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Gearing up for growth



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Success after failure is doubly sweet. And Claris Lifesciences is the epitome of this adage. With a focus on parenterals and injectibles, Claris today has a global footprint. Arshiya Khan tracks the journey

Claris Lifesciences was born in 2000 after Core Healthcare had to be dissolved. Not the kind to be easily discouraged by failure, Arjun Handa, M.D & C.E.O, Claris Lifesciences, looked at the same segment, but at more top-of-the-line products and a robust business model. "The business model adopted in IntraVenous (IV) fluids segment is a numbers game, a volume-based game," clarifies Handa.

"Claris manufactures products, which are top of the line and very difficult to manufacture and manufacturing capability as well as marketing capability is of a totally separate and of different nature altogether," he adds. When you ask him to compare Claris with other players he answers modestly, "It would be immodest to claim a place amongst the stalwarts of the industry, who have been around for decades."

No change

Reasons for focusing on the similar segment are many. Firstly, it is the belief of the COO that there are not many companies in the category. Hence, this niche market and fewer players, coupled with the company's cost-competitiveness have always kept Claris Lifesciences ahead of its European competition. Secondly, this segment offers Claris an opportunity to manufacture vaccines too. "As we are an injectibles company, for us to migrate towards manufacturing vaccines, steroids and biotechnology-based products is relatively much easier because we handle those technologies, product formulations and R&D," explains Handa. The reasons may be many, yet the transformation from Core to Claris was not an easy one. Thirdly, it has been an advantage to be placed in Gujarat. "We are fortunate to be in a state like Gujarat that has almost everything to offer, so there are no major hurdles that we experience," says Handa.

Having said that, Claris' contribution to the pharma sector in Gujarat would be in the fact that the company has successfully created a business model and an integrated facility for complex injectables and new drug delivery systems—one of very few in the world—in Gujarat. Claris has introduced several first-of-their-kind advanced Injectable products to in the country, including Propofol (Profol) and Multi-Chamber Nutrition Bags (PNA/TNA).

Hurdles

After Core was termed sick, the management had to start almost from scratch and build another strong base. There were indeed many a roadblocks that attempted to slow down Claris's inception and growth. One major speed breaker came in the form of capital. However, the problem was solved through investments from the promoter's other trading wing and internal accruals. With the necessary capital in 2000, the company set up a sterile injectibles facility at Ahmedabad. In addition to the initial hiccups, the company had to face entry barriers too. Being a knowledge-based segment, recruitment of employees was a challenging task and acted as a major barrier. "A little error in the functioning and management could turn the whole facility upside down affecting the production," says Handa. With a view to leave no stone unturned, the management of Claris decided to implement capsule (short-term) training courses after recruiting people.

This strategy worked for Claris, and the training programmes have made employees more competitive and informed, thereby providing an edge over others in the industry. The work force, which is recruited and trained in India, is then sent to different countries. The huge sales force has also enabled them to provide after sales service, which has enabled the company to sustain itself fairly well, considering the long-standing nature of this market. This employee strategy has also helped the company to counter the problem of high attrition rates as today. "We also have the lowest attrition rates, which is 17 percent compared to 23-30 percent of the industry. This has expanded the company's product portfolio and distribution network and has helped in making its presence felt across the globe. Besides this, Handa foresees a shortage of skilled manpower in the years to come. But on a positive note, he feels that this is a situation the entire country is facing, and being the progressive state it is, they are confident Gujarat will tackle and overcome this situation.

The transformation

Claris was earlier a trading company. While trading did not offer enough opportunities to them, manufacturing of injectibles proved to be a profitable choice. "As such injectibles is a niche enough area to be in and within that having technology intensive and IP driven products the competition is not like orals where there are price issues and pressure on price margins with increased number of competitors," opines Handa. Being a niche category, the company faced competition from not more than seven players in the market, which were from American and European companies and not from India. "In India the very few players that existed, competed only for a few products. Therefore, injectibles category provided a completely reverse scenario with few competitors."

In order to stay ahead of the race most pharma companies are into the oral segment and not in injectibles segment. This is a major driving factor that will keep Claris ahead in market share. At the same time the cost competitiveness of the Indian market will also provide it an edge over European companies where costs are higher.

Travelling globally

The Indian pharma market provides opportunities and is dynamic in nature, with many MNCs eyeing the Indian market. Hence, it is difficult to imagine an Indian company not foraying in the international arena. With global aspirations firmly on the agenda, Claris focused on exports as a step towards realising the international dreams. Today, Claris exports to more than 80 countries globally. At the same time the company has maintained a balance of revenues, which comes in a 50:50 ratio from global as well as domestic sales. Given its presence in several countries, has Claris adopted different business models for different countries? "If you have two models in the same country then that is a problem. But once you are selling in two different countries, you are selling it through a marketing partner or a distribution channel. Hence, it does not become a problem," opines Handa.

The results

A direct result of all the smart strategies implemented by Claris, is the fact that the company is growing by leaps and bounds. "The company has been growing at a CAGR of 44 percent. This comes through the continuous setting of plants and facilities and the growing distribution network and international sales that have shown a growth of 60 percent contributing to 20 percent of the injectibles in the pharma market, which is \$120 billion of the pharma market," reveals Handa. The company plans to expand by introducing new plants and leveraging the current capacity by targeting sales of Rs 1,000 crore by the end of the year 2008. To achieve this the company is working on multiple growth strategies including scaling up of its global business with full fledged entry into the regulated markets of USA and EU, entry into new business segments and areas including oncology, biotechnology and vaccines, as well as a presence in the CRO and CRAMS segment. "This will come through the strong product pipeline under construction," says Handa. "Claris will hopefully be a large pharma company in the next five years with the same focus," he states.

From sickness, to the pink of health, the journey for Claris has been an arduous one. Tenacity, patience and carefully crafted strategies on part of the management of the company have helped Claris to reach a new level of performance and success altogether. "Our journey has just begun, but the vision of building a global brand out of Gujarat and India has always been in place since day one. Whatever we do in future, we will continue our endeavour to fulfil this vision," signs off Handa.

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