

Deloitte.
Private



Best Managed Companies (BMC)

Deloitte Private Newsletter

May 2023



Interview with Yogesh Agrawal



Managing Director
Ajanta Pharma Limited

Amit Sarker: From a regulatory landscape and in terms of the work environment, can you highlight some of the challenges that you or your industry is facing not only within India but also while expanding business outside the country?

Ans: Yogesh Agrawal: Globally, Indian pharma companies and Indian pharma products have been well received and well accepted. Even before the IT industry became the torchbearer for India, it was the Indian pharma company which reached out to almost all parts of the world, whether it was

Latin America, Middle East, Southeast Asia, America, or Europe, and so on and so forth. Today also, more than 40 percent of the generics being sold in the US are manufactured in India, and a bulk part of that is being manufactured by the Indian companies. Some MNCs also have plants here and are supplying from here to the US.

At large, there was some colour which the Indian pharma industry got because of some US FDA inspections a while ago, with some companies not having really great practices. But those were isolated incidences. We have more than 100 facilities in India which are approved by the FDA. In most part, Indian

companies are able to not only meet but exceed the expectations of the FDA.

If you see the overall percentage of the 483s or the warning letters which come, since India has the largest manufacturing facilities outside of the US, naturally, that percentage of the 483s or warning letters will also probably come to Indian companies. That gets slightly more attention in the media on isolated cases. But in general, the quality of the Indian pharma companies is top notch. It is one of the best. At Ajanta and a lot of other India companies, we employ the best of the equipment and processes, and we invest a lot in training people.

The regulatory landscape in the pharma industry is always evolving. We are in a knowledge-based industry, and we are continuously trying to see what the future is. Not only in the pharma industry but also globally, everything is changing; we do not do business today the same way we did yesterday, or the way we will tomorrow. But I don't see huge challenges there. Of course, any FDA inspection, particularly US, is a new inspection, but generally, in Ajanta and in the Indian pharma industry, we understand what the requirement is.

Amit Sarker: Given the entire innovation-driven ecosystem that India is trying to evolve around the pharma industry, do you have any thoughts in terms of the regulations on intellectual property?

Ans: Yogesh Agrawal: Since the post-GATT era, our IP has been quite strong. Companies that have IP and novelty can now get protection in our patent office here; it is a well-laid out process. We don't see any significant concerns on IP. We can see more and more companies feeling comfortable coming to India and doing their R&D because they know that any discovery that they make here will be protected by the Indian IP laws. The laws are pretty robust and up there to meet the demands and requirements of the industry.

Amit Sarker: What will be your key priority areas in the next six months to a year as an organisation, and what will be your focus areas?

Ans: Yogesh Agrawal: This has two parts. On the growth part, we are extremely focused on execution. Whatever we do in the current year is the work that we planned three years ago in our industry. The products that are launched now were filed in various markets for approval two to three years ago;

which means, the R&D work would have started even two years in advance. So, pretty much it is a four to five years' journey for the product to come in. Our focus is two-pronged: for whatever we have in the current year, we are extremely focused on execution. All the work that we did five years ago is now fructifying.

The second part is on the cost-control measures. Currently, we know that because of global inflation and the geopolitical turmoil across Europe, the world is not as predictable. We see some challenges, and the pre-COVID raw material costs have cooled down but not yet come back to the earlier levels. Because of the global scenario, there are cost pressures. The focus is to be extremely vigilant on the cost part and see to it that we spend every penny judiciously. These are the two focus areas for us in the current six months to one year.

Amit Sarker: With inflation, the Indian currency comes under challenge both on the imports and the exports sides; how do you see that impacting your business, may be from an industry standpoint as well?

Ans: Yogesh Agrawal: Currency is positive for the industry if there's a devaluation because most of the companies have around 40 to 70 percent of the export revenues. Accordingly, even for Ajanta, if there is a devaluation of the rupee, it's a positive for us, because it helps us improve our margins to that extent. But the imports are a very small percentage. So, we are still a net exporter. When the Euro dropped from 88-89 to 81-82, we got adversely impacted because some part of our exports is in Euro. But now again, as the Euro has bounced back to 88 levels, our margins are back to the earlier levels.

Historically, we've seen, and we all know that on an average, four to five percent currency devaluation has been common historically, for decades and decades. But interestingly, in India or a lot of other places, the devaluation doesn't happen linearly; we go in steps. It could be stable at a particular level and then, it would further go up like a step in the next one or two months, and then again, it would stabilise for a while. So, we factor in that if history has to repeat itself, it should pan out the same way going forward too.

With respect to the swings in the currency, generally, the industry is able to tackle the four-five percent devaluations.

Amit Sarker: And again, as you rightly said, because you are more of an export-oriented business, any devaluation generally would not impact you adversely unless you have significant imports also.

Ans: Yogesh Agrawal: Absolutely.

Amit Sarker: I think, disruption is the buzzword on which some sectors are thriving as well, right? How do you see disruptions coming to your industry in the last one or two years? And what are the three top disruptors in your industry according to you?

Ans: Yogesh Agrawal: That's an interesting question—it has an extremely wide canvas. Because, disruption can happen, let's say, on innovation, on the R&D side. In the pharma industry, there are talks already that there should be a targeted delivery system for products—a targeted disease kind of products. This can bring in a lot of disruption to the conventional way of dosing patients, which is tablet and capsules. When you have such kind of drugs, which are targeted at something really chronic, like oncology or all those kinds of things, it is going to be a big disruption.

It is extremely difficult to predict when disruptions will happen; it's like a big submarine—it stays below for a long time and only when it comes up, we realise how massive it is. So, it's also extremely difficult to predict when it will become a full-blown disruption. But we see work happening on the R&D side.

On the technology side, i.e., digitisation and automation, I don't think it's a big disruption. I think, the pharma industry is catching up with the tech industry. In fact, two of our facilities are now fully digitised; we are able to now warehouse all the data of all the manufacturing equipment as well as the quality-control equipment in a central platform, and utilise it for data analytics. This helps us to do predictive analytics of any equipment breakdowns and variabilities—about where are we more efficient, where is the downtime more across all facilities, which are the products taking a longer lead time, etc.

This brings a lot of certainty. If we are able to have more predictable output, we can do more better work. At Ajanta, we are at the forefront in terms of digitisation. We are one of the small pool of companies who has embarked on the production/manufacturing side.

Amit Sarker: In terms of your consumer centricity or distribution, is there any disruption that you see, or, if not disruption, a deviation or a new way of achieving consumer centricity and distribution?

Ans: Yogesh Agrawal: Yes, today, technology allows us to do that. What we have done is a sizeable field of our Ajanta Pharma—on the international front, we have more than 4,000 people in the field. And we have given a part of them tools such as tablets or laptops. Our journey is on course to digitise all our customers and see how we can pay attention to their needs in a targeted way. At the same time, we are able to see the patterns there. In terms of consumer centricity, at Ajanta also, we have a strong mantra of customer obsession. We believe that we have to identify our customers, service them, and guard them well.

On this digital journey, earlier it was being done in the slightly primitive way of Excel statements coming out at a defined frequency. Whereas now, when you have everything digitised and a medical rep carrying an iPad, going around the whole day punching the data live, all the data becomes live and there's no longer the lag of a month or a month and a half. When the lag is removed, we are able to respond and react to the market requirements much faster.

At Ajanta, we have embarked on this journey, and we are at an advanced stage of execution. We believe that this can become a mode for the companies who are able to execute well on digital in the front for example, Bajaj Finance or a number of companies say that they are more of a data analytics company and finance; the product itself is an outcome of the data analytics. Amazon, in a big way, is a data analytics company because they're able to predict the trends that can push the consumer. In a similar way, we are also seeing our future.

Data analytics is where we would like to excel, and that will probably become a competitive edge once we reach the pinnacle of data analytics and digitisation.

Amit Sarker: Absolutely. I think capturing data is the foremost thing to do for analytics, also to reap the benefits of data. And, as one of my friends in the retail industry told me, Amazon is a search-based marketplace where you just go and search and the search engine is just so strong that you get results compared to a different option, for example a brick and mortar marketplace, for retail. These are the kinds of USPs for new-age businesses, and I think you are capturing the trend of capturing data and then using it for your own analysis and business decisions.

Yogesh Agrawal: Absolutely. Conceptually, everyone understands this pretty much. But when you start to design the kind of data you want, you get overwhelmed about what the frequency or how the data should be. In organisations such as Amazon, I'm sure there are hundreds and thousands of people who are working day and night to simplify this. It's indeed complex to design, refine, warehouse, or populate the data at the right time, but these organisations have been able to do that, and then they go into a different bracket because nobody else is able to catch up. If it's Amazon or Bajaj Finance, there's no competition for them because they have such strong data, and it takes a lot of effort for anyone who is still catching up. I think we are at an advanced stage of that kind of a digital analytics transformation. So hopefully, I think we should be able to build some competitive advantage there.

Amit Sarker: I think, a key element of achieving whatever we expect to achieve is our talent, right? How do you hire the right talent and how do you retain good talent, considering that in today's world, the working population's demographics have significantly changed? Retaining people when they have lots of options, including the option of not to work for some time or taking sabbaticals is also important for us to keep in mind.

With this background, what are the challenges that you've seen while building and developing talent for your organisation?

Ans: Yogesh Agrawal: It's vital. I believe that when you have a right pool of talent, it differentiates you from other organisations. My endeavour since the last three years has been to increase the talent density at Ajanta every day. I believe that we should hire some intelligent, smart, and hungry people.

We have good rigour with identifying such people. I myself make sure that I sit through the round of interviews with them. We put a lot of cost in identifying the talent and getting them on board.

After that, I see the challenges under three areas: are we giving our people the good-enough or right challenges? If I tell them to do the impossible while calling it a "challenge", they will get frustrated! The challenges should be exciting and achievable, but at a stretch. Are we giving them the independence and also a canvas so that whatever talent they have, they are able to put to work? Do we give them the opportunity to add value to the organisation?

Second, is the organisation adding value to him? When they are here, are they learning things? Smart people always get motivated with stimulation. When they know, they learn; they understand that is what stimulates them. I firmly believe that once you have good talented people, and they get used to working with each other, then they grow in any organisation, and where there is no such high talent density, they don't like to be there. It is like being in Harvard; you take a person from Harvard, and you put him or her in a college that is not rated high; he or she will feel uncomfortable and wouldn't want to be studying there. So, the question is, are we giving them enough learnings so that they feel that the organisation is also adding value to them?

The third point is about recognition and rewards. Recognition is also about acknowledging the people who have done a fabulous job. And that also goes with promotions or compensations. It goes without saying that in today's world, you have to have a good work environment, with good HR policies which are progressive and not watertight—an environment where people can flourish and practise a collaborative mindset.

These are the three things I follow and, fortunately for us, I think we've had very little attrition in the longest time.

Amit Sarker: You might agree that for various roles, the lines are getting blurred, especially at the senior level. What would be your mantra to manage the stakeholders as well as make sure that your organisation growth is not compromised, in terms of the roles where there are overlaps?

Ans: Yogesh Agrawal: There are three-four stakeholders; two prominent ones are the employees or the executives who build the organisation and second, the shareholders. The other stakeholders are our suppliers or the vendors. In today's world, I think it is taken for granted that we manage them well. We respect them, we are collaborative with them, we are transparent with them-in terms of addressing their expectations and requirements for today and tomorrow, so that we can build a robust supply-chain pipeline, etc. We are strong on the vendor management part.

To me, this question is vast, and I don't think that it's one stakeholder over another. In any organisation or a successful entrepreneur, money is a byproduct; no one starts with thinking that I want to become a millionaire or billionaire. You have an idea, you have passion, and you go executing about it. Once you execute it successfully, of course, the stock-value goes up and the profitability comes. So, as we say, money is a by-product of your idea and your excitement. Similarly, for employees with that kind of passion and hunger, money becomes a byproduct because, naturally, whatever they do at a senior level or at a middle management level, it adds up into the company's performance and sales profitability-which means, it is more money to be shared with all the team members. Without them, the shareholders cannot exist because if they do not deliver work, shareholders' value will not go up. Both are deeply interlinked; I can't say I'm committed to the shareholders alone and I'm doing everything for them. I cannot do that unless I have an extremely strong executive team who's really motivated and hungry to achieve things. They go hand in hand; it's very difficult to pick one over another.

Amit Sarker: So, it's more about accomplishing your vision and mission with the help of a dedicated team, which also brings value, not only to the business, but also to your stakeholders as well as your employees?

Yogesh Agrawal: Absolutely, I agree. Well put!

Amit Sarker: I have been privy to some discussions with industry associations where the government wanted to bring innovation and pharma parks for R&D. We recently also had the Union Budget

announced by the Finance Minister, and I believe that there is an allocation specific to the pharmaceutical industry which is almost 10 times of what it was in the last year. They have allocated about 1,200 crores to the industry. What is your thought about-one, in general, the government-what kind of policies or support you expect from the government as an industry, to create that environment of R&D? What kind of incentives do you expect in that direction?

Ans: Yogesh Agrawal: There are two aspects to this; one is the regulations-how easy or difficult it is to be able to do innovation in the country. Second is the cost aspect of it. I will touch upon on both the aspects. On the regulation part, I think the industry has been in touch with the government on various platforms to see how we can simplify various things-such as, the approvers' permission during the phase one and phase two, because somewhere, as an industry India may be more regulated than some of the other countries where it is easy to do all these things, or may be the time taken in India is slightly longer than that. I think there's a healthy discussion going on in the industry with the government. Hopefully, we'll be able to put our rationale and come to some understanding there.

Second is on the cost aspect. The innovation that we're talking about is the NCE, the new compound. It's an extremely high commitment and high expense activity. That is why very few companies based out of India are onto that journey, and the chances of failure are quite high. I think that requires some kind of partnership or handholding from the government, so that some kind of risk element is mitigated for the industry and they feel more confident. Because, on one side, if we are so committed to delivering the results for the shareholders or for the market, at the same time, we are also worried about how much can we invest on the discovery research, which will have a lot of uncertainties. Some handholding from the government should encourage the

industry here even more. The PLI scheme which is being talked about should be on those lines as well. I think that's a welcome move from the government. We are yet to see the fine prints, but hopefully, they're exciting enough for the industry to feel good about and engage into this path more aggressively. The discovery research is one such area for companies; they will benefit, no doubt. But it brings pride to the nation as well, as in, when we say new compounds are developed in, say, the US or Europe, there's a lot of pride associated with the country too. And if, in India, we are able to come out with a battery of new compounds product, then people will see the whole brand "India" differently—that, we are a country which has the capability to deliver innovations and NCEs. That's where we are yet to see the fine prints of the PLI scheme.

Amit Sarker: Taking your point on government partnership further, per this year's Budget announcement, the government has allocated INR 500 crores to IIT Chennai to carry out research on artificial diamond growth in India. I think this is a step in the right direction—one, to preserve foreign exchange, and second, because we are an import-dependent country for diamonds, to preserve a natural resource such as diamond by promoting artificial diamond. This is one related example of government partnership in terms of promoting a particular product or segment, which came up in this year's Budget. Something similar, wherein a research institution of eminence could handhold and collaborate with the pharma industry to explore innovation avenues, should be more than welcome for you and as the industry.

Yogesh Agrawal: Absolutely. What it requires is—one, the drive, then, the culture, skillset, and talent of people. We believe that we have the vision. Today, as they say, the world is flat. 15-20 years ago, a lot of knowledge was localised in certain books and certain countries. But today, with the internet and Google, a

person sitting in a village here has similar access to the knowledge that someone in Europe or Japan or US has. Knowledge is widely available in a way, so what it requires is first, the vision, then second, the talent-pool, and third, the culture. We believe that there is a talent pool as well, which is available for a lot of Indians in the West or Europe who are also wanting to come back and do this kind of work in India.

Talent can be built. Who knew that 40 percent of the generics would be supplied from India? That's because, we built that talent in production. Also, if you are able to build the culture of innovation in India or in the organisations, then I think this is possible.

Of course, money is a big part of it. You need to pump in a lot of money. That's where the government role comes in, i.e., if they are able to handhold.

Amit Sarker: Lastly, what would be your suggestions for companies to reach the "Best Managed" company tag that Ajanta Pharma has won? What's your message for companies that aspire for that tag?

Yogesh Agrawal: I am a big believer of the power of simplicity. Try to simplify what you want to achieve and stick to it without getting distracted. A lot of time you get pulled into what the market will think, what the analysts will think, what the employees will think, what the XYZs will think, etc. But if you have a conviction about what you want to achieve, then yes, it may be a bumpy ride, but at the end of the day, you will get there. I try to keep everything simple, and I have seen, in the long run, everyone is able to see the merit in that, and then everyone gets aligned to that thought. That has worked for me, so I think that's what I can share.

It is extremely difficult to make things simple!