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REVIEW ARTICLE

EXPANSION OF PHARMACEUTICAL INDUSTRY: CASE OF LUPIN LIMITED

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ABSTRACT

Lupin is a global pharmaceutical company. It manufactures and markets a huge basket of pharmaceutical formulations in India, US and several other markets across the world. The case study is about the internationalization and global expansion of the company.

INTRODUCTION

Lupin is an innovation led transnational pharmaceutical major producing and developing a wide range of branded and generic formulations as well as biotechnology products and APIs globally. The Company is a significant player in the Cardiovascular, Diabetology, Asthma, Pediatrics, CNS, GI, Anti-Infective and NSAID space and holds global leadership positions in the Anti-TB and Cephalosporin segment.

Synopsis of the company: Lupin is the 5th largest and fastest growing top 5 generics player in the US (5.3% market share by prescriptions, IMS Health) and the 3rd largest Indian pharmaceutical company by sales. The Company is also the fastest growing top 10 generic pharmaceutical players in Japan and South Africa (IMS). Lupin benefitted from the cost arbitrage between India and developed countries as all of Lupin's manufacturing plants initially were located in India. From the international footprint table of Lupin it is clear that Lupin wanted to leverage this cost arbitrage internationally by entering into strategic marketing alliances with firms. Lupin continues to invest heavily in its R&D programs. The Company invested 8.6% of its net sales in R&D and related spends, amounting to Rs. 9,583 million in 2013-14. Lupin has designed a very successful research program which continues to ensure the delivery of a sustainable pipeline of high-value opportunities that are maximizing growth for the Company across markets.

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Path to Internationalization: Lupin is one of the largest and fastest growing pharmaceutical companies in India. It is present in more than 70 countries. Lupin has used a mix of international expansion strategies which reflect the need and stage in the growth life cycle of Lupin itself. Table 1.2 below shows the internationalization history of Lupin. In 2002-03 Lupin had already made inroads into the active pharmaceutical ingredient or API supplies in the US and Europe, but was a fringe player in most other markets.

Lupin Pharmaceuticals, Inc. entered the U.S. generic pharmaceutical market in 2003. Since then company have received more than 75 FDA approvals and have become one of the fastest growing pharmaceutical companies in the US. Lupin operates a globally integrated network of 11 manufacturing facilities. Their world class facilities are built to manufacture and deliver a wide range of finished products to the US market. USA is the main market fir Lupin's operations. Lupin has experienced a wide degree of transformation. It has started with opening a subsidiary in USA to sell its product, while the same team is selling some other companies product in the country. Medicines in Japan have different specifications from other markets. The percentage of residual impurities and the raw material strengths are different from that of US or European requirements and therefore, cannot be clubbed together with those markets. As a result, Lupin revealed the first step in its strategy—a co-operation agreement with a 50-year old local drug firm Kyowa Pharmaceutical to market medicines in Japan.

Table 1.1. Lupin – basic facts

Headquarters	Mumbai, India
Public or Private	Public
Year of Establishment	1968
Revenues (2013-14)	$1.89 bn
Specialties	Formulations, APIs, Generics, Biotechnology, Novel Drug Discovery and Development, Drug Delivery Systems, Specialty Pharmaceuticals

Table 1.2. International Operations History – Lupin

Year	Modes of internationalization	Company Name	Country	Motivating factor
2003	Subsidiary	Lupin Pharmaceuticals Inc.	USA	Market Access
2004	Subsidiary	Lupin Australia Pty Ltd., Australia	Australia	Market Access
2004	Strategic alliance	Baxter	USA	Will provide Lupin access to the US ceftriaxone vial market.
2005	Strategic agreement	GSK	Philippines	Geographical expansion
2006	Acquisition	51% equity in DafraPharma ltd	Belgium	strategic initiative
2007	Subsidiary	Lupin Atlantis Holdings SA	Switzerland	-
2007	acquisition	Kyowa	Japan	Kyowa has major strengths in product development, manufacturing and marketing of its products nationwide. Lupin will be able to add significant value through its strengths in R&D and global marketing, leading to major synergies.
2008	Acquisition	Generic Health	Australia	Business expansion
2008	Acquisition	Pharma Dynamics	South Africa	3rd largest generic company in the SA prescriptions market.
2008	Strategic Agreement	ASCENA	USA	Extend Suprax franchise and enhance the value of brand business in the U.S."
2008	Acquisition	HormosanPharma	Germany	-
2009	Subsidiary	Lupin (Europe) Ltd.	UK	-
2009	Subsidiary	Lupin Pharma Canada Ltd.	Canada	-
2009	Acquisition	Multicare Pharmaceuticals	Philippines	acquisition offers Lupin an entry into this $2.5 billion market
2010	Subsidiary	Lupin Mexico S.A. de C.V	Mexico	-
2011	Acquisition	I'Rom pharmaceuticals	Tokyo	IP's strong presence in the DPC hospital segment in Japan, through its line of injectable products, is an ideal fit with our existing oral business portfolio in Japan.
2011	Licensing agreement	Sydney	Australia	-
2011	Supply agreement	farmanguinkos	Brazil	providing comprehensive therapeutic care in the areas of conventional TB and MDR-TB,
2013	Licensing Agreement	Romark Lab	USA	grow its brand franchise
2014	Joint venture	yoshindo	Japan	First step forward to establishing Lupin's global Biosimilar portfolio".
2014	acquisition	Laboratorios grin	Mexico	Specialty Ophthalmic Company; Enters the Latin American Market.
2014	acquisition	Nanomi B.V.	Netherlands	use of Nanomi's proprietary technology platform,
2014	Joint Venture	YL Biologics Ltd.	Japan	-
2015	Acquisition	Biocom	Russia	-
2015	Acquisition	Medquimica	Brazil	-

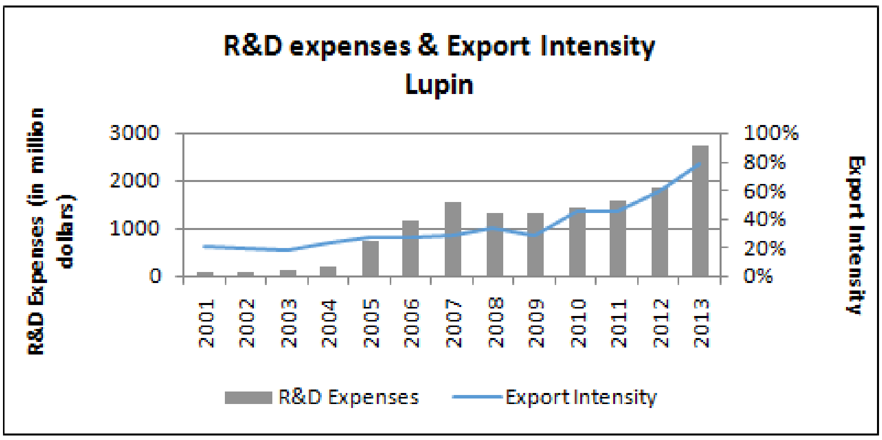

Fig 7.1. R&D expenses & Export Intensity – Lupin

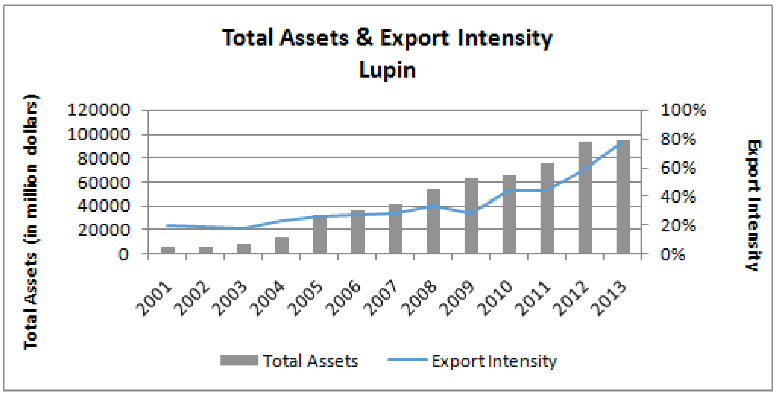

Fig 7.2. Total Assets & Export Intensity – Lupin

The agreement turned out to be pivotal. While Lupin had to develop and manufacture the medicine, Kyowa was supposed to conduct regulatory testing, obtain approvals and market the drugs in Japan. Two years later, Lupin acquired a majority stake in privately-held Kyowa, and in 2008, turned it into a 100 per cent subsidiary. Kyowa gave Lupin lot of insights into the working of the Japanese generic market. Company added new products in the Kyowa pipeline, and in less than three years, doubled its turnover.

Analysis and Conclusion

Again, just like its peers in Top pharmaceutical companies of India, and as can be seen in Fig 7.1 and 7.2 below, the export intensity has been directly correlated with R&D expenses as well as Total Assets. Lupin started with the organics entry in international market. But with its strengths and capabilities it moved to other non- organic modes of expansion as well. Thus, it can be said that Lupin is set to emerge as a transnational enterprise from a purely Indian operation leveraging its ownership resources of low cost manufacturing and acquired R&D capabilities, tuning its strategies to enter markets with best location advantages and using its core competencies to internalize key functions and actually magnetizing these strategic assets.

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