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"We will be in top five, globally by 2012"

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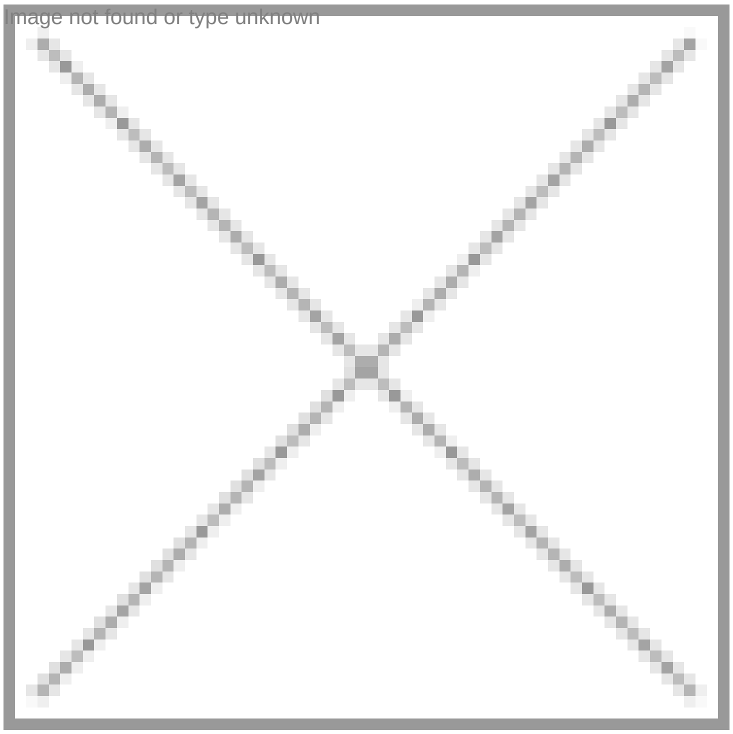

"We will be in top five, globally by 2012"

-Malvinder Mohan Singh, CEO, Ranbaxy

Led by its young CEO Malvinder Mohan Singh, Ranbaxy is in step with the changes globalization is bringing about. A blockbuster year 2006 with $1.3 billion in revenues, with international business contributing around 80 percent of the revenues, manufacturing operations in nine countries and ground operations in 49 countries have positioned the company to take advantage of the opportunities that are abound. However, ahead are challenges that involve surviving and flourishing in the highly competitive generics market. To retain the leadership, the company needs to make drug discovery and drug delivery platforms a part of the expansion agenda. All that and much more is happening at Ranbaxy, confirms CEO Malvinder Mohan Singh, in an exclusive interview with BioSpectrum. Some excerpts:

What is Ranbaxy aiming at in the year 2007?

With blockbuster drugs worth more than $76 billion going off patent in the next few years, the opportunity is huge. As a consequence, a large number of products will enter the market intensifying competition. The dynamics of increased life expectancy, especially in the developed countries, is further expanding the market size. Also, the governments in most markets currently have a huge healthcare deficit, which they are trying to address by restructuring healthcare expenditure, policies and infrastructure. This also adds to the market size expansion. The market for generics is very large and will continue to grow over the next 10 years.

In the next few years, in the generics space, you will see consolidation on the global basis. Ranbaxy is well positioned to take advantage of this opportunity. We continue to strengthen ourselves, continuously looking at acquisitions. We will be expanding both organically and inorganically. In 2006, we closed a total of eight acquisitions across geographies including the US, Europe, Africa and India. The net profit grew by 97 percent. In 2007, we are looking ahead at having another great year.

What is the company's acquisition strategy like?

We work on a very well defined financial framework. For an acquisition we aim at a matrix of a good strategic fit plus the economic value the acquisition brings. No matter how good the strategic fit, it is very important for us to get a good economic value from an acquisition. We are very conscious of the fact that every acquisition is good at a certain price and becomes unviable beyond it. In 2006, we did eight good deals. Each one is in line with the objective we set out with. Today there is a greater balance between the developed markets and the emerging markets. The Terapia acquisition in Romania has given us more than a foothold in the European markets. We are investing another $20 million in Terapia Ranbaxy. A major portion of the investment will be used for boosting manufacturing and R&D capabilities in Romania. This is our strategic hub from where we will serve European and Commonwealth of Independent States countries.

> The story of Ranbaxy is that of a very old company keeping pace with times. Today, it is the only Asian MNC to be counted in the top 10 generics players, globally. The company was the first Indian company to have an ambition to become a global company - long before "India Inc" came into existence. However, to get any further or even to retain its leadership position, investments in R&D is a must. CEO, Malvinder Mohan Singh is well aware that R&D will be the key driver for the company in the future. Today, Ranbaxy has in place a total of three modern state-of-the-art multidisciplinary research facilities in its Gurgaon campus. While the two centers focus on the development of generics and novel drug delivery systems research, the third one is focused on the new drug discovery research.

In addition to our strong organic growth, we will continue on the acquisition route to acquire capabilities that will help us reach our target of becoming a $5 billion company by 2012. To get there, we need to maintain a growth rate of 20 percent plus and we are on course as per plan.

In an evolving market, to survive and flourish you need to keep pace with it and Ranbaxy is very much there. Today, we are there in top 10, globally. By 2012 we will be in top five, globally.

How is your product strategy attuned to take you in top five, globally?

Today, we are in a position to leverage vertical integration. Our products are available in 125 countries and we have ground presence in 49 countries. Ten years from today, Ranbaxy as a company will continue to be a strong leader in the generics space but at the same time we will also be leveraging IP that we have created by commercializing it. We are working at optimizing growth, keeping short and medium term priorities in view. We have already created a strong infrastructure boosting our manufacturing and R&D capabilities. Every year we are investing $100 million in R&D.

Today, more money is going in generics than true innovation but we are working on it.

The ratio of generics to true innovation investment will balance out over time. Our product strategy revolves around this.

We already have a large product portfolio and we continue to expand it. We are working towards maximizing the product flow to optimize the infrastructure that we have built. We have a series of alliances through which we partner with the technical skill set needed for the purpose. We have a large number of products in various therapeutic areas, in various development stages in our product pipeline.

We have high expectations from our product pipeline. Also, the financial returns from the Atovastatin launch in the US, scheduled for 2010, will help us take Ranbaxy to another level of growth.

How will the generics market evolve by 2012?

Drastically. Given the kind of consolidation that is happening in the space, the companies that will move up the value chain by acquiring the required competencies will emerge as leaders. In the market, currently there is expansion wherein the market has become much bigger and continues to grow yet at the same time there is consolidation as well. A number of stronger players will emerge from where we are today. There could be a number of surprises in the making.

Nandita Singh