# New formulations?

## JB Chemicals is all geared up to start its next growth phase

Chopra: pursuing a new go-to-market model

JB Chemicals & Pharmaceuticals Ltd (JBCPL), one of the leading Indian pharmaceutical companies which specialises in branded formulations, has been in the process of re-strategising itself in the market ever since US private equity firm KKR acquired a controlling stake of 54 per cent for around ₹3,100 crore in the family-owned business, in July last year. Showing its aggressive intent, the new management has already initiated a series of measures to transform the entire business.

The ₹2,000-crore company, the owner of marquee brands such as Rantac, Metrogyl and Cilacar, has a strong portfolio in the cardiac, gastro-intestinal and anti-infective therapeutic categories across the branded formulations market. The company, previously controlled by the Mody family (that currently holds 1.9 per cent stake), has put forth an accelerated growth strategy where it looks to not only build upon its core competencies but also leverage its strengths to enter into new therapeutic areas. Backed by 4,000 employees including a 2,100-strong sales force, JBCPL has put in place a new 'go-to-market' model, where it is evaluating new growth opportunities.

The company, founded by J.B. Mody in 1976 as an API maker, has clocked a market-beating performance even during the Covid-afflicted scenario. JBCPL (head office in Mumbai) is one of the fastest-growing companies amongst the top 10 players in the covered market, and has improved its IPM ranking recently to 28th in FY21 from 32nd in FY20.

Having registered a growth of 15 per cent in its revenue to ₹2,043 in FY21, JBCPL which has five brands among the top 300 brands (flagship brands: Cilacar, Cilacar-T (Cardiac, calcium channel blocker), Metrogyl (AI, amoebicides Nicardia (cardiac, calcium channel blocker) and Rantac (gastro, anti-peptic anti-ulcerant) in the Indian formulation market, has recorded more impressive performance during Q1FY22, growing by 16 per cent to ₹606 crore.

### Market beating performance

In fact, the domestic formulation business (contributing around 50 per cent to the total revenue) of the company has clocked a market-beating performance, growing at 39 per cent in the first quarter ended June 2021, even as the international business remained flat on account of Covid-related challenges. The company exports to over 40 countries across the world and earns half its revenue from its international business where it has a front-end presence in South Africa and Russia.

As per IQVIA MAT, in June 2021, the company's growth was 24 per cent versus the market growth of 19 per cent for the IPM market. In 2021, JBCPL achieved a growth of 21 per cent as against the IPM market growth of 4.5 per cent. As per IQVIA MAT June 2021 data, all the big five brands that contribute over 75 per cent to the company's domestic formulation business, recorded an average growth of over 20 per cent.

The company, which is among the top five manufacturers of medicated and non-medicated lozenges in the world, exporting to over 30 countries, has recently expanded its portfolio foraying into the new therapeutic categories of diabetes, nephrology, respiratory, paediatric and virology.

In the first quarter of FY22, it diversified into nephrology with the launch of new dedicated division, RENOVA, to cater to the needs of chronic kidney disease patients in the country. The division consists of a 40-member team and has already launched six products in the segment.

It has also launched its NOVA division

(with a 350-strong team) with a focus on the paediatric and respiratory segments in India. The division, which focusses on antivirals, corticosteroids, anti-allergic and nicotine replacement therapies, has launched six products during the quarter. Both these divisions are expansions aligned with the company's core strengths. With the addition of these two divisions, the company, which earlier had four divisions (two each in chronic and acute), will have, in total, six divisions to cater to the domestic formulation market.

As part of moving into newer therapies and expanding its existing portfolio, JBCPL has entered the fastest-growing category of the Indian pharmaceutical market with the launch of DPPIV and SGLT2 inhibitor molecules. It has extended its lozenges expertise to Nicotine Replacement Therapy in India with the introduction of NOSMOK lozenges. It also entered the trade generics segment in the last quarter.

All these expansions and diversifications are well backed by seven world-class manufacturing facilities (across Panoli and Ankleshwar in Gujarat and Daman) including a dedicated manufacturing facility for medicated lozenges. The manufacturing facilities are certified by leading regulators across the world.

"JBCPL, as a business, possesses immense potential and we are now backed by a number of new initiatives. We are all prepared to leverage this untapped potential as part of our transformation journey that we have started recently. We want to leverage our strengths and core competencies pursuing our new 'go-to-market model'. We will continue to evaluate several new growth opportunities that will further drive productivity on a relatively stable cost base. In the next three years, we want to increase our market share by being among the top 20 companies in the IPM market," says Nikhil Chopra, 47, CEO and wholetime director, JBCPL.

*JBCPL has seven worldclass manufacturing facilities, certified by leading regulators*

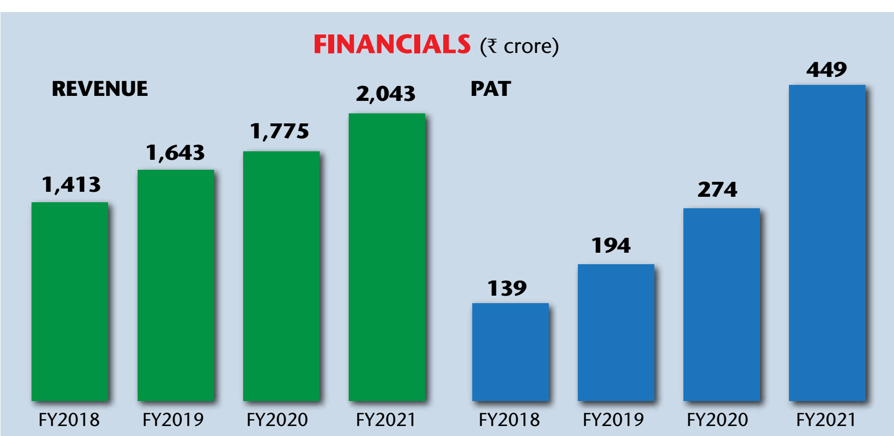
## Foraying into newer therapies

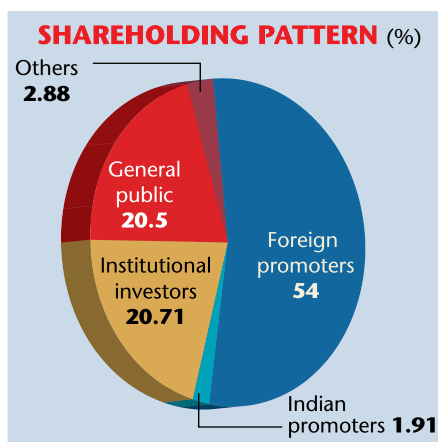
"Under the new strategy, our major focus is to strengthen our core therapy segments ie hypertension, respiratory, gastro enterology, nephrology, cardiology, dentistry, and paediatrics. In FY21, we realigned our structure and portfolio to ensure sustainable growth and focussed strongly on the lifecycle management of our flagship brands. The next priority is to scale up R&D and business development initiatives towards building a progressive portfolio for the US, Russia, South Africa, API and contract manufacturing businesses. We will focus on consolidating our business areas through a deeper presence in existing geographies and this will be aided by multiple new launches over the next two to three years," adds Chopra.

Chopra joined JBCPL in October last year. The board of directors of the company have appointed him whole-time director and Chief Executive Officer for a period of five years. Having taken the rein from JB Mody, the previous CMD of the company, he has been mandated to lead the KKR-controlled entity's growth strategy. It may be noted that JBCPL, despite being in the business for over four decades, has been regarded as a slow-moving company dependent on traditional businesses. The company has now inducted new management and expanded the board.

Prior to this, Chopra was executive vice president and CEO for the India business of pharmaceutical major Cipla. During his tenure in Cipla drove the ideas around greater access to high quality care for patients, and is credited with innovations and competitive advantage in areas like respiratory, urology, paediatric, cardio-metabolic and HIV care.

Chopra has always emphasised a 'beyond the pill' marketing approach



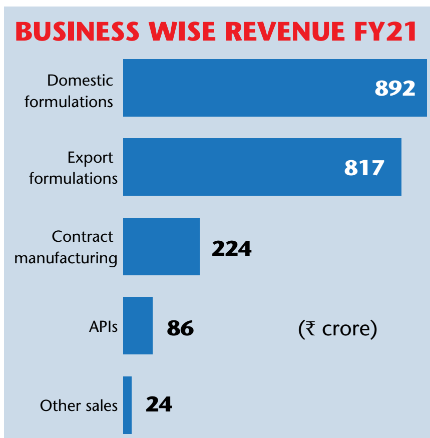
in the Indian pharmaceutical industry, which involved organic and inorganic initiatives to enhance patient awareness, education, diagnosis and adherence through various 'phygital' initiatives. His other areas of expertise include digitalisation of the pharma field force and engagement with doctors, nurturing talent and creating cross-functional collaborations. He is a strong propagator of technology towards improving healthcare access and awareness. Chopra is a gold medallist from Gujarat University's School of Science, and has a master's degree in organic chemistry.

In a short span of time, the JBCPL CEO has brought about multiple initiatives in his current assignment. He is looking to replicate some of its past proven experience as he says: "We are investing in 'beyond the pill' initiatives, tech-enabled solutions, and a 'phygital' approach to innovatively meet the diverse needs of internal stakeholders, employees, associates, and healthcare professionals."

"JBCPL is a holistic pharmaceutical company built on a strong foundation of ethics, teamwork and the belief of 'always putting patients first'." We are looking ahead and accelerating towards our 50th year in 2025 and on this journey, we will focus on strengthening our core capabilities and also building an organisation that is agile and resilient to uncertain times. Our purpose is to contribute to healthcare globally, support healthcare providers and enrich the lives of patients. Featured as one of the fastest-growing companies in the Indian pharmaceutical market, we are on a journey of sustained growth and value creation by developing products that increase health-spans, not just lifespans," adds Chopra.

Analysts believe that all these initiatives are crucial to help the company transform into a more agile organisation and get into its next growth phase with more opportunities and avenues. They are of the firm view that in the domestic market, the company's portfolio needs to be adjusted as just five flagship brands (around 30 SKUs) contribute over 75 per cent to its domestic formulations business and there is a need to broaden and diversify the portfolio with the inclusion of more products within the existing therapies as also newer products from newer


*A dedicated facility for lozenges*




therapies.

The company has all the required ingredients (world class manufacturing capabilities/infrastructure, team, etc) to become a much larger business. Analysts are of the view that KKR's presence will provide the company the much-needed wherewithal and expertise to help it commence its next growth phase in a more structured manner.

Already, the newly set up core management team and its aggressive intents are showing up in terms of encouraging results as the company is posting impressive financials. The capital market has also approved these events quite positively as the prices of JBPCL stock, in the last one year have surged over 120 per cent. Currently, the stock is hovering around ₹1,750.

"KKR's investment reflects our strong belief in India's pharmaceutical industry as Indian consumers increasingly seek out high-quality medicines and wellness products. JB provides us with a unique growth platform to target this opportunity, with its leadership position in its core products in India, a diversified portfolio of trusted brands, and high-quality manufacturing facilities," says Prashant Kumar, managing director of KKR's private equity team.

**New management**

"We are supporting JB's CEO Nikhil Chopra and his experienced management team in capitalising on these strengths, and accelerating its growth and expansion into new areas. By combining KKR's extensive global pharmaceutical and healthcare expertise with JB's core capabilities, we look forward to helping the company achieve its growth aspirations, serve its doctor-partners and patients better, actively shape a fulfilling workplace for JB's employees, and create value for its public shareholders," adds Kumar.

In the newly-constituted JBCPL board of eight directors, KKR is represented by four directors, led by the KKR India chairman, Sanjay Nayar, who is non-executive director. Nayar joined KKR in 2009 and was partner & CEO of KKR India until January 2021. Prior to joining KKR, he served as CEO of Citigroup's Indian and South Asian operations and was a member of Citigroup's Management Committee and Asia Executive Operating Committee from 2002–2009. Nayar also served in Citibank/Citigroup for 25 years in various positions in India, UK and USA.

Other KKR representatives include non-executive directors like, Gaurav Trehan, partner and head of the private equity business for KKR India; Prashant Kumar, managing director at KKR's private equity team and Ananya Tripathi, director with KKR Capstone, who leads the team's value-creation efforts across KKR India's private equity portfolio companies.

Ranjit Shahani is the chairman and independent director of JBCPL. He is a global business leader with over 40 years of experience in industries such as healthcare, pharmaceuticals, health technology, and speciality chemicals. He served as vice-chairman and managing director of Novartis, India. Sumit Bose, ex IAS (former revenue secretary, GoI) and Padmini Khare Kaicker, the managing partner of BK Khare & Co, are the other two independent directors.

As part of its new strategy, the management, in the next two-three years, is aiming to improve the company's IPM ranking to 20th from the current 28th in the domestic formulation market. The company is looking to increase its share of the domestic formulation business from around 50 per cent to 60 per cent of its total revenue by expanding the contribution of chronic therapies.

"For the company, the domestic formulations business remains a key focus area and it has been consistently growing at better than industry growth rate over the last several years. While India has historically been a market dominated by acute therapies, the trend has been shifting to a larger contribution from chronic drugs in the consumption base. As per IQVIA IMS data, the share of chronic therapies in the Indian pharmaceutical market has expanded from 31 per cent to 36 per cent between FY13 and FY21. This is in line with the trend in several global economies that have seen a larger incidence of lifestyle diseases on the back of improved diagnoses and better compliance by patients," states the JBCPL CEO.

There are now concerted efforts to expand the portfolio of top brands from five brands (across two-three therapies) in the top 300 brands in the IPM market to eight to nine sizeable brands across four-five therapies.

All these years, the company has been quite conservative and would launch one to two new products annually. However, under its new strategy, it has decided to be more aggressive and aims to launch six to eight products annually. In fact, during the last fiscal, the company launched 10 new products across angiotensin receptor blocker, anti-diabetic, calcium channel blocker, hypotensive, anti-peptic ulcerant, anti-viral and anti-parasitic segments – all of which have shown good traction in the market.

While doing so, it has been felt that there is a need to augment the prescriber relationship by expanding the reach to specialists (cardiologists, nephrologists, etc). Currently, the prescriber relationship is primarily focused on physicians. In order to achieve the desired results, the company has taken a conscious decision to improve the productivity of its 2,000-odd field force in the domestic market. In fact, it aims to ramp up workforce productivity by 12-14 per cent from the current level.

*JBCPL is among the top five manufacturers of lozenges*

JBCPL's international business, which contributes around 50 per cent of the total revenue, comprises three segments: export formulations, API and contract manufacturing. The company operates distinct operating models across multiple international businesses with a direct presence in Russia and South Africa as well as distributor relationships in the US and a large number of markets across Asia, Africa and Latin America.

It also has a leading global position in the contract manufacturing market driven by marquee client relationships. The company supplies lozenges (manufacturing capacity: two billion units per annum) and tablets (capacity: 7.6 billion) to MNC clients like Johnson & Johnson and Procter & Gamble. It is now consciously looking to ramp up its contract manufacturing business (which currently contributes around 10 per cent to the overall revenue) and expand its partnerships with new MNC clients. Besides, the management is contemplating launching a few of these wellness lozenges in the Indian market under its own label.

**Overseas business**

Overall, the company's international business derives strong visibility from its wide geographical presence, increased focus on ANDA filings, new product introductions in the markets of Russia and South Africa, a focus on the lucrative contract manufacturing business backed by state-of-the-art manufacturing facilities and a wide range of products across injectables, solids and semi-solids.

The company's overall consolidated formulations exports during FY21 (at around ₹1,007 crore) were 19.1 per cent higher over the previous year. Despite many markets in the Rest of the World business (other than Russia-CIS) remaining subdued due to Covid-19, exports to these markets delivered revenues of ₹565 crore and achieved a robust growth of over 24 per cent on the back of the strong growth of 63 per cent delivered by the US market. The company holds 19 ANDAs and two ANDAs are pending approval by US FDA.

"In our international business, our presence is strategically dominant, both in our home markets (Russia, South Africa) as well as in the 30+ countries where we operate. We will remain focused on consolidating existing business areas through a deeper presence in existing geographies, aided by new launches and dossier buyouts. Strengthening and scaling up R&D and business development initiatives towards building a progressive portfolio will be a continued objective," says Chopra. With all these developments in place, JBPCL is all geared up to commence its next growth phase. The new management, backed by KKR has put forth multiple initiatives to get some much-needed momentum into the entire business. Backed by a state-of-the-art manufacturing infrastructure, strong product portfolio with high growth brands, improving marketing capability and a strong balance sheet, it is well poised for growth and organisational improvement on a variety of parameters. Besides, it enjoys a positive business outlook both in domestic and international markets. ◆

ARBIND GUPTA
arbind.gupta@businessindiagroup.com