

Indian pharmaceutical company "cipla limited"

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INTRODUCTION: Cipla Limited is an Indian pharmaceutical company, Founded by nationalist Indian scientist Khwaja Abdul Hamied as The Chemical, Industrial & Pharmaceutical Laboratories . Cipla laid foundations for the Indian pharmaceutical industry way back in 1935 with the vision to make India self-reliant and self-sufficient in healthcare. Legacy of innovation and an entrepreneurial spirit ingrained by the founder, Dr. K. A Hamied and propounded by the present Chairman and Managing Director, Dr. Yusuf Khwaja Hamied .

Over the past 77 years, Cipla has emerged as one of the most respected pharmaceutical names not just in India but worldwide. The company's headquarter is in Mumbai, India. Cipla produces one of the widest range of products and dosage forms in the world today, everything from metered-dose inhalers, pre-filled syringes, trans-dermal spray patches, lyophilized injections, nasal sprays, medical devices, and thermo labile foams. The company Revenue is around 6977million and turnover is around 1 billion. Cipla's Business model is based on international strategic alliances and focus on pursuing organic growth while reducing capital commitment and regulatory/litigation risks. Cipla makes drugs to treat cardiovascular disease, arthritis, diabetes, weight control, depression and many other health conditions, and its products are distributed in virtually every country of the world. And probably best-known outside its home country for pioneering the manufacture of low-cost anti-AIDS drugs for HIV-positive patients in developing countries.

It has played a similarly prominent role in expanding access to drugs to fight influenza, respiratory disease and cancer. Cipla has over 34 state-of-the-art

manufacturing units which have been approved by various Ministries of Health and Regulatory Authorities like US FDA, WHO, MCC -South Africa, MHRAUK, TGA-Australia among others. In addition, Cipla's manufacturing facilities are GMP compliant in conformity with national and international standards. With over 2000 products in 65 therapeutic areas, Cipla's product portfolio comprises of Active Pharmaceutical Ingredients (APIs), Formulations for Human and Animal Healthcare and OTC products. Cipla has the technological powers of manufacturing products in most dosage forms across therapeutic categories, which offers the company a unique competitive advantage. Cipla has earned a name for maintaining world-class quality across all its products and services. With the dedication of its 20,000 employees, Cipla continues to support, improve and save millions of lives with its high-quality drugs and innovative devices and is focused towards its commitment.

Cipla won Chemexcil Award excellence for exports in 1980, wins National award for successful commercialization of publicly funded R&D in 1988. Cipla received the Thomson Reuters India Innovation Award in 2012. VISION: Cipla started with a vision to build a healthy India MISSION OF THE COMPANY: To make the life of the patients better. CIPLA RESEARCH & DEVELOPMENT CIPLA'S research capabilities are extensive, from Chemical Synthesis, Delivery Systems and Medical Devices to Process Engineering, Animal Health Products, Neutraceuticals and Biotechnology.

Today, across 170 countries, there are millions of patients who get to use a Cipla product to prevent, to cure, or for relief from suffering. In their cure and relief lies the ultimate purpose of what they do. At Cipla, this has been the

driving force behind continuous quest for quality. The company strive not just to meet international specifications, but to exceed, to excel, to meet what they call the Cipla benchmark. In fact, they have set standards for the world to follow and have contributed to more than 125 monographs in the last 15 years - to British,

European, US and international pharmacopoeia. Today companies from around the world seek strategic alliances with Cipla for product development, technical support and marketing. In a small way, the company even help countries set up their pharmaceutical infrastructure and train their professionals, contributing to their quest for self-reliance just the way they began healing India, seven decades ago. Equally inspiring has been Cipla's fight against asthma. They partnered with the medical fraternity to shatter myths, spread awareness and empowered asthma patients to lead a fuller life.

The company have the world's largest range of asthma medication and delivery systems. This relentless commitment to asthma inspired to set up the Chest Research Foundation. It's one of the few Institutes in the world that's dedicated to clinical and allied research in the field of Chronic Respiratory Diseases. CHANGES In the past few years, Cipla has changed its strategy in a number of areas — from region, to product to human resources — to prevent a future meltdown from eroding margins. Till now, the names Cipla and Yusuf Hamied have been virtually interchangeable.

After all, Hamied was the one who put the generic drug company onto the world map when he provided many health care systems in developing countries with cheaper versions of unaffordable AIDS drugs, making instant

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icons out of himself and his company . Today, however, Hamied is no longer steering the drug maker on a daily basis and Cipla, meanwhile, is engineering a quiet revolution on its own — attracting outside talent, which it has never done before — and venturing into new territory in order to avoid an existential crisis when the patent cliff expires in a few years.

Simply put, the company has begun a quest for a growth trajectory that will generate sustainable profits in the future. “ While we may call it a „ transformation,? it is a reasonable and justifiable extension or next step to their current strengths... The change is required to open new avenues of growth for the company, and not lose out on opportunities that come with a shelf life, particularly the patent cliff in 2012-17, for both small molecules and biologics,” says Aashish Mehra, managing director, Strategic Decision Group.

Cipla? s recent reconceptualisation has boosted its stock price from Rs 317 in June to Rs 395 in September. Marketing itself Perhaps the biggest change in the company? s strategy is the jettisoning of its focus on volumeled growth and a shift to an inorganic, profitability-focused one. A key indication of this is the company? s willingness to move on to the front-end in developed markets like the US, where, so far, it has operated primarily through partners for sales and distribution of its products.

Recently, Cipla started filing applications aggressively with the US Food and Drugs Administration (USFDA), seeking approval for its own generic products, which it plans to market on its own while assembling a separate sales team there. “ The move is aimed at getting more value for products and technology,” says Cipla Director S Radhakrishnan in an interaction with <https://assignbuster.com/indian-pharmaceutical-company-cipla-limited/>

Business Standard. This is a laudable move, say analysts, in a company that had the potential, but, it was so far unrealised. “ Over the last few years, while all of Cipla’s peers have grown primarily on the back of their success in the US market, Cipla had adopted a seemingly faulty strategic decision to limit its exposure to this market,” says a recent report on Cipla by IDFC Securities. “ Given Cipla’s extensive product repertoire, proven R&D capabilities and extensive manufacturing network, we believe it has all the ingredients to succeed in the US market despite its relatively late entry,” it adds. (Cipla's changing landscape) The change in strategy is not limited to just the US and other developed markets.

The company is also actively planning joint ventures and even acquisitions to strengthen its position in key markets like Turkey, Morocco, Brazil and Nigeria. However, company insiders suggest that transformation does not necessarily mean a complete departure from its present approach. “ The spirit of the company cannot change, at least not entirely. We will continue with our basic mantra of low-cost drug making,” says the Cipla official. “ We are also looking at consolidation with partners as one of the options in some key markets,” he adds.

This can probably explain what Cipla has recently done in China. In order to streamline investments there, the company has rejigged its business in order to focus more on its core areas. While the drug maker has exited a significant part of its investment in Chinese partner Desano Holdings, it has ploughed part of the funds into specific units that manufacture biosimilars and niche active pharmaceutical ingredients (APIs). The quest for higher margins An imminent revolution can be seen in Cipla’s product portfolio.

The company is gradually shifting focus to high-margin products, such as oncology drugs and inhalers from tender-based anti-retroviral medicines. No surprise as to why it is doing so — its margins are slated to halve themselves from 21.3 per cent in FY10 to an estimated 11.9 per cent in FY14. According to Mehra, Cipla may perhaps be best known outside India by its landmark low-priced, anti-HIV products, but, it also needs to address regulated markets with quality products, across segments. “Cipla should rightly be proud of its image of being a „ low-cost drug maker? ut the anti-retrovirals had been quite low-margin for Cipla, and changing the product mix towards more high-value products, such as the inhalers for the regulated markets, would help shore up margins,” says Mehra. Praful Bohra, senior analyst at Nirmal Bang Securities, says two years ago, the contribution from anti-retroviral drugs was 20-25 per cent while today, it has fallen to 15 per cent. According to analysts, the falling margins in anti-retroviral drugs due to tough competition from multinational, as well as domestic companies has triggered the shift towards new avenues.

Regional shift The rationalisation can also be viewed through the export contribution from different geographies. According to the IDFC report, contribution of Africa — which is primarily a tender business market — to total exports declined from 42 per cent in the financial year 2010-11 to 40 per cent in 2011-12, with absolute sales remaining flat, year-on-year. In contrast, the share of Europe and Australasia grew from 26 per cent in financial year 2010-11 to 30 per cent in 201112 with sales growing at 32 per cent and 18 per cent, respectively.

Cipla also plans to increase its focus on domestic markets, with introduction of its offerings in new therapeutic segments, such as oncology and neuropsychiatry. “ The company is the market leader in key therapeutic areas, such as respiratory care, anti-viral and urological... Cipla plans to focus on growing its market share and sales by increasing penetration in the Indian market, especially in rural areas,” a recent report by Angel Broking said. The company’s distribution network in India consists of a field force of around 7, 000 employees. The company’s new offerings would also include biosimilars, especially those in the oncology, anti-asthmatic and anti-arthritis categories. “ They already have the pipeline in place (Avastin, Herceptin, Enbrel, among others), and would benefit from having the commercial footprint in regulated markets at the earliest,” points Mehra. Cipla has already invested \$165 million in India and China to acquire facilities and build new ones for its foray. The company’s earnings in the first quarter of the financial year 2012-13 have begun to demonstrate the potential of these initiatives.

During the financial quarter ended June 2011, the company’s gross margin expanded by 490 bps, year-on-year, to 61. 8 per cent, mainly on account of a better product mix, which had lower proportion of anti-retroviral in formulation exports and higher proportion of domestic formulation sales. “ Strengthening of the balance sheet has been a key focus area for Cipla in the last few years and the benefits of concentrated efforts are clearly visible,” says Nitin Agarwal of IDFC. People Possibly the biggest catalyst of the change that Cipla is going through is because of a radical new strategy regarding management hires. Cipla has traditionally not been aggressive

about hiring senior management personnel from outside the organisation. However, there seems to be a clear change in strategy on this front, reflective of the transformation underway into a more aggressive unit," says Agarwal in the report. According to Bohra, this also reflects increasing professionalism in the company, which is also essential to surviving cut-throat competition in the industry. Over the past year, Cipla has hired people in the key functions of finance, international business and strategy, from competitors such as Lupin and Dr Reddy's. In July, Cipla announced the hiring of Frank Peters (ex-Teva and GSK) to head its respiratory business and the European Union region. Also, two Hamied scions — Kamil (31) and Samina (36), children of Yusuf Hamied's brother M K Hamied — are on Cipla's senior management team since 2010 and 2011, respectively. Analysts see this as an attempt to address key investor concerns on succession planning. These are key moves that were long overdue for a company that is yet to harness its full potential.