Interview: Randolph Alves – Founder & Chairman, Alves Group, India

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As the founder and chairman of Alves Group, a key Indian player in medical devices with an extensive portfolio, Randolph Alves shares the challenges India needs to overcome to remain a competitive exporter. With great ambitions for Alves, he further explains how critical the international stage - especially the African market - is in contributing to the growth of the company in the five years to come.

The Indian pharmaceutical industry has been extremely successful over the past 15 years on the global stage, thereby concurring many emerging and regulated markets. How would you explain such rapid success?

The Indian pharmaceutical industry's success mainly originates from its people's scientific mindset, with excellent Indian scientific universities. Such mindset has emerged in India back in the years when the pharmaceutical multinationals, such as Pfizer, May & Bakers or GSK, were dominating the Indian market with ninety percent share and charging high prices. While the multinationals enjoyed the Indian low-cost economy, they also enlightened the local industry on what quality means. As Indians are quick learners, they have gained knowledge from them – to a point that the trend has reversed: the Indian pharmaceutical companies, such as Cipla, Dr. Reddy's, Sun Pharma, Lupin, Zydus Cadila, Torrent, Glenmark and others, now own ninety percent of the market, whereas the multinationals are handcuffed! Secondly, Indians are true entrepreneurs, who are confident enough to start joint-ventures in foreign markets, starting with the US and Europe. This is the reason why

India has become the manufacturing hub for international pharmaceutical companies.

After decades of exponential growth, the last few years have been though for Indian exports of finished formulations, decreasing by 0.5 percent for the 2016-2017 financial year, according to *Pharmexcil*. Does it appear as an exceptional rough year for Indian exports or a turning point in the pharmaceutical industry's history?

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This is only a temporary phase. The reason behind such stagnating exports lies in the sudden surge of US regulatory officials on the Indian pharmaceutical industry, tracking down all possible flaws. The reputation of our leading pharmaceutical companies such as Ranbaxy, taken over by Sun Pharma, have therefore been affected. Such altered image of a few has opened the Pandora box to further question the reliability of all Indian pharmaceuticals. However, this is a temporary phase as Indian companies are soon to satisfy the U.S regulations thanks to their commitment to quality.

While India was a key international exporter of APIs a decade ago, China is nowadays increasingly taking over the market. In your expert's opinion, what are the key success factors India needs to keep following to remain a key exporter of APIs?

In terms of manufacturing price, China has definitely gained an edge on India – offering more affordable APIs worldwide than we do, from raw materials to finished goods and packaging. To regain its competitiveness against its biggest rival, the Indian API industry therefore needs to revamp its economies of scale. The Indian industry possesses a huge potential to outwin China under this condition, as it meets higher quality standards than China does.

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Additionally, it is essential that the Indian government supports Indian manufacturing, both on a domestic and international stage, to take example on the Chinese government. Unlike China, India is a democratic country currently governed by too many bureaucratic controls and regulations. This limits the number of Indian entrepreneurs entering the manufacturing industry and take risks worldwide. As a personal illustration, when I was in Africa in the early eighties, the Chinese were absent while a few well-established Indians enjoyed the lucrative African market. Nowadays, the situation has reversed, and the Chinese are faster to invest in the continent, thanks to the support from their government. The Indian government therefore needs to be more supportive to its API industry, with less bureaucracy, with more support in building infrastructure to develop hubs and in providing advisory on the right exports prices to remain competitive. To sum up, India needs to

model the dynamics of China in conjunction with its scientific intellect to remain a key API player in the marketplace.

There are more than 35,000 factories in India. How do you see the industry evolving in the coming years?

As a matter of fact, many of these players – around 25,000 – are small and insignificant. The market also includes medium-sized players, such as Alves. Only then comes the very few large players -around fifty- who are to take an upper stage in the future, unless the smaller players take action to grow further. The issue remains that smaller players are still focused on the domestic market, which is not lucrative at all, instead of being internationally oriented. The strategy that we are following at Alves is focus on international market, and we have already set joint ventures in five countries in Africa. Presently, we are mainly focused on medical devices, as the world's market is worth USD 550 billion, in comparison to the USD five billion Indian market. Yet our vision remains to offer end-to-end healthcare solutions within both the Medtech and Pharma segments.

Can you provide us with an overview of Alves Group's revenues and its breakdown in terms of MedTech and pharma revenues?

Approximately seventy percent of our revenues come from our medical devices activity.

As a hundred-crore company (over USD 15 million), Alves is not a big player in terms of revenues yet.

However, in terms of assets, we are strong with seven factories in India, including five in medical devices. In such a field, we are manufacturing for the biggest companies such as Johnson & Johnson, 3M, BSN Medical, Paul Hartmann and Smith & Nephew, and we also supply to all Indian government tenders all over India and abroad. There is therefore a huge potential to grow.

To enter the big league, we are to set up joint ventures in foreign countries, starting with Africa in the next five years. Such continent counts fifty-four countries, representing twenty five to thirty billion USD. Latin America will be the second region to invest in. We will then eye on South East Asia, to finally consider the CIS countries. In parallel, Alves keeps growing in the Indian market, building more manufacturing facilities in the country. Finally, we are going to set up a MedTech park in Goa this year, featuring manufacturing of medical devices, pharmaceuticals, R&D, medical tourism and homecare. Needless to mention that we will be bringing to the table treatments and therapies of international standards at affordable cost and therefore bring higher added value to hospitals, doctors, and others key stakeholders among the medical community. This platform will

help us share our new ideas and support each other peers in the industry.

Indian companies are now increasingly considering joint-ventures, as the government has been starting to boost local production. As you have been a front runner in this approach, what do you believe are the success factors to set up a win-win joint venture?

The secret of a win-win joint-venture is to find a market that helps the company grow with a real market need, and to give back to the community in return; The reason we set up joint ventures in Africa is because healthcare was virtually absent over there, and manufacturing margins were higher in Africa than in India. In parallel, we wanted to bring down the healthcare costs of the continent, and train the community on how to manufacture their own pharmaceuticals and medical devices. I love the spirit of Africa, a place rich in natural resources and not yet commercialized.

What can we expect from Alves Group in the next five years?

Our ambition is to become more than a large Indian player. We are in fact aspiring to become the next Pfizer or J&J, with the goal to reach at least half a billion dollars in five years, thanks to our joint venture in Africa: we are expecting at least a hundred million dollars from each African country, since each is buying from two hundred million dollars to half a billion in healthcare spending.

As we intend to grow within the next five years, our first challenge to overcome will be our cash flow, which means that we need to raise funds for our international and domestic projects. For example, our medical-device expansion project in Goa – a turning point in our domestic development – will cost us over five hundred crores (USD 76 million), a substantial investment. We are therefore seeking to raise equity internationally. From there, foreign companies will come and outsource from us.

What sets Alves Group apart from all the players in the market?

We are one of the most established medical device players in India. I cannot see any serious international player investing in medical devices in India, as they are scared to invest in a technology they do not trust. We do not have such fears because we have our own expertise in developing technologies which have a comparable quality as internationally. That is how we have evolved as a leading player in medical devices.

As the founder and chairman of Alves Group, what has been your main achievement so far in the development and healthcare sector?

Our greatest pride is to have become a key player in the medical devices sector. As mentioned, we may not be the biggest in terms of revenues, but we certainly hold the widest range of medical devices, from fast moving ready-to-use products, to niche products and also some devices we are developing in the pipeline.

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