

“Partnerships are very important for us in India”

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Stefan Borgas, CEO, Lonza Group, was recently in India to inaugurate Lonza India's new facility in Mumbai. Speaking exclusively to BioSpectrum, Borgas revealed the company's strategy to make India a prominent player in Asia and the huge opportunities Indian market has in store for them.

What are Lonza's strategies for India, the emerging hub for R&D?

We look at the Indian market in an opportunistic way to outsource raw materials and certain other products. With the inauguration of the new facility in Mumbai, we are now moving on to the next level where we will focus on Indian life sciences market.

Life sciences market is still very small in India but we are looking at long term opportunities. India has a fantastic pool of intelligent and energetic people and maybe in the future we will be looking out for more sites in India. We will develop our activities over the course of 10-15 years and start research activities in three of our business areas, including biosciences, where we make products which support the researchers and biopharmaceuticals, where we offer services to the biopharmaceutical industry. We want to make India the hub of Asia within 5-6 years.

Is Lonza planning to initiate any joint ventures with local companies in India?

Many discussions for joint ventures are going on at the moment. We are looking at all options and are very flexible because we consider ourselves as one little piece in a network of companies. We have our specific competencies, we do have production capabilities and we can make tools for researchers but there are so many things we do not know about. That is

why we believe that partnerships are very important for us in India.

How is the life sciences market scenario in the Asia Pacific region?

The life sciences market is growing in Asia. Japan and Singapore are already a part of the developed markets. The Asian markets have realized the importance of innovation. With so many brilliant brains, Asia provides huge opportunity for innovation, not only for western markets but also for local ones. Now people are realizing the need for innovation to create new things that are much better than just copying products, countries like Korea and Taiwan have shown this in other industries but not yet in life sciences. Regulations play a very important role in this development as the life sciences market deals with health of the people.

What was the strategy behind biosimilars deal with Teva? What were the criteria for selecting Teva as a partner for the deal?

The biosimilars deal with Teva Pharmaceuticals is simply a continuation of a 25-year-old relationship of Lonza with pharmaceutical companies all over the world. In the past two years, we spoke to all the major generic companies in the world, and we believe that Teva has strengths which are complimentary to our capabilities. The deal focuses on a limited number of biosimilars products, which Lonza wants to do exclusively for Teva Pharmaceuticals. These products will in no way be in conflict with any of our other customers. The deal is very carefully crafted so that all the patents of Lonza will not be affected that is why the deal is called a 'limited collaboration'.

Despite the currency fluctuations and other financial turmoil in 2008, Lonza showed a 13 percent hike in sales, what were the reasons behind the stability?

Our long term collaborations are considered as the main reason. Once we start working with customers usually we do not see any sales for 2-3 years or even longer, but when business starts to come in then it does not go away for 6-12 years. We give emphasis to long term business. In the life sciences space the demand is usually stable.

What is the impact of recession on life sciences sector?

In general sectors like biopharma don't have much of a demand problem. But there is an issue of funding start-up biotech companies around the world; this demand is very much driven by the start-up companies that are in need of funding. This dearth of financial backing is also affecting India and other countries; because of this the ongoing projects will get delayed. The second effect is felt in the western countries, where there is a significant reduction in public funding for healthcare research which has always been a driver of innovation.

Will recession affect Lonza's investment in 2009?

Recession will not be a setback for any of our investments. We have carefully thought about this and from the investments side we have decided not to slow down any of our initiatives. We are more careful in larger scale acquisitions and we are eager in small scale acquisitions. We are investing around Rs 2,473 crore this year for all our investments.

How has the life sciences industry matured over the years and how have the dynamics changed?

We are seeing an evolution of partnerships and the maturing of the industry over the past few years. In the beginning, companies looked out for partners for special technologies where they did not have any competency. Then they looked at third party partnership in order to reduce costs and that is how the outsourcing industry started and now in the next phase we are looking at the entire spectrum of the development process because there is much more leverage there. So what happened in the electronics 10 years earlier and automobiles industry 20 years ago is now happening in the life sciences industry.

Being in the business for a long time, how do you view the contract manufacturing market in this period of recession?

More consolidation will happen in the contract manufacturing market with a significant focus on environmental protection. The Chinese were the first one to drive in, now we will see India coming into this field. Focusing on development will help companies to get stronger. On the other hand weaker players may step out of the market and the current economic and credit crunch will support it. We have seen a lot of companies that have stepped out of this market in the last five years. More clean up will happen inside the pharma companies as well.

Is Lonza planning to set up manufacturing facilities in India?

Yes, we are planning to develop our labs and soon we will downstream into manufacturing as well. We have a pipeline which supports these developments.

What are the product lines to be introduced by Lonza in India?

We have a lot of products in bioscience cell discovery division which will help researchers in India to more effectively test drugs not only on animal cells but also on human cells by giving much better prediction models. Globally we have set ourselves in this technology but it is not so well spread in India and Asia and this is one product we want to introduce with a

big focus here as in 2009-10

How would you compare the growth of Lonza in India and China?

Lonza established its first production capacities in China in 1986. China has had a more constant growth than India. China has the advantage of having a centralized government structure, which supports infrastructure and certain strategic industries. Owing to this centralized government structure, investments of the Chinese government happen in a more consolidated and faster manner. In India, I think the development is more sustainable because we are looking at grassroots, and India also has the advantage of education.

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