

RPG Life looking at sales partnership with German firm

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MUMBAI

RPG Life Sciences Ltd, the pharma and biotechnology unit of the Harsh Goenkale-led RPG Group, is finalizing a product licensing and supply deal with a top German multinational drug maker to participate in the European country's large-volume tender business.

This product licensing and supply agreement, which is likely to be signed in a fortnight, will involve a long-term strategic partnership between the two to sell the Indian company's low-cost immunosuppressant formulations in the German market.

This will also result in optimum use of the huge capacity at RPG Life's formulation plant at Ankleshwar, according to a top RPG Life executive.

The German company's tie-up with RPG Life will be similar to the half a dozen deals that the Indian drug industry has reached in the last couple of years. This includes the one that British drug maker **GlaxoSmithKline Plc** signed with **Dr Reddy's Laboratories Ltd** in 2009 and the product licensing pact between the world's largest drug maker **Pfizer Inc.** and Hyderabad-based **Aurobindo Pharma Ltd.**

The RPG group company, al-

most stagnant over the last several years, is currently looking for aggressive growth by optimising its production capacity and resource utilization.

Last week, it signed a long-term active pharma ingredient or API business cooperation agreement with Poland's top API company **Polpharma SA**.

"As part of the new growth strategy, we have been exploring all options such as global partnerships and collaborations. We are in talks with another multinational company which is active in the German generics and branded drugs market, for a product licensing and supply deal," said Ajit Singh Chouhan, managing director, RPG Life Sciences, and president and chief executive of the RPG Group's speciality sector.

Chouhan declined to identify the German group or to disclose the financial details of the deal.

"The company has been stagnant as the management had lost focus. But the new momentum, if any, is good news for the share holders, who lost significantly after the company's rights issue that was subscribed at around ₹170 a share five years ago," said Ranjit Kapadia, senior vice-president, institutional research, **HDFC Securities Ltd.**

RPG Life rose 0.19% to



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New frontier: RPG Life Science managing director A. S. Chouhan says the company is actively exploring global collaborations to boost sales.

A deal will result in optimum use of the huge capacity at RPG's formulation plant in Ankleshwar

₹104.50 on the Bombay Stock Exchange on Monday. The benchmark Sensex rose 0.7% to 20,303.12.

The German drug market is currently driven by tenders called by the government in coordination with key insurance players, keeping margins comparatively low.

"It is going to be a volume-driven business as the drug prices ought to be competitive.

With our cost and production capacity coupled with the marketing strength of the German partner, it will be a win-win strategy for both of us," Chouhan said.

The immunosuppressants market is growing worldwide in the wake of increased use of organ transplants and other such therapies. The German immunosuppressants market is close to \$2.5 billion, according to industry data.

According to him, the move is ideal for RPG Life as it wants to optimise its capacity utilisation.

"If you have a present capac-

ity utilisation of 40% at one plant and if we have a large tender business in Germany, the volumes are going to be huge. So, that's the key strength of the deal. We will have to compete with even Indian players there," he said.

For RPG Life Sciences, though one of the earlier entrants in the Indian pharma market with huge production capacities and a handful of best selling products both in the drug ingredient and formulation segments, growth has been slow as it was not as aggressive as its peers in the domestic as well as export markets. The company posted net sales of ₹160 crore last year.

The company is looking to tie up with a few other international players to source some products for the domestic market as well. In the last couple of quarters, RPG Life has added about 200 people in the domestic field force to take on competition in terms of market reach.

It has also added some new therapeutic segments such as cardiovascular and neurology in its portfolio, apart from setting up new API units and a large-scale upgradation in the existing formulation units targeting a large-scale entry into the US market.

Chouhan heads the speciali-

ty sector businesses, which comprise three diversified companies—RPG Life Sciences, **Harrisons Malayalam Ltd**, which has tea and rubber plantations, and **Raychem**, a 50-50 joint venture with **Tyco Electrical Engineering** of the US which serves the power industry.

Chouhan is directly in charge of the pharma company, which is undergoing a restructuring in the direction of the business.

RPG Life's promoters increased their stake to 51% from 46.33% last month.

"The group's intent is to do something aggressive in the business to catch up with the current trend," Chouhan said.

Some of the new strategies have shown results. Sales in the July-September quarter rose 22% to ₹50.66 crore from ₹41.43 crore a year ago.

"Growth was slower than expected. The reason could be low utilisation of capacity as we were not using it to maximum, and there was a phase when we had slowed down on research," he said.

As part of its growth strategy, the company will use existing resources, add new products and enter the US market, adding to its presence in Latin America, Mexico and Europe.

"Exports would be a key driver coupled with work done in Rand D. And the expansion strategy in Europe includes a significant focus in Germany, Poland and Greece," said Chouhan.

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