

SEVEN ALLIANCE AGENTS

Ready to talk to govt on responsible pricing

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The world's second largest drug maker by sales, Merck and Co. Inc., in May announced a key joint venture with India's Sun Pharmaceutical Industries Ltd to strengthen its emerging markets focus, an area top global drug makers are looking to fortify.

Merck wants at least one-fourth of its current sales of \$46 billion (around ₹2 trillion) to come from emerging markets—India, Brazil, Russia and other Asian countries—in the next two years. Kevin Ali is spearheading this strategy, which involves expanding Merck's reach with a much wider basket of generic drugs as president, emerging markets. He spoke in an interview about the joint venture with Sun Pharma and other plans for India. Edited excerpts:

Merck was late to identify the importance of emerging markets.

Yes, I think you are right. If we had to do it over again, I am sure my current CEO would have said we should have done it 10 years ago, as we are usually a very early mover. We moved early on new therapeutic areas, on different commercial practices, etc. In fact, we have one of the best product pipelines in the industry this way. We should have moved earlier on the emerging markets as well. But sometimes, I can tell you, it's good to be last to the party also, because you see exactly what mistakes have been made, and you can facilitate and accelerate growth in a way that is in line with the company's vision. Just because we are late, it doesn't mean that we are not going to be smart and successful.

Your global sales for 2010 were \$46 billion and your current target is to get one-fourth of this to come from emerging markets by 2013. What are the strategies in place?

We've about 18% of the revenue coming from the emerging markets at present. In fact, we are already in the top slot in some of these markets. For example, in Mexico we are No. 1, and fourth or fifth in some others, such as Korea...each of them needs a different approach. So, our overall philosophy to achieve this aspiring goal is to follow a purely local strategy in these markets with



Road ahead: Ali says Merck has a long way to go in India as it entered the market very late.

INTERVIEW

a single global vision.

But in India, we have a long way to go as we were very late to the party, and it's a very different market with a very strong and sophisticated local generics industry. We are focused on this important market and have a strategy in place already. If you look at four-five years ago, we were not even present in this market, though MSD (Merck is known as MSD Pharmaceuticals outside the US and Canada) is currently ranked sixth among drug MNCs (multinational companies) in India. My Indian team has done a wonderful job to grow in the market in a short span. But things may not be easy as it's a place of contrasts and this single market is a classic example of a mix—all the fabrics that I deal with, other individual markets that I was talking about. The nature of patient approaches, economic conditions and payment and reimbursement structures are different in each market here. Still, our every intention is to grow big in India with a long-term vision. It is a very big market with high potential and our strategy is to make the right moves that are good for the people of Merck and the patients of India. We do appreciate

many regulatory steps, including intellectual property rights, that the government has already initiated in this market.

Will there be more partnerships to pursue emerging markets growth?

Yes, you will hear more partnerships coming up in other geographies such as China, Brazil, Russia, etc. Each of these markets offers different opportunities, and the focus area and nature of alliances may also vary...

Sun Pharma was a conservative company which never had such a partnership in the past. How do you look at this?

We knew Sun Pharma was very conservative in its business approach, but (at) the same time we appreciate that it grew on its own, and it has already grown as a global company today. It is already a large player in the branded generic segment with a very big portfolio of products that exists in not only India but many other markets, and it is also one of the best companies that is strongly focused in the incremental innovation that is the key component of the success in most of the developing and emerging markets. The research and innovation that the company is focusing (on) now is cutting-edge. So the partnership is going to be a very important part of the new focus.

This Indian partnership is also quite innovative as both the companies wanted to explore the synergy. It's the first international partnership that Sun Pharma has ever entered, and since the strategies match each other in terms of innovation and market focus, it should work successfully in the long term.

In May, Merck said the business of the joint venture will start in the next two-three years as it launches products from the new innovative product pipeline. Why aren't you selling Sun's currently available generic products?

We may pick up products from Sun's existing portfolio as well. But the board of the joint venture primarily expects the new innovative products, that's mainly the formulations that are designed for innovative therapies, which is required in many of the emerging markets for addressing persisting health issues, patient compliance, etc. So the current decision is to tap that particular market...

What is going to be the name, equity and investment structure in the MSD-Sun joint venture?

The board of the joint venture company is going to have its first meeting in the coming months, and there is going to be more clarity on these aspects. But we are preparing for the important components of the joint venture, the projects that we wanted to pursue in each of the markets, etc. We have been talking with Sun Pharma on all these perspectives for some time now and wanted to have the formal agreement first and so the early announcement (was made).

Will there be more product-specific alliances, similar to the diabetic drug marketing alliance with Sun Pharma, for the Indian market?

Yes, that's one of the ongoing opportunities that we will keep looking at within the partnership, and there would be more such arrangements coming up. Merck is also open to pick up other opportunities in the local markets...

Affordable pricing is an important issue in the emerging markets. How are you going to address it?

We have in many of these markets addressed this issue by introducing responsible pricing for our important drugs. We are still ready to talk to the local governments to implement this strategy for many more products. Responsible pricing deals with not only the prices of individual drugs, but providing a comprehensive therapy to patients that will ensure a most effective approach towards treatments involving all stakeholders to address important health issues. This is implemented typically through extensive research on disease profile, economic conditions and other key factors in the country.