Interview: Ricardo Lourenço – Vice-President, Managing Director, Lupin Brazil

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Ricardo Lourenço, VP-Managing Director of Lupin in Brazil has been in charge of implementing the take over of Medquímica by Lupin. In this interview he explains Brazil is a land of many opportunities. He is looking forward to capitalize the fast growth rate of generic products in Brazil, revive the commercial potential of OTC products in its portfolio though aggressive promotion campaigns, and launch high quality affordable medicines addressing unmet needs in multiple therapeutic areas.

Lupin entered the Brazilian market in 2015 with the acquisition of Medquímica Indústria Farmacêutica, a company with more than 40 years of experience in the market in Brazil. What motivated Lupin to finally enter Brazil and why was Medquimica the right fit to fulfil this objective?

Lupin's products are available in over 100 countries across the world. The decision to establish a presence in the market lies in its ability to become a significant player in whichever market it enters and therefore, we have chosen to establish ourselves in markets with huge opportunities, so emerging markets such as Brazil and Mexico, as well as those in Eastern European, Asia, South Pacific and the Middle East. Brazil's recent growth and new position in the top six markets in the world has made it a natural progression. Having said this, Lupin has also decided to commit to the largest markets in the world like India, the U.S., and Japan.

Two options were considered to enter the Brazilian market, either starting from scratch, or acquiring a company with a longstanding presence in the market. With regards to Lupin's historic inorganic growth strategy and market complexities, Lupin finally acquired Medquímica. The acquisition of Medquímica gave us access to their strong commercial and industrial platforms in Brazil.

How do Lupin and Medquímica's brands coexist in Brazil?

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It appeared more convenient to pursue a reverse merger. We have shut down Lupin's legal existence in Brazil. Since Medquímica owned the manufacturing site and most of the registrations, moving to another company would have been more complicated.

With over 42 years of history, Medquímica's brands are well-known and respected by customers. Therefore the decision has been taken to launch the new therapeutic medicines as Lupin's specialty line and to continue selling generics as Medquímica.

What has attracted you to join Lupin in Brazil?

My career has been diverse. I have taken part in multiple projects and launches during my professional life such as the Supera JV, established in 2012. Lupin's proposal to start something from scratch really interested me. The company's energy really attracted me. But most importantly the clear vision for the company's strategy in Brazil delivered by Lupin's CEO, Vinita Gupta, during an interview in Baltimore was what brought me to the project.

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I was also captivated by its history, the way the founder has gone through all the levels in the company. It's a beautiful story, which is reflected in the company's reliable operations as a partner and in the quality of its products. After these 2 years, I understand that this is the real Spirit of Lupin.

In the last two years I have managed to balance the hard work and enjoyable moments. The company gave us the adequate level of autonomy to turn this project into a reality. Unlike many other multinational companies, Lupin trusts the local expertise's relevance. Most of the employees working for our subsidiaries are native from the country. I reckon this is especially relevant in a market with many hidden costs and a complex legal structure such as Brazil. For instance, the tax environment and labour regulations are state-specific.

What has been your approach to integrating both companies and where do you currently stand?

Lupin's merger with Medquímica was straightforward. Our five-employee subsidiary shut down for merging with Medquímica's back-offices and gradually appointing personnel to important areas that had not been filled before such as marketing intelligence, marketing *per se*, and key account management. We had to make minor changes to the management, but kept everything that made Medquímica stand out.

Since the integration, Lupin has improved its position in the market by four spots. With almost 100 million units and around 200 million tablets manufactured annually, Lupin is currently the 15th largest company by volume in Brazil. In our reference market, however, Lupin is fifth by volume. Lupin's affiliate in Brazil sells around BRL 160 million (approx. USD 50 million) at discounted prices, which according to the IMS makes Lupin the tenth largest company by value in its relevant market.

How have you achieved this performance improvement?

Despite the difficulties associated with bringing new products to the market in Brazil, we have successfully launched six new products these years. An additional six products are lined up for this year. These products are not exclusively from Lupin's pipeline. Instead, many of these products come from Lupin's local partnership agreements and international licencing contracts signed since the company's restructuration. In parallel of the launches, Lupin has selectively reinforced the promotional activities of its leading brands to comfort their advance in their segments. Altogether, these decisions have been driving the growth of our top line.

Also, in an attempt to increase customer satisfaction, we have been improving our logistics, processes and networks, as well as our customer service. We have also heavily invested in automation and equipment. We were able to raise a top-notch manufacturing site, one of the most modern in Latin America, for new oral liquids, which was approved by ANVISA within seven months. So Lupin has invested a lot and we have also implemented several practices in areas that are not so common among local companies, such as project management and cost control, in order to optimise our investments.

What does your portfolio look like at the moment and how do you see it evolving in the upcoming years?

Our company produces generics and OTC products with no specific therapeutic area of focus. Our OTC division accounts for 35 percent of our sales, generics for 23 percent, branded generics up to

17 percent and the remainder comprises of institutional sales to hospitals through public tenders and wholesalers.

Some of our OTC brands are commercial gems that have not received investments for a long time. We expect our direct-to-consumer (DTC) campaigns and efforts to improve their point-of-sale presence to revive the profitability of these products.

With regards to the historically fast growth rates of the generic segment in Brazil, 50 percent in volume and in value in the last five years, it appears important to widen the base of our generics portfolio regardless of the therapeutic class to generate more revenues. We expect our generic business to become increasingly relevant.

I am also looking forward to enter the prescription drug market in certain speciality areas. This portfolio extension would imply building a comprehensive strategy for the purpose of local development through medical promotion.

What are the other key challenges that you are facing right now?

Fortunately, the economy has remained stable in spite of the recent political crisis. For three months, foreign investors have re-committed to the market and we expect this trend to continue despite the uncertainty around next year's political environment.

The company's bottom line has improved over the past two years, but I am looking forward to make it even better. The mid-term plan is to enter the prescription market, while continuing to grow in the generics business in which we are experts. In both cases, establishing these products in the market will require us to reach a different set of customers through new distribution channels.

How to you intend to compete with well-established local players and where do you see yourself in two years' time?

If we manage the aforementioned challenges, I expect the market to react positively to any fairly priced quality product addressing an unmet need. Therefore, we intend to target the prescription market with products that have a degree of innovation.

With regards to Lupin's experience and global footprint in the generic market, producing high-quality cost-effective products should be at reach.

Our commercial and marketing structures are ready to use our investments in the promotion and development of our OTC products. Additionally, Lupin's affiliate in Brazil has recruited branding experts.

We are foreseeing growth. With the organic business that we already have and all the launches that we are preparing and our new business plan for the therapeutic market, we are expecting to grow 22 to 25 percent per year. We expect the company to triple its size in values in the next few years. I believe that Lupin will have made it to the top five in each of the relevant segments by 2020.

What would be your advice for companies that would like to enter the market?

The Brazilian market is complex and should be considered a long-term investment. Therefore anyone considering establishing a business in Brazil must define a clear strategy and make time for paybacks*, even more so in the pharmaceutical industry.

Valuing local expertise is fundamental. The South American cultures are closer to one another than they are to that of Europe or North America. I reckon my mission has been easier to accomplish as a Brazilian in Brazil than it would have been for a foreigner. Appointing a Brazilian to manage your activities in Brazil is a must because locals have a deeper understanding of a country’s mechanics.

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