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Lupin's brand play

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It's the only Indian drug firm to have 3 brands in the US. The fourth is due for a July launch. Lupin, India's fifth largest pharma company, has a 160-member sales force in the US to promote its branded products in that country. The number, which has gone up over three-fold in the last one year, may not be big for the world's largest drug market, but it's a significant move.

Lupin was the first Indian drug company to put up a sales force to promote its brands in the US. Companies generally shied away from this, for one simple reason: hiring a sales team in the US is expensive and competition is severe. Till very recently, none of Lupin's competitors had the products to justify the increased cost.

The Desh Bandhu Gupta – promoted Lupin, however, has three branded products in the US and the fourth is expected to be launched in July – something no other company has been able to do. The impact of the three-fold increase in sales force has been almost immediate, with the US brands business growing 78 per cent during the third quarter and 63 per cent during the fourth quarter of FY 2009-10. The brands business grew by over 72 per cent on an annualised basis for FY 2009-10. The branded business contributes about 40 per cent of its US revenue estimated at \$400 million, the balance 60 per cent coming from generics. Suprax, an antibiotic that it acquired from Wyeth and launched its US business with, has today become an over \$80 million (gross sales) brand within four years and one of its most profitable ones.

Lupin MD Kamal K Sharma says since Suprax was coming back to the market after two years (the company had in-licensed the brand name from Fujisawa), doctors had switched to prescribing other brands. So it was challenging to re-establish the brand.

Incidentally, the Rs 4,767 crore company is the largest Indian generic player in the US — a far cry from the days when the company was known for only one major product group – anti TB drugs – and the domestic market accounted for over 60 percent of total sales.

Seven years later, 70 per cent of the company's revenues come from the overseas market. Sharma says the sales force in the US has been doing an excellent job in tune with the company's policy of focusing on niche areas and keep investments low.

The branded portfolio enables the company to mitigate volatility in earnings. To optimise this, the company needed a basket of products. That explains its decision to buy more brands – AeroChamber plus (an asthma device) that it inlicensed from Forest Labs; Antara (a cholesterol lowering drug) from Oscient and finally, Allernaze (a nasal spray) from Collegium Pharmaceutical.

At the time Sharma took over (in 2003 in his second stint), Lupin was overshadowed by the other biggies such as Ranbaxy, Cipla, Dr Reddy's and Sun Pharmaceuticals as it was still a domestic market-facing company. Being a late entrant to the US market meant the company could not depend only on price and generic positioning alone. That led to the differentiation strategy and the focus on brands and niche products.

Infact, Lupin launched its foray into the US market with its brand business unlike most of its Indian peers who till this day continue to be generic players in the market.

It was a gamble as the company was pitted against the best marketing brains in the business, but something that has paid off. Sharma says the company also took a leaf out of the books of fast moving consumer goods companies on brand extensions. "Look at what Marico has done with Parachute – you even have a Parachute Champi. The lesson is that if you want to hold on to your position that much longer, you have to know how to extend the life of your brands," he says. Lupin has done such brand extensions for several of its brands in the US.

Sharma says none of Lupin's acquisitions were of the big-bang variety, but carefully planned niche acquisitions.

INDIAN PHARMA PLAY IN THE US

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LUPIN

Placing more emphasis on branded products by acquiring niche companies

While its competitors such as Ranbaxy, Dr Reddy's and Sun Pharma took the large acquisition route to grow and landed in trouble, Lupin took the string of pearls route to make small, niche acquisitions (five acquisitions in two years) and branded products which bring in higher margins.

For example, Antara was bought for just \$39 million after its owners filed for bankruptcy. Same was the case with the others too.

The same patience also meant that Lupin is the only Indian pharma company with a substantial presence in Japan (around 12 per cent of its revenue comes from Japan). It worked for three years with Kyowa Pharma to market finished formulations. A few years later, when the family-run company was put up for sale, Lupin was a natural choice. In the two years since the takeover, Kyowa Pharma has gone from \$70 million in sales to \$120 million.

Sharma says Lupin already has over 125 products in the pipeline and has the capability to launch 8-10 new products every year on an average. On the radar is its impending entry into the niche and lucrative oral contraceptives market in the US and the company is also scouting for niche brands in the Latin American market.

The branded play has never been bigger by an Indian pharma company.