

Business



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Interview Brian Tempest, chief executive-designate of Ranbaxy

Benign buccaneer

Randeep Ramesh in New Delhi

Brian Tempest makes for a very odd pirate. The 56-year-old Lancastrian has landed the top job at India's Ranbaxy, whose \$1bn (£550m) worth of drug sales was built on the ability to make cheap copies of patented medicines in a practice famously likened to 17th century piracy by Sir Richard Sykes, then chairman of Glaxo-SmithKline.

"I've had Sir Richard around to my house to dinner. I think he joined Glaxo the same day I did. He's from Yorkshire, I am from the other side. We go back a long way," says Dr Tempest, Ranbaxy's chief executive-designate, with a smile.

What infuriated Sykes and the biggest guns in the pharmaceutical industry was India's relaxed patent regime. For years India's laws meant that its drug manufacturers could refine their copycat techniques legally at home as long as they tweaked the manufacturing process.

Companies like Ranbaxy exploited the legislation to clone best-selling, patent-protected drugs and then sell them in the Indian domestic market and to other countries with lax patent laws. The result was a buoyant, fiercely competitive Indian market, rising sales and a surfeit of organic chemists, who cost only a third as much to employ as their peers in the US.

"Ranbaxy has some competitive edges: first, in the Indian home market there can be up to 200 brands for any one molecule. This means we are used to fierce competition. Second, the cost of manufacturing is lower," says Tempest. But this party is coming to an end. From next year India's intellectual-property protections will fall in line with international norms as part of India's commitment to the World Trade Organisation. This should appease multinationals who shunned the country because of the lack of patent rights.

"I believe that intellectual property will be introduced in India and the courts will protect it," says Tempest. "This is why you have a lot of big pharmaceutical companies putting in here now. They are all coming back. Most board meetings of most global companies are already talking about this place."

While others might see threats, Tempest sees opportunities. "What makes the difference is Ranbaxy's cost of innovation. When I meet our competitors I come away and think they are spending more than us on research and development and are short of products. We are spending less than them on R&D and we actually have a richer pipeline."

Rather like India's software industry, companies such as Ranbaxy hope to build partnerships with western firms which could outsource their research operations to India. Where there is money to be made in drugs, "big pharma" forms relationships faster than you can say "pirates ahoy!"

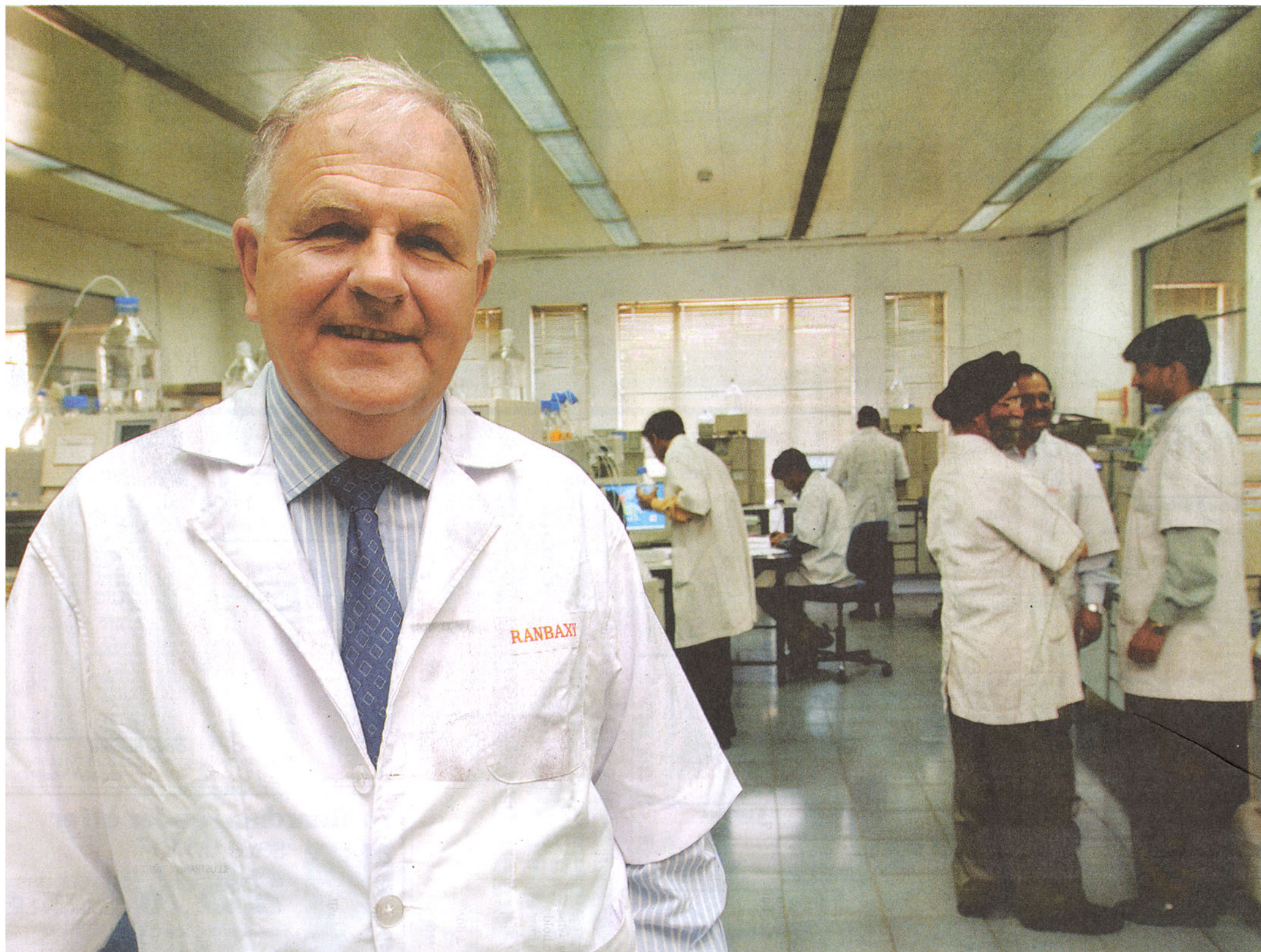
Friend and foe

Take Ranbaxy's old foe GlaxoSmithKline. Although the Indian company successfully challenged Glaxo's patent on the Cefitin antibiotic in March last year, just six months later the global firm signed a deal with Ranbaxy to research possible new treatments.

"We have a pretty mature relationship with the senior management of GSK," says Tempest. Such tie-ups should not diminish the importance of Ranbaxy's legal strategy. Sales of Cefitin contributed to almost half of Ranbaxy's \$500m US turnover. And by getting in first, Ranbaxy has sole rights to be the only generic seller of the antibiotic in the American market for 15 months.

Tempest is aware of the diminishing returns of patent challenges as other competitors pile in and reduce margins. "You have to be very careful and clever in what you pick for filing in the US. Too many suppliers means profit margins fall so fast there is nothing left for anybody." And Ranbaxy appears to have been "very careful and clever".

The company's US arm only began marketing products in 1998. It is now



Brian Tempest in one of Ranbaxy's labs Photograph: Pablo Bartholomew
 Netphotograph

among the 10 biggest players in the US generics market and one of the country's fastest growing drug companies.

It still has around 25 pending approvals in what analysts describe as one of the best pipelines in the generics business. Most notably, Ranbaxy has aimed its lawyers at the patent on the world's best-selling medicine: Lipitor, Pfizer's cholesterol-lowering pill, which notched up \$8bn of sales a year.

"One cannot be a player in the generic market in the US without getting into litigation. It is often the only way of resolving issues simply and quickly. That is the way America works," says Tempest. He points out that although GSK and Ranbaxy are partners in India "we are in litigation in the US, but we work on the basis of the best man wins".

The generics industry was brought in from the cold because of two global trends: the Aids epidemic and ageing populations of the developed world.

The former gave copycat drugs producers a social credibility they previously lacked. Ranbaxy, which has patented a single triple-treatment medicine for Aids, is one of two Indian companies that signed up to Bill Clinton's cheap-drugs initiative for Africa.

"We don't make a lot of money out of selling Aids treatments cheaply. I tell all the analysts that this is really out of social responsibility because we are based in the developing world and have all its issues on our doorstep," Tempest says.

More lucrative is likely to be pressure on health budgets as populations in the rich world become greyer. "As the world gets older the cost of health care will rise because older people consume more medicines," he says. "As government looks to keep costs down, the pressure builds up to expand the generic share of the drugs market."

In France, where Ranbaxy recently bought RPG Aventis' generic unit for £30m, non-branded drugs only account for 10% of prescriptions. "This can only rise," Tempest says. What the chief executive-designate wants for Ranbaxy is to transform it into nothing less than a new drugs powerhouse, and he wants to do it in a hurry as "down the road the Chinese are coming".

He says: "The Chinese are only selling the raw materials at the moment, not the tablets and capsules. There are no Chinese companies filing patents in the US.

But it will come. You can see it happening there. And when it happens it will generate extra stress on the generic market place. By that time we want a proprietary business that has grown and is sitting alongside our generic business."

Tempest says Ranbaxy has already produced innovations from its branded business. He reels off a list of Ranbaxy's own products that have made an impression on world markets: Riomet, the only liquid form of a treatment for diabetes, the seventh biggest killer in the US; Isotretinoin, a powerful anti-acne agent, which the Indian company claims only they can deliver at the correct dosage, and a unique dissolvable form of a penicillin, called DisperMox.

The advantage of such drugs is not the medicine. More important is the methods by which treatments get to the site of action. Tempest admits that these are "pseudo brands just to get us going".

On the road

"We are the only companies with them. There is a certain exclusivity. We have 600 reps on the road in the US taking these products to doctors. We will use this period to establish ourselves," he says.

Tempest does not lack vision and, in one way, he is a trailblazer: as the only white European to head an Indian family business. "I have worked with different ethnic groups all my life. Japanese, Koreans, Taiwanese, Americans, Europeans and Indians. I see it as one of the enjoyments of life working with different cultures. I have been with Ranbaxy

nine years. The way I see it is that I have got on with Ranbaxy and Ranbaxy has got on with me."

Being an outsider in a company which is 30% owned by one family, the Singhs, might at first glance present problems, especially since the eldest son, and heir apparent, Malvinder, works there.

"Actually the founder of Ranbaxy, Dr Parvinder Singh, was the person who got me to join the company. He invited me for a cup of tea in Geneva. It was a very Indian way of doing business."

Born in Morecambe, Lancashire, Tempest revels in the role of blunt-speaking Brit in a country where capitalism has only just arrived. His attitude is can do, not can't be bothered. "My father was a barber, and he told me 'If you don't pass your exams, you will be sitting here with me, cutting hair'. I decided early on it was time to get on with things."

He enjoys the corporate life although his fifth floor office is a world away from the glass and chrome penthouses of the big pharmaceutical bosses. "I actually say I would like to have less reputation and a little more sales and profits. Everybody seems to know us, but we are pretty small in the great scheme of things."

This does not mean he cannot mix it with some of the biggest names in the business. His boss at drugs company GD Searle was Donald Rumsfeld. "I used to go to Chicago and present my budget to him. I saw Rumsfeld the other day on top of a tank taking questions from American reporters. And when he was barking 'question! question!' I thought I've been there, I've done that."

'There are no Chinese firms filing patents in the US. But it will come'

The CV

Born 13 June 1947

Education PhD in chemistry, Lancaster University

Family Married, three sons

Career July 2004- chief executive and managing director, Ranbaxy. 1995-2004 Ranbaxy regional director, promoted to president in 2000. 1993-95 Fisons Worldwide commercial operations director. 1985-1993 Glaxo regional director for the Far East. Fourteen years with GD Searle and Beecham.

Leisure Driving