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Suven graduating itself to life sciences player

Suven Life Sciences Ltd, the Hyderabad-based company till recently known as Suven Pharmaceuticals Ltd, is now entering a strategic phase of its long-planned strategy - a metamorphosis from a pharmaceutical company into life sciences player.

During the last decade, apart from being among a handful of intellectual property rights (IPR) compliant companies, Suven has stood for quality and values that formed the backbone of its strategy.

The metamorphosis has been both on qualitative and quantitative fronts. The business model of the company too had transformed significantly to warrant a re-look at its name.

Though its IPR compliant strategy had seen some ups and downs, the company continued its focus steadfast. It had sacrificed short-term gains of entering into bulk drugs and formulations for long-term returns when the IPR regime was finally in place by 2005.

Keeping this in view, the company adopted the model of Contract Research and Manufacturing Services (CRAMS), known for its volatility.

The USFDA compliant plant of Suven's wholly owned subsidiary is currently under validations with trial runs, which would play a strategic role in commercialising the captive pipeline from custom synthesis and also in IPR attached active pharmaceutical ingredients (APIs).

The company expects that its API business targeted towards regulated markets would contribute significantly to its top and bottom lines from FY 2005 onwards when the requisite approvals from the USFDA were received by the end of current fiscal.

The company floated a wholly owned subsidiary - Suven Life Sciences USA LLC - in the US by acquiring the assets of the US-based Synthon Chiragenics Corporation, which would act as front-end to enhance the exposure of its R&D capabilities in the most lucrative North American market.

Suven has recently entered into a three-way alliance with Shasun, Innovasynth and Austin for offering outsourcing of a wide range of pharmaceuticals related services.

The company is of the view that the fast changing dynamics of the global pharmaceuticals market was opening up a huge opportunity for IPR compliant Indian companies with proven and demonstrated reverse engineering, contract research in new chemical entities (NCEs) as well as in generics and custom synthesis skills.

In this backdrop, the Suven Managing Director, Mr. Venkat Jasti, spoke to Business Line at length on the company's strategies.

Excerpts:

What are the major reasons for highly volatile nature of your revenues and profits? Would that volatility continue in future also?

Inherent volatility in the early years is typical of CRAMS model. This volatility would come down progressively as stabilising elements such as maturation of contract research based products, repeat orders for commercialised products, revenues for discovery research services and abbreviated new drug application (ANDA) based active pharmaceutical ingredients (APIs) start contributing from current year.

From next fiscal onwards, the yearly volatility is expected to come down significantly. However, quarterly volatility is expected to persist for four to six more quarters.

What do you believe are the opportunities that the Crams model can offer and what opportunities are you targeting?

We expect that the inherent revenue and profit volatility associated with Crams model was set to come down in the next couple of years. Aside of Crams and custom synthesis, we are comfortably positioned as one of the leading players in the country to take on the discovery research services because of our IPR compliance and relationships with global life science companies.

We are of the view that the initiatives that were taken in the past couple of years would help us in being competitively positioned in contract research, manufacturing of NCE based products and ANDAs based on APIs. We believe that by 2005, the entire spectrum of drug discovery services ranging from contract research to custom synthesis to APIs would be offered to the global pharmaceutical companies.

What sort of benefits are you expecting from the three-way alliance with Shasun, Innovasynth and Austin?

We think this alliance would emerge as a landmark deal in outsourcing opportunity in pharmaceutical industry. The alliance facilitates access to global life sciences companies by the combined networking of the capabilities.

It also reduces marketing spend and helps in distribution of fixed overheads. We expect that the impact of this alliance would be visible after the next fiscal year.

What benefits are you expecting from the US subsidiary?

We are of the view that a very large part of our target market exists in the form of small to mid sized R&D based pharmaceutical companies, which would normally not come to India for various reasons. Onsite presence in North America, which is the most lucrative market, would help us showcase our competitive offerings with a proof of concept lab in the US. The American subsidiary would play a highly strategic role in helping us move up the value chain. We strongly believe that the long-term positives strongly outweigh the short-term negatives, if any.

How are you placed to exploit the external opportunities?

As one of the earliest companies to focus on discovery related services in addition to Crams, we enjoy a significant early mover advantage that has experience a complex learning curve. This learning has provided exposure to various facets of drug discovery R&D activities. The other key advantage is an unwavering focus and strong relationship built over several years. This is also backed by an excellent track record and strong client referrals.

How do you plan to address the post-2005 discovery related opportunities?

Our aim is to emerge as a niche R&D driven and 100 per cent IPR compliant company offering the entire discovery related spectrum of services, which include manufacturing required by global innovator pharmaceutical companies. NCE would remain the focus area and selective API work that would be done would necessarily be IPR linked. After putting the foundation in place and undergoing a complex learning curve over the past eight years, we would be the preferred partners for global life science companies.

How do you plan to move up in the value chain in discovery related services?

We have already made good progress from being a pure contract research and manufacturing services company to offering almost the entire spectrum of discovery related services. The acquisition of the US-based Synthon Chiragenics would serve as a front end to showcase our services, which would be supported by the Indian backend. We are of the view that onsite presence in the lucrative North American market would help us climb up the value chain significantly faster and also accelerate acquisition of R&D projects.

How do you want to be looked in the post-2005 era?

We aim to emerge a partner of choice for global innovator pharmaceutical companies. The biggest differentiation would be our offerings that cover the entire spectrum of discovery related services through manufacturing.

What do you think are the major challenges for the Indian companies in general and your company in particular?

Since the opportunities are in the largely knowledge based business, the challenges would be similar to those faced by the Information Technology industries, which is attracting and retaining talent. We plan to increase our HR focus and would soon introduce an ESOP scheme.

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