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'WE CAN RAISE MONEY IN OUR NEW VENTURE COMPANIES IN FUTURE'



**Lupin's Managing
Director NILESH GUPTA
shares his thoughts
about the new ventures**

his firm has forayed into.

In conversation with
Sohini Das, Gupta
elaborates on how the
Indian market is
becoming lucrative for
drug firms. He also
weighs in on the rising
drug prices in India,
saying that the
input costs
have gone up
in the past
few years.



'We can raise money in our new venture firms in future'

Lupin's Managing Director **NILESH GUPTA** shares his thoughts about the new ventures his firm has forayed into. In conversation with **Sohini Das**, Gupta elaborates on how the Indian market is becoming lucrative for drug firms. Edited excerpts:

Why did you go for diversification into diagnostics and digital health ventures?

I don't like to call it diversification. Rather it is multiplying our offerings in India. India has very high potential. We are still small in India, at around No. 6 in the domestic pharmaceutical (pharma) market. These ventures add more sheen to our business, while the core remains the prescription business and the over-the-counter vertical.

In diagnostics and digital health, there is a doctor-detailing aspect to it. They are all part of a bigger plan. We have to grow in India, and we see a path to becoming No. 4. There is a lot of room to grow.

We have been lagging behind market growth in India, which is unacceptable. The clear mandate now is to grow at 30 per cent more than market growth. From the second quarter onwards, we see that kind of growth returning.



What kind of market share do you eye in your new ventures?

Diagnostics is still fragmented and unorganised. In diagnostics, there is a need for more trustworthy laboratories and more scale. Even in the US, 40 per cent is still mom-and-pop stores. This industry is expected to move towards consolidation. But, I do not see India getting to a 60 per cent organised sector kind of level in the diagnostics sector.

In a digital health venture, I would love to go into areas where we have equity with doctors. Respiratory is one area I am interested in. This is not an independent offering, but this has to work together with the patient's overall disease management. We want to, for example, manage the cardiac patient for the doctor. But the doctor remains at the centre of the entire treatment. Doctors have not experienced something like this, and therefore, there are initial hiccups.

Would you monetise these new ventures?

The prescription is the crown jewel and will remain so. These businesses will add valuations, they will grow. Then comes a part as to whether to do private equity... do we dilute stake? These two ventures are separate companies. Once we achieve scale, we should not be playing with only Lupin capital for our digital play. We can raise money for these companies eventually. It is not on the cards right now. We can now reinvest from our earnings before interest, tax, depreciation, and amortisation and gross margins.

Prices for essential drugs have seen double-digit growth in two years. Is India becoming a more lucrative market now than the overseas markets?

Drugs are very reasonably priced in India. The input costs have gone up in the past few years. Ceiling prices fixed by the government keep prices in check, and these are revised from time to time.

Therefore, a 12 per cent hike in the National List of Essential Medicines (NLEM) drugs is not a

net gain as such. Some inflationary spend should thus be passed on. In NLEM, we have not taken price hikes across the board and neither for scheduled drugs (where a 10 per cent hike is allowed). The competition itself keeps prices in check.

India is the most important market for every Indian pharma company. The US generics growth story was the biggest part of Lupin's growth story, followed by acute and chronics play in India. However, there have been unprecedented challenges in the US market for a long time, dimming prospects. The regular generics in the US are super-competitive. Evolution to complex generics is a must as far as the US market goes, and it is not easy. No company has a high level of predictability there. In that light, India becomes more lucrative. There is predictability in India.

We added 1,300 people to the Indian market last year. There are several doctors we can reach out to. At this moment, I do not think any pharma firm reaches out to more than 350,000 doctors. We reach out to roughly 275,000 doctors, and there is room for growth in tier III and IV towns.

The government wants to play a larger role in health care for the people. We launched a pilot division which is the 'extra urban' division of Lupin. We tried that many years ago. It failed, but now there is renewed interest.

Is compliance with the US Food and Drug Administration regulations becoming more challenging?

I think there is a challenge of compliance for the US market. The audits are back to almost pre-pandemic levels. There is an ongoing quality agenda as individual companies and as an industry. There is a cost of compliance. Some regulatory bodies will engage a lot more in conversations around inspections, observations, etc. The US gets 40 per cent of its supplies from India. It has the responsibility to ensure that patients don't need to see where that medicine is from. Earlier the issues were more around data integrity, now there are more issues around contamination.

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