

## “India is a great economic story for next 50 years”

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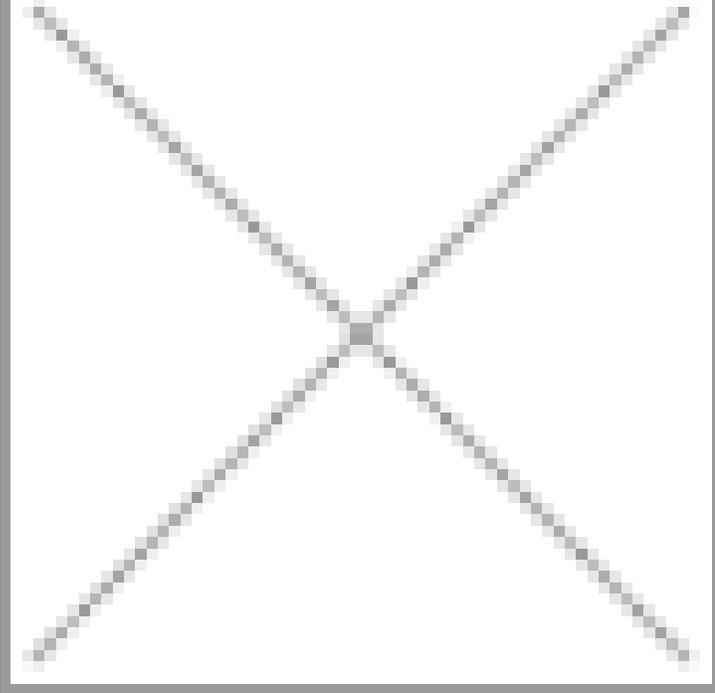
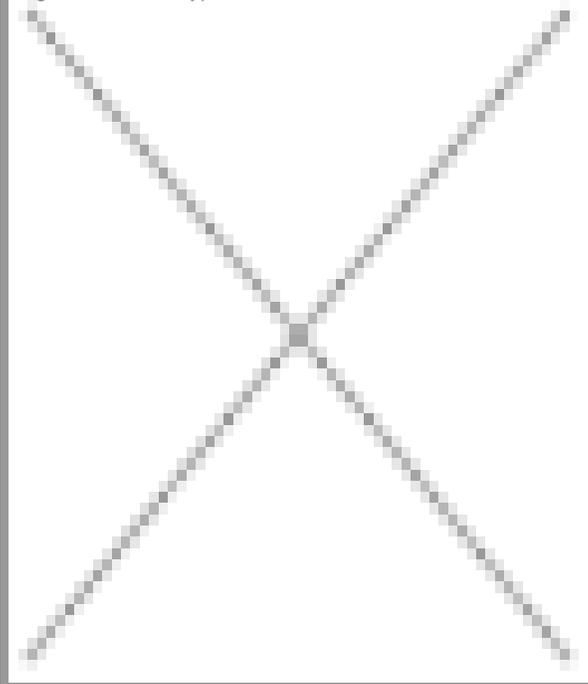


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The British pharma company, GlaxoSmithKline (GSK), is changing its focus towards developing countries for manufacturing and business. This

It was with this intention that GlaxoSmithKline unveiled a new factory in Nashik in Maharashtra to manufacture Albendazole tablet for the World Health Organization, to eliminate lymphatic filariasis (LF)-a painful parasitic infection spread by mosquitoes that causes grotesque swelling

Andrew Witty, CEO of GSK, inaugurated the facility built at a cost of Rs 1.5 crore. The factory can make 30 crore tablets, when fully-operational

The new plant will produce about one-eighth of GSK's medicines across the world. And will be an important facility in GSK's agenda to eliminate LF by 2020. The company has been working towards the common goal for over a decade.

GSK has been present in India for a very long time. It is also one of those few foreign-owned pharma firms that are listed on Indian stock exchanges. It has an annual turnover of Rs 1,859 crore and a market share of 5.3 percent, ahead of even the now integrated Pfizer India (3.5 percent). It is probably the leading MNC for vaccines in the prevention of

hepatitis A, hepatitis B, influenzae, chickenpox, diphtheria, pertussis, tetanus, rotavirus and cervical cancer. It is perhaps the first company to go into branded generics with a portfolio of prescription medicines ranging across therapeutic areas such as anti-infectives, dermatology, gynaecology, diabetes, oncology, cardiovascular disease and respiratory diseases.

Witty has also chalked out ambitious plans for Least Developed Countries (LDCs). First of which is the establishment of a patent pool to encourage R&D of drugs for neglected tropical diseases. Malaria would be one such disease that will be the center of focus.

The GSK team has also given shape to a strategy of differential pricing wherein there will be a price slash of almost 75 percent and reinvestment of around 20 percent of their profits on infrastructure development in the LDCs.

In an exclusive interview with BioSpectrum Andrew Witty shares more about GSK's plans for India.

**Q What will be India's role in GSK's overall strategy especially in areas like research?**

The industry is going through a change and there are many changes underway for us to adjust the business and research model, which was essentially designed in the 1970s and built in the 1980s. India itself is a key priority for GSK. This is one of the greatest emerging economies of the world and will be a great economic story in the next 50 years. I personally believe that GSK is as Indian as any other Indian company is. Our priority in India is to see that all our businesses in India are well established and in tune with the current business trend in the country. This is a huge manufacturing environment for GSK. The Nashik facility itself manufactures around one-eighth of the global volume of GSK's medicines. Over a period of time, you will see that GSK will have more manufacturing facilities in India. And of course, I would also like to see the increase in activity in areas such as vaccines and a few more research projects.

In my view, the center of gravity of GSK is moving towards the east – towards India, China and emerging nations of the world and that is going to have implications in our other businesses too. India will be an important manufacturing and growth point. It is a market that has demonstrated success in a variety of strategies.

**Q GSK sells a lot of off-patent drugs in India, are you comfortable with this business model?**

In India, we have just one granted patent product. So, by definition all that we sell in India is off-patent. I am comfortable with that approach. The GSK business subsidiary in India is one of the largest international subsidiaries and GSK can now compete neck and neck with the biggest of the pure Indian businesses. In terms of our broad agenda, I believe we are fortunate to live in a remarkable era of change. GSK tries to provide quality medicines that make a difference to a wider population. For that we have to create a bigger portfolio of medicines at different prices so that all people can get the same benefit of quality medicines. We have achieved that through acquisitions. For example, last year, we acquired Stiefel Laboratories that has made GSK the world's largest dermatology company. In India, we have partnerships with Strides Arcolab and Dr Reddy's Laboratories. Those partnerships supply a broad portfolio of products outside India, which allow us to have a bigger presence in those markets.

**Q Will vaccines have a significant contribution in GSK's growth story?**

Vaccines contribute to our growth in regions like India where there is a demand for cost-effective healthcare. We have done that in the former Soviet Union. It is our intention that we have the state-of-the-art vaccines available to India. Our facility in India is involved in two most modern vaccines and we are also trying to extend our capacity for other vaccines in India. Those are the subject of many conversations that are going on at the moment and by next year we will make progress in that.

**Q How favorable is the IP regime in India for GSK India?**

We will see a robust IP framework being enforced in India. I am very positive about the direction that the Indian government has chosen, but, I fully-anticipate that it will take a long time. India, will be a relatively lower priced market, because, it is emerging as a nation. It will not be realistic to say that just because there is a patent hence all the prices will go up. I will not let the issue of patents be a problem. Patents are a long-term opportunity to add value to your research. Later, Indian discoverers can be incentivized to come up with innovative medicines and they can also get returns of their investments. As the government adopts an IP framework what it needs to do over time is to adopt enforcement because there is no point in adopting a framework if you do not enforce it.

**Q What made GSK develop the model of differential pricing of its products for different regions of the world?**

I have spent most of my career in markets like Africa, and Asia Pacific including India. During that time, I realized that we cannot miss the opportunity to be engaged in the evolution of these markets. Today, most countries recognize that for different products, prices will be different in a market with high GDP than a market with low GDP. I would not think it would be fair to say that just because you cannot afford medicines at the American price nobody gets it. So, I will have to find a middle

way and that is the process we are going through now. It is thus reasonable to recognize that the prices in Manila will be different from that of Malaysia and the prices in Malaysia, be lower than Manhattan.

Last year, in April 2008, we reduced the prices of all our patented medicines in LDCs by 75 percent. In the middle income countries we are engaged in bilateral dialogues with those countries and zeroed in on a price that is appropriate for that country. In middle income countries, you need to be more customized in your approach whereas for the LDCs the level of poverty is low and it makes sense to have a more common approach. The problem is-all these years we have tried to sell same solutions to different problems. It is not likely to work. Somewhere down the line you need to incentivize research and the investments made into it and that cannot happen if there are no returns. So, I believe we need to open up access to the broader population, not to destroy incentivizing research and to be critical.

**Q GSK has come with the idea of a patent pool for neglected diseases for LDCs. Can you throw light on this concept?**

GSK is particularly looking at the 15-16 tropical diseases identified by the US FDA and the poorest countries in the world. In that we create a patent pool where we will put in all the patents of our molecules in these diseases and most importantly, our intellectual know-how and knowledge. We will make these patents available free to any collaborator, discoverer, researcher who wants to work with us or simply take that data to work on their own. We did that because for the neglected tropical diseases there is no marketplace unlike CVS, cancer or diseases that dominate the West. The marketplace essentially stimulates research. In the case of neglected tropical diseases, although they are hugely common in the LDCs there is no marketplace because the people who suffer there have no money. So, to rely on the market place to stimulate the discovery process is never going to happen. In this case, we can invite governments or NGOs to create stimulation and I believe we can make it more attractive for other researchers to do their own research.

The whole idea of a patent pool is that we look at a situation where there is no market, try and make it easier for academic research collaborations, and bring out good ideas. We have extended that in the last few months by looking at malaria as a particular disease and we have published all the possible chemical structures that GSK has which has activity against malaria and we took 20 lakh chemicals screened them against malaria and we have found 13,000 chemical structures that have activity against malaria. We make that publicly available and put in on the web where any scientist can use those molecules and try and develop a drug. We are trying to develop alternative methods to stimulate research in the areas where there have been no breakthrough in years. Albendazole, for example, has originated in animal health research, but, we should not rely on animal research to save 60 percent of the world's population. We need to find creative ways to engage companies, NGOs to challenge our intellect to find breakthroughs.

**Q Are there any reasons for GSK's late entry into UNITAID's patent pool?**

So far, there is no approval given to us to join in but there is a dialogue involved. We involved our HIV subsidiary's CEO for a meeting with the UNITAID to workout details. Secondly, we ourselves have a patent pool where access to all of our molecules, patents and HIV drugs are available to generic manufacturers. And, unlike the proposed UNITAID bill, we do not charge a royalty.

**Q What is your opinion on the hybrid model adopted by big pharma companies, will GSK go for that model?**

I am not interested in pure generics. So, while I am here you will never see GSK go up against a DRL or Ranbaxy in the US. I am not interested in that area.

**Q Does it make sense to invest in lymphatic filariasis (LF) disease area, over, say oncology?**

LF has a large population and around 120 crore people today suffer from LF. It is one of the top 15 neglected diseases in terms of presence along with others like malaria. GSK had been producing albendazole and it also applies to LF. It is all about applying your skills to the challenge that exists. So, the question of whether this is a competitive area when compared to other diseases we can work upon, the answer in this context is that it is not about 'Albendazole' and HIV is another area we are looking at for instance. So, here we put in all our patents in HIV at the disposal of generic manufacturers including Indian companies to supply tablets to LDCs to increase volumes.

**Q In LDCs, GSK is planning to reinvest 20 percent of its profits in infrastructure building. Is there a similar model for emerging nations?**

In the LDCs, we will reinvest 20 percent of our profits on infrastructure because in those countries that is often one of the main challenges. That is a piece of the puzzle that is not fixed and we have not made such a commitment in emerging markets. It would be wrong for us to make such a commitment across all nations. This is on the basis that we want to engage

in a bilateral task with government in those regions.

**Q What plans does GSK have for India as far as acquisitions and alliances are concerned?**

I would be dishonest if I say I am not looking at any acquisitions in India. Clearly we are looking at an acquisition. We are a cash-rich company both in India and globally. But, we are cautious and continue to look out and India is a great target. Frankly, there are companies here that do not know the actual worth of their assets and come up with unrealistic valuations. The reason I like alliances is that you do have to put a huge capital to have a competitive advantage. There are plenty of opportunities for alliances both with Indian companies and non-Indian companies. We are very thoughtful of the current deal structure that we use.

**Nayantara Som in Mumbai**