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Span Diagnostics aims for Rs.1000 cr by 2020

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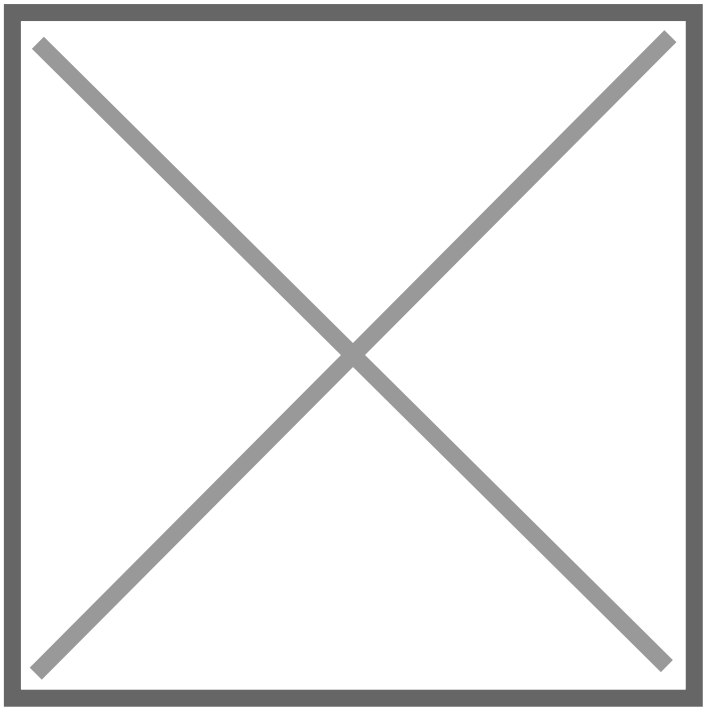
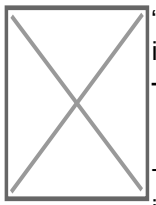


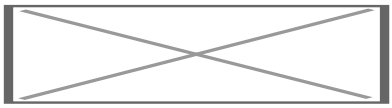
The company has plans to diversify its portfolio and focus on international markets



"The IVD market in India is growing at a rate of 10-15 percent, which is achievable for any Indian company. But, if a company wants to grow beyond that level, then it should focus on international markets"
— Mr Veeral Desai,
managing director of Span Diagnostics, Gujarat

The year 2010 has been a successful one for Span Diagnostics, a Gujarat-based diagnostic company that indigenously manufactures and supplies diagnostic reagents, instruments, consumables and kits for clinical pathology laboratories both in India and abroad. The revenues of the company for the FY 2009-10 increased by 18 percent to $18.14 million (81.9 crore) as against $15.4 mn (69.5 cr) in 2008-09. Its profits rose by a whopping 402 percent from $0.24 mn (1.1 cr) in the previous year to $1.19 mn (5.4 cr) in FY 2009-10.

To add to its laurels, for the quarter ending September 2010, net profit of the company rose by 304.62 percent to $0.58 mn (2.63 cr) as against $0.14 mn (0.65 cr) during the same quarter last year. Further, sales rose 19.47 percent to $5.84 mn (26.38 cr) from $4.89 mn (22.08 cr) between the same period. It is indeed a commendable feat for the small-sized Indian company operating in a space largely dominated by global players.



Consistent Growth
Span Diagnostics has come a long way since 1972, when Dr Pradip Desai, a pathologist by profession, decided to establish a start-up company under the name of Desai Laboratories. Dr Desai's son, Mr Veeral Desai, managing director of Span Diagnostics, says, "At that time clinical laboratories across India were in dire need of diagnostic reagents which were not readily available in the market. Responding to the market need, Dr Pradip Desai started making his own reagents and in the process got to understand the technicalities involved in making good reagents. Subsequently, he started marketing these reagents." In 1976, the company was rechristened as Span Diagnostics with an emphasis on in-house R&D to develop more and more products.

The company, has since then, moved on from strength to strength. It became a private limited company in 1981 and by the end of the 1980s, had set up its own distribution network and manufacturing facility. As early as 1991, it entered the space of lab automation and with expansion plans in view it went in for an IPO in 1994. Mr Veeral Desai, who joined the company in 1991, was the prime catalyst in introducing new technologies into the work processes of the company. This includes implementation of SAP, modernization of the plant, introducing automation, upgrading manufacturing facilities to meet the US Food and Drug Administration standards, among others. With the dawn of the new millennium, Span Diagnostics' growth

chart witnessed a major turning point.

Recalls Mr Desai, “The turning point for Span was the restructuring of its business in 2001. That was the only year the company made a loss. The time then demanded more focus on market orientation. After that there was no looking back.” In the same year, the company ventured into international marketing and exports.

Since then, Span has maintained a steady growth rate of 17-20 percent, thus, consolidating its position in the market. The top brass of the company attribute the steady growth to careful planning, reviewing and reorganizing the company structure at regular intervals.

Strong Performance
Commenting on its recent financial performance, Mr Desai says, “High growth rate was experienced because we drastically improved our operations over the past one year through better management, reorganizing marketing activities, reorientation of our infrastructure and changing our product range. Our significant growth in sales has also directly reflected in the bottom line.”

Span currently houses three businesses namely – the diagnostic reagent business, the instruments business and exports. Under the diagnostic reagents business division, there are two revenue streams – one from the market and the other from the government. A revenue split of the Span’s business reveals that 10 percent of revenue comes from exports, 17 percent from the instrument business, roughly 30 percent from the government and the remaining from market sales. Span’s products are exported to Africa, Latin America, CIS, South East Asia. By 2012, the company is looking at entering the US markets with few of its products.

Another factor for the bottomline growth was the shift in its paradigm from being a mere distributor of products to establishing its own in-house R&D units, manufacturing and selling both in the domestic and overseas markets. This has improved overall margins.

Being a partner for government programs in India and to organizations like the UN, has also played a pivotal role in the company’s phenomenal growth. Since the past eight years, the company has been supplying to National programs for AIDS and malaria. Last year, the company achieved tender sales worth ₹28 crore from the Indian government. Further, more offers are in the pipeline for the coming years. The Indian government, Mr Desai believes, has been proactive not just in the growth of the company, but for the overall growth of the in-vitro diagnostic (IVD) market too. “We are adding more products to our pipeline which in turn can be supplied not just to the Indian government but global programs as well,” adds Mr Desai. This could boost sales revenues of the company in the coming years.

Another notable alliance for Span was its joint venture with Japan-based Nihon Kohden Corporation — a Japanese medical electronics giant — to distribute its hematology analyzers in India, a few years ago. By 2008, Span had installed more than 1,000 analyzers and became the number one player in the hematology segment. In 2008, Span and Nihon Kohden announced a joint venture company, Span Nihon Kohden Diagnostics, to manufacture reagents for the hematology analyzer.

Ambitious Outlook
Looking forward, the management has kept a target of clocking a revenue of $22.15 mn (₹100 cr) by the end of the fiscal year 2010. “The turnover for the first six months of 2010 has already hit the $10.19 mn (₹46 cr) mark and I believe we are on the right track. So the remaining $12 mn (₹54 cr) will be achievable. We are looking at launching some products in the next few months. We are also looking at reorganizing our marketing activities which will improve our supply chain and make improvements in our infrastructure. We have also lined up certain activities for certain critical products which will yield good results,” adds Mr Desai.

The company is also looking at modernizing its plant, for which, investment to the tune of $2.65 mn (₹12 cr) will be made over a period of one-and-a-half-year. Funding will take place mainly from banks. Growth rate for the coming year will continue to range between 17-20 percent, however, after 2011, Span is looking at hitting a growth rate of 25-30 percent. This is due to the launch of a number of products by 2012, along with increase in export sales.

Exports will be a major cash cow for the company. The company is now looking at increasing the revenue share of exports from 10-40 percent. The process to establish its base in the US has already been rolled out. This would either be via a distributor or through a suitable acquisition. Also, Span Diagnostics has a contract manufacturing business which till date has not been its prime focus. “From 2011 onwards, we will give stress on contract manufacturing as well. We have already approached a few clients,” elaborates Mr Desai.

The management has also chalked out its 2020 plan wherein it is looking at clocking a turnover of over $200 mn (₹1,000

crore) by 2020. Apart from launching new products, the management is looking at a growth rate in export businesses ranging anywhere between 30-35 percent. Target sales from contract manufacturing will be to the tune of $44.30 mn (₹200 cr). This apart, Span Diagnostics will also look at diversifying into promising areas such as agribiotech.

Nayantara Som in Mumbai