

J.B. Chemicals & Pharmaceuticals Ltd (JBCPL) was incorporated in Mumbai, India by J B Mody in 1976 to manufacture basic chemicals, pharmaceuticals, The Pharmaceuticals division of the company manufactures and markets a wide range of formulations, herbal remedies, bulk drugs, intermediates and radio-diagnostics. The Company ranks 38th in India as per ORG-IMS. It enjoys a strong presence in the cardiovascular, anti-infective, anti-ulcerant, NSAID and dental therapeutic segments in India and exports to more than 30 countries. One of the company's top brand is 'Doktor Mom' that received the Reader's Digest award as the "Most Trusted European Brand" award for the fifth consecutive year and the other top brands are Metrogyl, Rantac & Nicardia.

Mr. Nirav Mody is a Vice President at J. B. Chemicals & Pharmaceuticals Ltd. He looks after Strategic Marketing and Business Development activities at JBCPL. He has done his Bachelor of Science in Business Administration receiving high honors from Carnegie Mellon University in Pittsburgh, USA, with a double major in Finance and Management Information Systems. After graduation, he worked at Rodman & Renshaw, a boutique investment bank, in equity research. His internships with reputed investment banks like Salomon Smith Barney, New York and DSP Merrill Lynch, India have given him good international business exposure.



In an exclusive interview with **India Infoline Pvt. Ltd**, Mr. Nirav Mody spoke with **Veebha Salvi and Alok Dalal**, about the company's business and its growth prospects going ahead.

What are the top Pharmaceutical brands of the company and how much do they contribute to the turnover?

Following are the top brands of the company contributing 90% of the total turnover wherein 'Doktor Mom' remains to be the biggest contributor.

- Doktor Mom (herbal cough & cold product)
- Nicardia Nifedipine (ranks 1st in Ca Channel Blocker market)
- Metrogyl Metrodinazole (ranks 1st in amoebicide market)
- Rantac Ranitidine (ranks 5th in antipeptic ulcerant market)
- Moviz, Moviz 3D Aceclofenac (NSAID) (ranks 4th in arthritis segment)
- Motiza Etopride (ranks 2nd in prokinetic segment)

Who are closest competitors for the top brands of the company?

We compete with Nicholas Piramal for our product 'Metrogyl' and with GSK India for our product 'Rantac'.

Currently what percentage of the company's product portfolio comes under DPCO coverage and under faster growing pharma categories?

20% of our product portfolio is currently under DPCO and 22% of the total portfolio comprise of faster growing segments like CNS, CVS and Diabetology.

Give us more details of your top brand 'Doktor Mom'?

The company is capitalizing on the vast OTC market opportunity through its herbal product 'Doktor Mom'. Doktor Mom is considered to be one of the few mega brands created by an Indian pharmaceutical company outside India. Doktor Mom is a purely herbal product. It comes in the form of syrup, rub and lozenges (5 flavours- pineapple, strawberry, raspberry, lemon and orange).

Doktor Mom is widely marketed by JBCPL in Russia, Ukraine and CIS through its own sales representatives. Doktor Mom has been awarded "Most Trusted European Brand Award" by Readers Digest in the cough and cold segment. This award was given to JBCPL by Readers Digest for the last 5 consecutive years (2001, 02, 03, 04, 05). In 2005 the Russian council voted it as the "Super Brand" in Russia. This is a household brand in those markets. JBCPL does about \$15 million from this brand itself in Russia, Ukraine and CIS markets. Recently JBCPL had out-licensed Doktor Mom brand to Ranbaxy for Romania.

Gives us more details about the new SBU of the company 'Zephyr'?

'Zephyr' is one of our specialty pharma divisions focusing on Diabetology and CNS products.

Could you give us the details of the Company's current exports & plans for the same going ahead?

The Company's exports that grew at 30% yoy stood at Rs2.1bn and constituted 57% of the total revenue in 2004-05. The Company's aggressive thrust on expanding export market particularly Russia and CIS Countries have yielded good results. The exports turnover from these markets itself stood at Rs1.6bn in FY05 and Russia contributed 35% to the company's total turnover. One of the main brands of the company's exports includes 'Doktor Mom'. The company commenced ciprofloxacin tablet shipments to the US market in FY05 and registered 741 products during the year. Going forward Russia and India will continue to be our focus by introduction of newer products, brand building of existing products and strengthening our infrastructure. For the regulated markets we do not plan on setting up our own infrastructure but rather partner with companies who have a strong presence in those markets. For the semi-regulated markets we will set up our own infrastructure of office and sales representatives.

Who are your top clients?

Our biggest client as of now is the recent deal with the Australian company 'Pharmacare' and the other deal with Ranbaxy for 'Doktor Mom' in Romania. Apart from these we are in negotiation with some more companies for such strategic tie-ups for marketing and promotional purpose in the regulated markets.

Which are the manufacturing facilities of the company and where are they located?

The company has formulation facilities at Panoli plant, for tablets, injections, topicals (creams, ointments and gels), liquids & capsules. US FDA, UK MHRA, TGA Australia & INVIMA Colombia have approved the tablet facility. The topicals, liquid herbal and injection 100ml facility is approved by Latvia as EU GMP. The company has two plants for manufacturing of API's, which are USFDA approved, and the plant at Daman is the fully-automated 100% EOU lozenges plant, which is built in accordance with the USFDA standards.

How many patents have been filed by the company and received the approval?

The Company has received numerous national and international patents across different therapeutic segments.

- Total patents granted internationally - 28
- Total patents applied for internationally - 26
- Total patents granted in India - 15
- Total patents applied for in India – 45

Which are the recent ANDA approvals received by the company?

Our Company has recently received ANDA approval on 'Ciprofloxacin' and 'Fluconazole' (Anti-Fungal) and is awaiting approval on 'Atenolol' and two other ANDAs. Going forward we plan to file 4-5 ANDAs every year.

Currently, our market share of 'Ciprofloxacin' is very meager as we don't possess our own API for it but are into a process of developing one and include it in our ANDA. As far as 'Fluconazole' is concerned currently we are in the process of developing our API. Hopefully we start selling the same within a year from now and it would further take six to eight months to receive the ANDA approval on it.

What is the company's R&D spending?

The Company's R&D spend in FY05 was 2%-3% of the turnover and is expected to grow slowly with new launches going ahead.

To what extent has the recent fire at the Ankleshwar Plant affected the company?

Luckily, there has not been any major damage caused to the lives & factory. However, the storage area with the packing materials were damaged to the tune of Rs15mn, which would not hamper the financial performance of the company in FY06 as it, comes under the insurance coverage.

What are the company's strategies with respect to different markets?

- **Domestic Markets**

As far as the domestic markets are concerned the company's focus would be on increasing the coverage of therapeutics from current 50% by increasing the product range and setting up specialty therapeutic divisions. In-licensing and Contrast Media are also good opportunities for us in the domestic markets. We are strong in Contrast Media and possess good market share.

- **Russia and CIS**

A combination of OTC and ethical products will play a vital role. We plan on setting up a hospital sales force for IV products. Introduction of niche products and brand building will play an important role in pushing us in the top 20 list pharmaceutical companies. Expansion into newer CIS countries will also be our focus.

- **Regulated markets**

Our focus for the international markets would be to tap the 'Generics market' by filing of ANDA's and entering into partnerships with the companies having presence in US, Europe, South Africa, Japan and Australia through a proper channel rather than entering these markets by setting up full-fledged infrastructure of the company. The company clearly wants to follow the outsourcing model as far as these markets are concerned, as it is strong in development activities. Our second strategy would be to focus on Contract research & development in these markets and thirdly to focus on Contract Manufacturing.

- **Semi-regulated markets**

We would set up our infrastructure to develop our base in these markets by focusing on South East Asia, Middle East and Gulf countries, Africa and Latin America.

What is the size of the field force and the total staff strength of the company?

We have 700 MRs in India and 170 in Russia, Ukraine and CIS countries taken together. The company has a total of 2000 employees.

What is the company's business plans going ahead?

Following are some of the targets set by the company to be achieved in near future:

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- To file ANDA for exploiting the opportunities in the US generics market.
- Backward integration to have own API.
- To exploit markets like Europe, South Africa, Japan and Australia
- To focus on South East Asia, Middle East and Gulf countries, Africa and Latin America in semi-regulated markets.
- Contract research and development to be our biggest opportunity for the company by entering into more and more strategic alliances till FY07.
- To use India's base as low cost contract manufacturing
- In-licensing for India and Russia
- Out-licensing Doktor Mom brand to other companies for other markets.
- To get the plants of all dosage forms approved by country health authorities

What are the capex plans of the company?

We have plans to incur a capex of around Rs650mn to be spread over two years from the company's internal accruals. This would be used to fund the setting up of two new facilities, one for Vials & pre-filled syringes and the other for a multipurpose API facility. As far as the installed capacity is concerned the company has enough of it so as to meet its requirement of domestic as well as regulated markets for the next three years. The recent facility set up at Daman has also contributed in augmenting our installed capacities further for tablets and lozenges.

What would be the expected topline and bottomline growth and the overall financial efficiency of JBCPL in FY06?

In 2004-05, we had grown by 18.15 % in sales and 16% in Profit and will continue to show similar or better growth in the years to come, backed by the growth in exports. It will also be able to maintain the current level of operating margins and might see some expansion backed by margins in exports. The company will be able to maintain its effective tax rate at 12% in FY06 backed by the 100% tax benefit enjoyed by the company at its Daman plant.

What was the company's dividend payout in FY05? Going ahead what are the plans?

In 2004-05 the dividend payout was 37.06% of PAT. The Company's payout policy is to distribute 30% of PAT as dividend.