty comfortable 2-3 have been with zero Form 483s as well.

Things that have happened in the last one year have not been just for Indian companies, but for all manufacturing sites outside of the US — the USFDA has decided to up its quality benchmark.

We have seen a change in FDA's orientation over the years. Our first inspection happened in 2005, so, over the past eight years, we have gradually seen a shift. Earlier, it was only plant or facility audits but, eventually, we have also seen them focus on product development report, which is the data that go into ANDA filing.

How do you see consolidation in Indian pharma in the aftermath of the Sun-Ranbaxy deal? Do you have any M&A plans?

This has been anticipated by the industry for quite some time. We have been so fragmented, there have been regulatory and technical hurdles, the market itself has not been looking attractive all of this means the industry will consolidate going ahead. So, the consolidation we are seeing at various levels was expected. The Sun-Ranbaxy deal was consolidation at the highest level.

We have been looking to acquire for a long time. We have not found anything that fits our search. We are inclined towards acquiring brands, but we are not averse to organisations either. But it's difficult to find small Indian companies where business is meaningful.

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