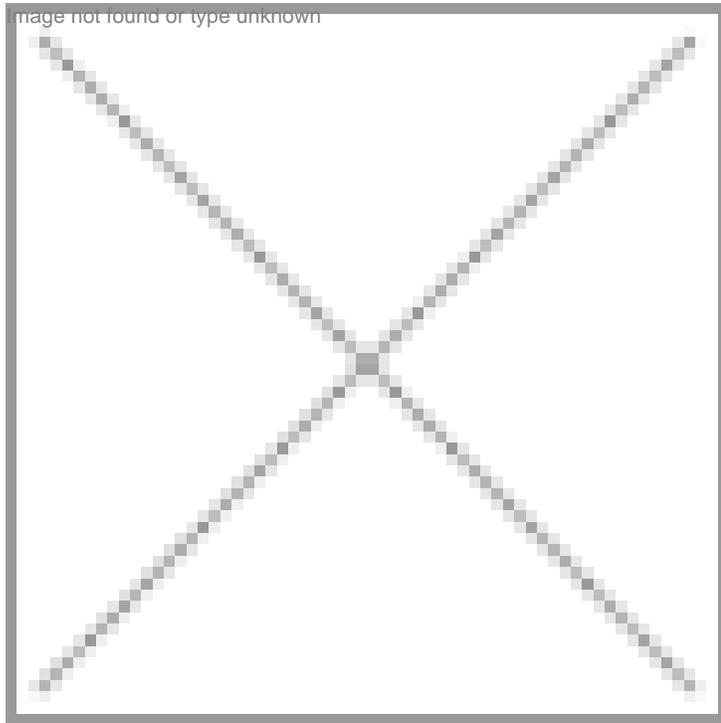


"We're keen on entering into CRO or CMO segment"

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-Dr In-Chull Kim, president and CEO, LG Life Sciences

LG Life Sciences (LGLS), an LG affiliate, is an R&D based biopharmaceutical company headquartered in Seoul, Korea. The company discovers, develops and commercializes new medicines in anti-infectives, cancer, diabetes and other chronic diseases. It is also engaged in animal health products, and specialty chemicals in South Korea. In an interview with BioSpectrum, Dr In-Chull Kim, president and CEO, LG Life Sciences shares his envisioned growth path for LGLS. Some excerpts:

LG is a prominent player in electronics and chemicals industries. How did this diversification in biopharmaceuticals happen?

LG has always been interested in investing in future technologies. Even at the government level, 10 technologies were selected as future growth of the country. One among them was biotechnology including biopharmaceuticals.

And our involvement in pharmaceuticals dates back to 1981, when we began genetic engineering research as a division of LG Chemical. We started first with research and development rather than doing business. We focused on the development of synthetic and bioengineered drugs. Over a period of time, we have developed and commercialized an array of biopharmaceutical products for the first time in Korea, and later extended to other countries. These include interferon, hepatitis B vaccine, human growth hormone, degenerative arthritis treatment, recombinant human follicle stimulating hormone and sustained release human growth hormone.

Then we launched new chemical entities program-called new drug discovery during mid 1990. We were successful in getting approvals from USFDA. We got FDA approval, in 2003, for our next-generation quinolone antibiotic. The accomplishment has happened for the first time in Asia (excluding Japan). Since then we have been working on developing original drugs and filing applications at EMEA, a European agency and USFDA. We became the second company after Sandoz to get approval for biogeneric for human growth hormone from USFDA. We have to adapt our approach and our style of functioning to compete with the companies in the western world. And, we believe that meeting the global standards is key to our success.

Do you have any collaboration with other companies or research organizations?

Yes, we do have a number of collaborations with many organizations, both local and multinationals. We have collaborations with GSK, Pfizer, and now with Gilead Sciences, a successful biopharmaceutical company from the US. To be a successful company, we have to adapt a right strategy. For example, in India the successful companies besides being into research and development are also doing clinical services. We are also planning to launch such initiatives in Korea.

Are you saying you are also looking at entering into services space?

Yes, we are keen on entering into services space like CRO or CMO. In future, the revenue will come from products as well from services area. Overall, you can describe our business as a healthcare business instead of a pharmaceutical or biopharmaceutical business.

Is there a timeline to start services activities?

We will be starting services activities in the near future. Currently, we are focusing on launching the products. We have a number of products in pipeline. We are very competitive in the Korean market in terms of sales and marketing.

Now, we have plans to set up our business in the US. We have the experience of setting up a research and development center in the US. We are thinking of setting up business operation to support our marketing initiatives like filing for product approvals with FDA and launching and utilizing direct sales capabilities in the US. The US is a very important market for any pharmaceutical company because of its market share.

Do you foresee a future for LG Life Sciences in generics or biosimilars segment?

We have some interests in generics. We believe, whatever we do should be a value-add in terms of intellectual property. Instead of commodity generics, we are interested in branded generics. It means through formulations, through some modifications to original product i.e., incremental modification, we can get the patents. Patent is the key. And our primary target is the US, followed by Japan and Europe.

What is your take on the shrinking pharma market in Japan?

You are right. The pharma market is shrinking with the rise of generics in Japan. In the last five years, the government of Japan has taken initiatives to minimize drug prices because of the burden on the healthcare expenditure. Generics is picking up in Japan and Korea.

How generics will help the company increase its revenue?

Everyone, now, is talking about the healthcare insurance. Some drugs are covered under government health insurance scheme while some are not. The current focus is on aging population in the developed countries. Those are the potential new areas for the pharma companies to target at. So, we are focusing on these niche areas, which might be prescription-based or OTC products, even at the R&D level. We are focusing on biological drugs and also on programs on monoclonal antibodies. At the same time, we are utilizing interesting materials to develop the new products that are not covered under government healthcare insurance like ointments. Even at the research level, we have adopted a hybrid strategy. Anyway we have to show profits.

What are your thoughts on inorganic growth?

Now, we are thinking about M&A. We are looking at many smaller companies instead of just one big company. We learnt a lot from the big pharma companies in the last 10 years. We have to follow our own styles or models or business approaches.

In order to be a successful company, we have to change our perspectives and thinking process. That is what I have been emphasizing to my people in the organization. We have to change our old habits and adapt to the new habits. We have look at the things based on the perspective of the customers and not on the views of the scientist and the businessman. Customers' perspective is most important factor for any company.

Considering the potential of Asian markets, do you have any plans of setting up subsidiaries in the region?

As I said earlier, our first priority will be the US. However, we are preparing to register in China as well. We already have presence in India. We will continue to maximize our capabilities in the region.

How do you look at Korea as a market for the range of products you have?

Korea is a mature market, but the distribution system in Korea is very complex. The Korean government is discussing a free trade agreement with the US government. Both the governments have agreed upon the agreement. And this year, it will be placed before the parliament of respective governments. Once it is ratified, it will open the doors for everyone in Korea. We have an open competitive system in Korea. In the next five years, there will be a lot changes in Korea.

How does the future for biotechnology industry in Korea look to you?

There is a good scope for biotechnology. The government has been driving the industry. Annually, it has been increasing the budget for R&D for not only academia but also for the industry sector. However, in my view, the government should provide R&D funds for the not only for Korean companies but also for the multinational companies in the form of tax incentives. I personally feel it will bring in more investments into the country and generate employment opportunities.

Narayan Kulkarni in Singapore