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Indian pharma in midst of corporate transformation

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Surging growth and global operations ensure they can't be family-run any longer.

Leading Indian drug companies such as Dr Reddy's Laboratories, Sun Pharma, Glenmark and Lupin are now in a transformation mode, from traditional family-run businesses to corporations run by high-profile professionals.

If most of the top 10 Indian drug companies were less than Rs 500-crore turnover ones a decade earlier and were focused only on domestic business, now they are companies with annual businesses ranging from Rs 2,000-Rs 6,000 crore and with operations spanning 60-100 countries and employing 3,000-5,000 people.

Sun Pharma, now an over Rs 4,000-crore company and India's largest drug manufacturer in terms of market capitalisation, will soon have a new chief executive officer, S Kalyanasundaram, former managing director of GlaxoSmithKline Pharmaceuticals (GSK India) and GSK's Asia Pacific director. The 26-year-old company was so far headed by Dilip Shanghvi, chairman and managing director, and his brother-in-law, Sudhir Valia, whole-time director.

Last week, Dr Reddy's Laboratories, the largest Indian drug maker, brought in Sanjeev Verma, a former Moser Baer, Max New York Life and Dell executive as the new head for corporate communications and branding.

The Rs 7,000-crore company, which re-organised its entire drug research and generics business focus last year, had then appointed former Eicher and PepsiCo executive, Umang Vohra, as chief financial officer (CFO) and elevated Saumen Chakraborty, former CFO and HR head as president-corporate and global generics operations.

"Given our global growth aspirations, we have been very committed to recruiting and developing top-class talent. While the industry itself has some very impressive possibilities, we have been very open at looking at high calibre talent from beyond. It gives us outside-in learning and very fresh perspectives," said Prabir Jha, global chief of human resources at Dr Reddy's Laboratories.

The way of running businesses as a Rs 500-1,000-crore company and that of a Rs 5,000-crore company are different. It requires different management skill sets and guidance, noted Ajit Mahadevan, partner - health sciences practice, Ernst & Young.

"Survival for Indian generic companies in future requires collaborations with big pharma and the experience of professionals like Kalyanasundaram will be necessary, than banking on individual excellence and the promoter's abilities, passion and dedication," he said.

Take Glenmark Pharmaceuticals, led by its managing director and chief executive officer, Glen Saldanha. The company is in search of a new chief operating officer (COO), sources said.

Glen, a Eli Lilly and PricewaterhouseCoopers (PwC) executive before inheriting his family business in 1999, had in April 2008 separated Glenmark's active ingredients and generics business into a separate company, Glenmark Generics. Now that company is fully managed by chief executive Terrance J Coughlin and Jalaj Sharma, director and president, operations. Glen remains only as its chairman. A Rs 80-crore company in 1999, now Glenmark boasts of over Rs 2, 300 crore in revenues after a decade with operations in 80 countries.

Industry sources also said Ahmedabad-based Cadila Pharmaceuticals is also planning to appoint a CEO, with strong background in biological drug development, as the company is planning to develop a large portfolio of copycat off-patent biologic drugs.

At Lupin, founder and chairman D B Gupta has already handed over day-to-day operations to managing director Kamal K Sharma, son Nilesh Gupta, who is group president and executive director, and Vinita Gupta, group president and chief executive of Lupin's US business. In the past 12 months, Lupin re-jigged its drug development programmes and brought in expatriate scientists like Raj Kamboj as president of novel drug discovery and development and Ninad Deshpande as president of pharma research and development.

Piramal Healthcare, which last year implemented an image makeover, with a new logo and shedding its former identity of Nicholas Piramal, had also hired several new professionals in the past one year. It brought in executives like brand building specialist Sudarshan Jain as head of its domestic branded formulations business and merger and acquisition expert Murli Rajan as director of group company Piramal Enterprises to handle mergers and acquisitions and corporate development.

The Piramals, Ajay and Swati, also brought in their daughter and former McKinsey executive, Nandini Piramal, as executive director of Piramal Healthcare last year.