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"We focus on producing high-value products"

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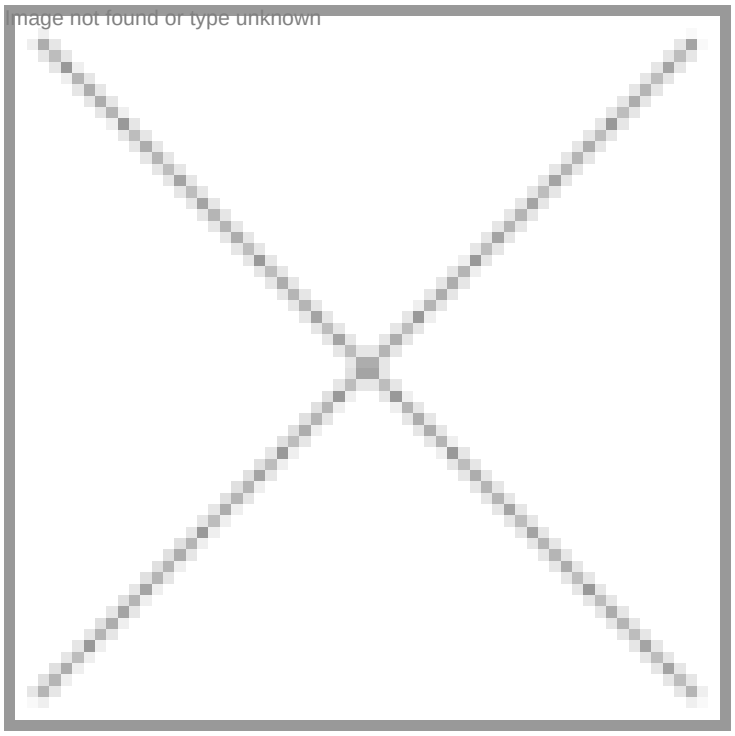

"We focus on producing high-value products"

Dholka is a small village about 50 km from Ahmedabad. This dusty village is a base for one of the new emerging biotech companies, Concord Biotech Ltd, that is producing amidase enzyme, statins and immunosuppressants. For the last six years, it is believed to be the largest producer of amidase enzyme by capturing 80 percent market share. It also claims to be the only company to produce all the immunosuppressants in the world. The man who made all this possible is Sudhir Vaid, a hardcore biotechnologist, who believes in the future of biotechnology.

The story behind the acquisition of Concord Biotech by Sudhir Vaid from DSM, a Dutch multinational company, is quite interesting. Vaid learnt about DSM having 27 acres of land near Ahmedabad and also the fact that DSM was using only 1.5 acres of the land. Acting quickly, he funded the acquisition of DSM, which was lying idle and had a very clean balance sheet, through his savings. The entire property was purchased at over Rs 3 crore. The finance person and the maintenance man who were earlier part of the DSM team joined him. He drove down with two young chemists from Delhi to Dholka in a Maruti 800 to start the operations in 2000.

In about three months, he started the production of amidase enzyme at the facility, for which he used equipment bought from DSM at one-tenth of the cost from their other facility where it used to produce pencilin G. He has transformed this chemical facility into a biotechnology facility by producing immobilized enzyme through recombinant strain and named it Concord Biotech Ltd. It is now the largest producer of this enzyme with production touching 11 tons.

In 2004, the commercial production of Lovastatin was started. Alongside, the company started development of immunosuppressants. In May 2005, Concord Biotech became the youngest company to get the USFDA approval in India.

Every year Concord has been adding on two new manufacturing blocks. At present it has seven dedicated blocks for enzymes, statins, and immunisuppressants covering a built-up area of 12-13 acres. Then it started producing Tacrolimus, Mycophenolate Mofetil, and Mycophenolate Sodium. Later on, it has added Pravastatin and Sirolimus. It is now going to start production of Vancomycin HCl. It has dedicated plants for all these different products and has been supplying all these products to the US and most of the other regulated markets.

With the growth of the organization, there has been an increase in manpower too. In a period of five years, the number of employees has risen from three in 2000 to 320 in 2006. However, in December 2005, Hyderabad-based Matrix Labs, now Mylan (also a customer of Concord), acquired 55 percent equity in Concord. As per the agreement with Matrix, Sudhir Vaid is the managing director for a period of five years and he still has four more years to go. During this period, he plans to make Concord a leading global R&D-based biotechnology company and is confident of realizing his dream faster.

In an exclusive interview to BioSpectrum, Sudhir Vaid spells out his company's plans for the future.

What was the driving force for Concord to move from amidase enzyme to statins and immunosuppressants?

Initially we focused on the production of amidase enzyme and became the largest producer of enzymes. We now enjoy 80 percent of the market share. In 2003, we decided to diversify into statins and immunosuppressants. Since the beginning, my target was to look at a niche and focused markets for high-value low-volume products.

Why did you sell your equity stake to Matrix Labs?

When I got finances from UTI, our competitors went for IPO. And were growing very fast. In order to grow faster, I had to look at other alternatives. I got one private equity stakeholder and he is also our USFDA agent. Impressed with the facility, he invested about 8-10 percent in the company in 2004 end. Rakesh Junjhunwala, a Mumbai-based investor and stockbroker, showed interest in the company and invested about 15 percent. They valued the company at Rs 30 crore in 2004. However, I felt I should grow faster. And that is how Matrix Labs came into the picture. It valued Concord at around Rs 105 crore in 2005 when our sales were Rs 18 crore. I personally feel that the company might be currently valued at Rs 500 crore at present as our sales are about Rs 45 crore.

At present I hold around 33 percent stake, Matrix holds 52 percent and Rakesh Junjhunwala and the rest (includes Glopac, a Canadian company and Concord employees) hold about 15 percent. Earlier Rakesh Junjhunwala and Glopac diluted their stakes when Matrix Labs, now Mylan, acquired stakes in Concord in December 2005.

How are you coping with pricing pressures in the statins market?

We are present mostly in the regulated market, produce high quality products and are very competitive. We are the people who have given the technologies to most of the companies like Teva, Lupin, Krebs, and Biocon. We know how to compete in the market. Our technologies are much superior. Our team has been continuously working on strain improvements. It's a continuous and ongoing process.

For instance, in enzymes, China has been selling at $190â€“200 per kg while Concord Biotech has been selling in China at $120 per kg. We know how to give a tough fight to China. We are exporting to China and I feel we can do much better than China.

Even in India, statins used to be sold at Rs 1 lakh per kg. When we entered the market, we sold it at Rs 20,000 a kg and people didn't digest this. At that time Fermenta was the only company. They waited for a year. But by that time, we had captured the entire market. When it brought down the price to Rs 20,000, we reduced it to Rs 10,000 per kg. Again it took six months for them to bring down the prices. They came down to Rs 6,000 and we reduced it to Rs 7,000 a kg. And now we have been selling at Rs 6,000 per kg. So we have brought down the price from Rs l lakh to Rs 6,000. This competition helped the bÃªtalactamine industry as well. It was almost a revolution.

What are your current revenues?

The revenues are expected to touch around Rs 45 crore for the year ending March 2007. We are now looking at a target of

Rs 100 crore for the next year as we will be commissioning a Vancomycin plant from this March.

Immunosuppressants and statins contribute a major chunk of our revenues. And of course now antibiotics will be there. About 40 percent of our revenues come from exports. The sales in the unregulated market are quite low. So we mostly cater to the space that is interested in the regulated market.

How strong is your R&D activity?

There are about 20 personnel working in our biotech R&D division and 10 in the chemical synthesis division. After fermentation, we need to do chemical synthesis. And there's a separate lab for that.

The team at Concord is working hard in developing non-infringing processes for the existing and new products and till date Concord has filed eight process patents and many more are in the pipeline.

We are now working on how to go about getting into the recombinant products or biosimilars segment. And our aim is to enter biosimilars. We are not looking at the EPO, insulin, GCSF and likewise biosimilars as that is already a crowded segment. We want to go into a better market. If you look at our products under development, we have Taicoplanin (anti bacterial), Caspofungin (anti fungal), Everolimus and Pimecrolimus (immunosuppressants), Eplerenone-corticosteriod (cardiac arrest) and Drosperinone-corticosteriod (contraceptive). We plan to enter the niche markets only. We have already identified some of the markets.

We believe in producing high-value, low-volume products. To survive in this competitive market, one should be on the toes and need to commercialize new molecules faster than the competitors.

How do you look at the domestic market for immunosuppressants and statins?

It is good market for immunosuppressants. There are only two major players. However, there are many players in the statin space and this has really killed the market. The prices have come down drastically. So it is difficult to compete in the local market following the USFDA guidelines. People who are not following the USFDA guidelines can do what they want.

The quantity will increase and the prices will further go down. A lot of the developments are going on in the technologies, like for example enzymatic conversations are going to come in. So the pressure will be on the higher side. Those having the fermentation facility and adapting to the technologies, are going to be the winners. As of now everyone is into chemical synthesis. When it comes to fermentation, you need to have the facility. So biotechnology is the future.

However, there is confusion in the market. Some people feel that if you want to make Simvastatin, you need to have Lovastatin of DMF grade material, if you want to sell in the US. A few others feel you can go with non-DMF grade Lovastatin and sell in the US. But I feel one needs to have critical raw material required to have a DMF grade. But there is no clarity on this.

Narayan Kulkarni