Interview: Rajeev Gupta – Managing Director, Kusum Group of Companies, Ukraine

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Rajeev Gupta, co-founder and MD of Kusum Group, the largest Indian company in Ukraine, providing domestically produced generic treatments to the Ukrainian market, describes the challenges of the procurement process and the difficulties of creating brand recognition and respect as an Indian company.

Please begin by introducing Kusum Group and the importance it holds within the Ukrainian pharmaceutical ecosystem?

Our company was first founded as a distribution company in 1994 around the export of Indian products to Ukraine. By 2002 we decided to stop distribution and launch and market our own brands. We saw that this generated great business and we decided to open our own manufacturing plants, the first in India in 2007, the second in Ukraine in 2009, and over the subsequent years have opened two more in India. We now produce over 50 products, focusing on generics, all our production sites are good manufacturing practice (GMP) certified, and we currently distribute our products to over nine countries, Ukraine being the largest market along with Uzbekistan, Kazakhstan and the Philippines. The operational costs of maintaining an extremely high-quality product always result in an increased shelf price for our products, despite our efforts to be as cost-efficient as possible.

Sales-wise we are the largest Indian company in Ukraine and the 11th largest pharmaceutical company here with a market share hovering around 2.3 percent of the total market. We would define ourselves as a Ukrainian company with Indian ties, as we are based in Ukraine with 850 of our 2000 employees worldwide – although India is an important hub of our production.

What are the difficulties of delivering high quality drugs while remaining cost efficient?

We do have multiple plants in India to remain cost efficient, but this has not stopped us from further development in Ukraine. In mid-2018 we will complete the expansion of our manufacturing plant in Sumy *[in the east of Ukraine, e.d.],* doubling our production capacity in Ukraine. Ukrainians are fast learners, hard workers and an extremely important factor behind the overall success of the company up to this point.

On the other hand, the government has not been helpful for domestic manufacturers. Our cost efficiency depends heavily on government policy and if the government wants to stimulate the pharmaceutical industry here, like they have said many times before that they would, they must allow local companies to be on a par with the new international players when it comes to decision timelines. This cannot be done like in the past, when drugs were pushed through registration without adequate information and results; it is unjust if a new international company receives a decision for drug registration within a week and it takes over a year for a domestic company to receive the same decision.

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Domestic companies are now slowly being incentivized by the introduction of the new reimbursement program that has been in place since April 2017. As I mentioned earlier, we hope to receive the same opportunities as these larger international companies, especially when it comes to how quickly decisions are made in relation to drug registration. Keeping the production in Ukraine will be of mutual benefit for us and the government as it will help stimulate jobs and revenue in an industry that has great opportunities.

As of the 1st of April 2017, a reimbursement mechanism covering 21 International nonproprietary names (INNs) in three therapeutic areas (asthma, diabetes type II, and cardiovascular diseases) has been implemented by the Ministry of Health, have you looked at being part of this new program?

In Ukraine, companies must make fast decisions, and being a domestic company we can make changes quicker than international companies, while maintaining the high standard of Ukrainian

products. When the announcement was made in January of this year we immediately began the production of medicines related to cardiovascular illnesses, diabetes and asthma.

Within three to five days of the implementation of the new system we were completely out of stock as now, with the reimbursement system, the Ukrainian people cannot afford previously expensive drugs, which are necessities in everyday life for many people to survive, not luxuries. We hope that the government can continue supporting this system and strongly consider local companies.

Ukraine has high industry standards and many Ukrainian companies are expanding into Western Europe. Is Kusum Group of Companies also looking to penetrate the EU market?

We prefer to establish ourselves in emerging markets. Our main focus at the moment it to continue our growth in the Commonwealth of Independent States (CIS) region and expand in the Latin American and south east-Asian markets. All these zones have strict regulations.

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Our long-term plan is to set up production sites in every country we establish ourselves and only produce the drugs that are to be sold in that country: localized production. We will set up our brand in the chosen country as a domestic company and we believe this will allow us to meet with local governments to get more help on a domestic level, rather than being perceived as an international company coming to take local business. This is the best way to get a large market share in developing nations, and with our vast experience and knowledge.

As a co-founder of Kusum Group, what have been the biggest challenges over the last 20 years and what are your main strategies moving forward?

The company has had its ups and downs. Thanks to our great team along the way with a lot of expertise who were always willing to work hard to achieve our objectives all challenges are successfully resolved. The most challenging period was moving from being a distribution arm of 3000 products to producing our own products and having only five. Production was not easy either, especially starting from scratch without even a manufacturing plant, but these conditions are the same for any new company. We must now strengthen and consolidate our staff and innovate and develop our manufacturing plants.

At Kusum Pharm we have begun the process of expanding as I pointed out earlier, but another priority of ours is in-licensing. We have already started this process and have a few products being produced and distributed by us throughout Ukraine, though we see this as an area of growth.

Now, we believe, it is the time to increase our market share in the Ukrainian market, and we are looking to enter the top 10 of pharmaceutical companies here. This is an achievable goal as there is little difference between Kusum at 2.3 percent and the sixth largest company at 2.5 percent, and this will help with better brand recognition, which has been a challenge. Many people suggested we change the company name, even though we have successfully built our brand through great quality products and helping the local ecosystem financially. Brand recognition is not a short-term policy, but a long-term plan through building connections, and this is how we have always seen it.

Where do you see the company in the next couple of years?

Our policy has always been high quality pharmaceuticals, as in healthcare this is an area you cannot compromise, and this is something we must continue well into our future. We are constantly evaluating ways to streamline processes and make production and distribution more cost effective, and this will be extremely important as we take advantage of the new healthcare reforms that have been put in place recently.

From a commercial perspective, we want sales globally to increase three-times. This will be through gaining brand recognition and market share growing in Ukraine and expansion of our presence on the Kazakhstani and Filipino markets. We must concentrate heavily on research and development programs to introduce new drugs into these markets and if we make these changes there is no reason we cannot achieve our objectives.

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