Business Standard

Our focus is to be a relevant player in a consolidated market: Strides Shasun founder

Interview with Arun Kumar

Raghu Krishnan | Bengaluru June 05, 2016 Last Updated at 16:51 IST

Arun Kumar, founder, vice chairman and managing director of Strides Shasun.

Strides Shasun Ltd, the Bengaluru-based Pharma firm is on version two of its journey. While the first part was to learn the game with partners, today, the firm is focusing on building capabilities, portfolio and intellectual property that is geared to take the company forward. In the last 14 months, Strides has acquired over nine firms, which it says will help fill gaps in its portfolio, while increasing focus on the higher margin regulated markets.

"We are not dependent on the US as we have several markets we have leadership. W like to operate in areas and markets that is difficult to operate. The difficulty could be either from market entry strategy, product technology or manufacturing capacity," says ***Arun Kumar*** founder, vice chairman and managing director of Strides Shasun in an interview with *Raghu Krishnan*. Edited Excerpts:

How is the new strategy of Strides being crafted?
Strides is now in version 2, which is a big shift what we were doing until the time of the exit of we exited injectibles. Version 1 was all about critical size, working with partners and learning the game. Ver. 2 is all about building capabilities ourselves, building portfolio and IP.

We don't partner not because we don't like partnerships. It is a good business to be in, but there is not enough money for two people to share. It is about ensuring that we focus on creating newer capabilities as we build this market. So you know, we look at our annualised growth, we are looking at numbers of Rs 4,000 crore, considering that 14 months ago, we were a Rs 1,000-crore company. That is a big shift. We were a very disjointed company post our exit of our crown jewel - injectibles. We had bits and pieces of our operations predominantly in semi regulated or unregulated markets and some institutions. We moved that business towards regulated market play. We have almost 50% of our business from regulated markets. Even in API (active pharmaceutical ingredients) too. That is a big transformational shift, moving from a emerging markets and institutions to more regulated market play.

It requires new capacities, new behaviours, we are building that talent pool. We are a diverse Pharma company, we are fully integrated, more importantly, we have diversity . We are not dependent on the US we have several markets we have leadership. We like to operate in areas and markets that is difficult to operate. The difficulty could be either from market entry strategy, product technology, and manufacturing capacity. The industry is seeing consolidation both in the number of players and the buyer universe, it is obviously changed the equation one operates in these markets. Our focus is to be a relevant player in a consolidated market. Which means that we are not so much in commodities, not looking at getting market share on pricing.

Is the integration of acquisitions complete?
For people to see the profoundness to see what we did, it will take them us another year. It is not our size, it is the quality of business we are chasing. The qualitative terms of a good service provider, great quality products, compliance, these things have got very significant value attached to our overall business. We are focusing on that. Can we be amongst the best when it comes to these factors - talent, quality and compliance?

When you do all this right, the numbers add up rather than chasing the numbers and compromise on the others

Most of the Indian pharma firms are now looking moving up the value chain? Co-development of drugs, new molecules...
I don't have any such plans.

You will be a generic player?
We are not a generic player. In Australia, we are branded generic player. In Africa and India, we are pure brands company. We can wear multiple hats in different markets and yet build business that is unified by its character of what we do with our products and services.

You also have a substantial institutional business?
It is about 15%. It is not big compared to the large players. Over time, once the integration of Shasun is complete, we see the business improving. f you are chasing top line, you can’t choose to exit any markets. That is the differentiation in the market.

How is the India market?
Very small. We did a few deals recently where we acquired some brands from Sun Pharma, from Johnson & Johnson, it is very small market. It is not a market that we will want to be a leader. We cannot also be a leader (because the competition is) very entrenched, long prospects.

You are increasingly focus on developed markets?
Yes and also the emerging markets. We will be selective. We have had very vast experience in working in Latin America. Brail was a large market. It is a market that we will never go back. It is lessons learnt hard, That is also to the fact that local competition is entrenched and regulatory environment is not conducive to free competition. There are certain entry barriers.

We have so many markets we can quickly get into leadership rather than putting money after pride and getting into markets where they may end up as a few trophy assets than real true assets.

So, it will be small and niche markets?
In our emerging markets strategy, we take up on region and focus our energy one at a time. It took us five years to become one for the largest players in Africa. We entered in Russia and CIS two years ago, we are seeing traction. It takes us five years to get to critical size. Last year, we introduced southeast Asia, this year, we introduced Latin America.

What are the big challenges as you build scale and chase higher margin growth?
Obviously, all these nine transactions had compelling reasons and also synergies. The operating challenges is to be compliant. This is very hard regulatory market, and to be compliant is a behaviour that needs shift for the Indian industry as a whole. It is to do with how we operate in the environment. Therefore, we recruit, engage and retain talent and constantly revalidate the quality of the talent. Those two are the risks

Three years down the line where do you see Strides Shasun as a company?

I wish I knew. That is the beauty of our business. In the generic and branded generic industry I would never say that we have a strategy. We have a strategic perspective of what this business can become, that has got qualitative elements and not quantitative elements. Let us say that regulatory environment, there are four players in the market and two players have a problem, suddenly a $ 10 million product an become $ 100 billion. You can’t budget for that. it can also happen the other way too.

So there is ambiguity. In Markets like Africa, India, Australia, where we control the supply chain completely - medical representatives, doctors, Pharmacy, we have more profound strategy. We can clearly say that we will be amongst the leading players in Australia three years from now. Because there is method in the madness. So, if you ask me the generic industry, if so the US business is $70 million, and would it grow to $300-400 million in five years, I don’t know, I can't say.

So you need to build operating flexibility to manage these kinds of ambiguity whether we have to scale up or down depending on the change. These are very critical. That is one things that excites us in this business.

What is the status of your biosimilars business?

We have already announced that Stelis Biopharma (focusing on biosimilars) would be spun off as a separate company by the end of this year. It has been capitalised for $ 125 million that has we have built a new plant in Bangalore. Our first lead candidate would be available for licensing next year.