

'Lupin Will Have Two Cos Within One in the Future'

ET Q&A

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A year after taking charge as Managing Director of Mumbai-based Lupin, India's fourth-largest drug company, Nilesht Gupta tells Soma Das of ET why he cannot imagine himself as a second-generation entrepreneur, what bothers him about the pricing policy and what he sees beyond generics. Edited excerpts:

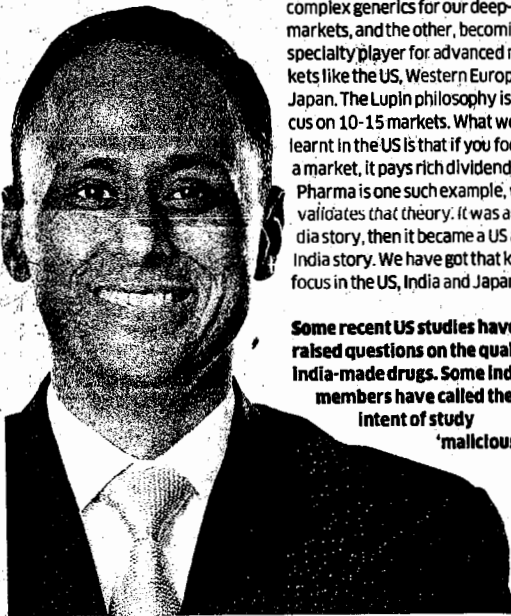
Some of the top domestic pharma firms are witnessing a leadership transition to second-generation entrepreneurs, including Lupin. How do you think they are positioned to take the Indian pharma story forward?
I can't think of myself as a second-generation entrepreneur. The lines

have blurred beautifully in Lupin. Both Vinita (sister and CEO) and I have been involved in decision-making for the last 20 years, working our way through the ranks as equals among other professionals, having to carve out our own areas of capabilities and expertise. It never felt that DBG (Desh Bandhu Gupta, father and founder-chairman) or KKS (Kamal K Sharma, vice-chairman) were trying to direct us to do something. It has been collective decision-making at Lupin for a very long time.

What will it be for Lupin beyond generics?

The next leap is to become a specialty player. For Lupin, I see a few years down the line two companies existing within the same company. One, a global generic powerhouse making complex generics for our deep-focus markets, and the other, becoming a specialty player for advanced markets like the US, Western Europe and Japan. The Lupin philosophy is to focus on 10-15 markets. What we have learnt in the US is that if you focus on a market, it pays rich dividends. Sun Pharma is one such example, which validates that theory. It was an India story, then it became a US and India story. We have got that kind of focus in the US, India and Japan.

Some recent US studies have raised questions on the quality of India-made drugs. Some industry members have called the intent of study 'malicious.'



ON RECENT US STUDIES

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It is very frustrating. At the end of the day, it is the company which decides the quality of its product, the systems it has or doesn't. In these studies, one doesn't know where the samples are being picked from exactly. There is no transparency, no independent evaluation that follows. If a company has a quality issue, it should be taken to task, but to paint an entire country with the same brush, that is frustrating. And you see waves of this coming periodically. I think the US FDA has been very independent in its assessment and that is what matters.

Are the recent drug price-cuts in India a matter of concern to you?

No one likes price control but we can live with it. What is not appreciated is the ad-hocism around it. Suddenly you add a bunch of products into the list of products already announced. It ends up creating confusion more than anything else. That is the reason the industry is up in arms and all companies and industry bodies are united on that issue.

We have seen the domestic M&A scene heating up. Has the wave of

consolidation begun in this fragmented market? Is Lupin on the lookout in India?

Mid-sized companies are making good money and are not in a hurry to sell out and size does matter in India. Most of what is up for sale here are troubled assets or those with ownership issues. We have avoided those. But we are on the lookout for opportunities. In other geographies, these processes are very systematic. For instance, you begin with a set of targets, you bring it down to a few and zero down on the target. In India, that exercise is very difficult. For instance, an Elder Pharma was discussed by many companies, but a Ranbaxy or a Piramal was not. So that kind of deal flow is just not there in India. It may be there a bit around brands, but not so much around entire companies where you can go deal-shopping.

Also, Lupin has stuck to smaller-sized deals. Would that change?

The optimum size of the target keeps changing as we grow and depends on many other factors. The really big deals are the make-or-break kinds and studies have shown that many of the biggest of deals have traditionally performed the worst. We have found the smaller deals more sensible till now. The bigger deals will come only in the markets we understand the best, like the US, India or Japan. In other geographies, it could be a series of acquisitions but likely to remain relatively small. In terms of geographies, it could be Brazil, Turkey, China, Russia. In specialties, it could be brands in the US, brands and companies in Western Europe.

ON DRUG PRICE-CUTS IN INDIA

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