

## Executive Summary

1. The project entitled 'Success Stories of Drugs & Pharmaceuticals, Biotechnology and Process Engineering Industry was awarded to GESS to document the success and lessons learnt of identified companies from three sectors namely, Drugs and Pharmaceuticals, Biotechnology and Process Engineering to serve as business models for strategies of success and lessons to others. The project was also intended to elucidate the role of critical success factors in the successes and lessons learned of the identified companies and to study the challenges faced by the companies. The report provides a high-level analysis of the case studies at an industry level.
2. As required by NSTMIS Division of DST, GESS studied one success story and one lessons learned case each in the Drugs and Pharmaceuticals and Biotechnology Industries and two successes and two lessons learned cases in Process Engineering sector - total eight case studies.
3. Certain parameters such as year of establishment, annual growth, annual net profit, R&D, innovations, technology policy, R&D expenditure as percentage of net profit, patents, product range, market share, share of import & export, HR practices etc. were given requisite weightage in selecting a company.
4. The data was collected through a specially designed questionnaire, desk research, personnel interviews, email, telephonic call, annual reports and websites of concerned companies and other sources including financial and industry associations.
5. It is important to mention here that the Lessons Learned case studies do not in any way classify the company as a failure. Since this study is based on point-in-time data, a company which did not do well in terms of financial performance during the period 2006-07 to 2010-11 may be covered as a Lessons Learned case but this does not imply that the company's future outlook is negative. A company may not have done financially well for many reasons during this period such as a long gestation period, a falling market due to recession or it may simply have been recovering from past losses.
6. The table below illustrates the companies which were covered under this project:

Sector	Successful Companies	Lessons learnt Companies
Drugs &	1. Sun Pharmaceutical	1. Morepen Laboratories

Pharmaceuticals	Industries Ltd., Mumbai	Ltd., New Delhi
Biotechnology	1. Suven Life Sciences Ltd., Hyderabad	1. Avesthagen Ltd., Bangalore
Process Engineering	1. Crompton Greaves Ltd., Mumbai 2. Bharat Forge Ltd., Pune	1. Best & Crompton, Chennai 2. Amforge Industries, Mumbai

7. Each case study report includes quantitative and qualitative data analysis and contains:-

<u>Corporate Profile</u> .....
<u>Background</u> .....
<u>Key Performance Indicators</u> .....
<u>Financials</u> .....
<u>Financial Results:</u> .....
<u>Capital Structure:</u> .....
<u>Shareholding Pattern:</u> .....
<u>Share Price Data vs. competitor companies as on specific date</u> .....
<u>Corporate Governance</u> .....
<u>Market share</u> .....
<u>Marketing Strategy</u> .....
<u>Research &amp; Development</u> .....
<u>Critical Success factors and key enablers</u> .....
<u>Challenges</u> .....
<u>Future plans</u> .....
<u>References</u>

8. The structure varies only slightly among different case studies depending on information availability. The financial data has been graphically represented to give a pictorial representation of corporate financial results and enable the reader to see a few major financial trends for the company.
9. In the Lessons Learned case studies, the critical success factors are listed as the critical success factors that didn't work for the company thus determining its negative performance.

10. There are many critical success factors which impact a company's ability to success in its area of business. This project studied the key factors which affected the success or failure of the company studied.

### **11. Overview of Critical Success Factors which contributed to a company's success or failure:**

This section highlights some comparative aspects of critical success factors which played a key role in a company's success or failure. The examples are indicative and not comprehensive and are intended only to represent what worked vis-à-vis how or why it did not work for another company.

The following critical success factors are worth mentioning as they have a somewhat global role in corporate success or failure:

- **Sound management and focus on specific areas with well-timed risk taking**

- ✚ Sun Pharma's focus on niche formulations (chronic) segments/ therapeutic areas has helped Sun Pharma tremendously as chronic segments are driving the growth of the pharmaceutical market.

- ✚ On the other side of the spectrum sits Avesthagen which appears to have spread its bets too much, without focusing on execution and delivery in one or two areas – a sign of mismanagement and lack of focus

- **Strategy of inorganic growth through acquisition of the right companies at the right time with a view to global 'De-Risking' of business**

- ✚ Sun Pharma, Crompton Greaves and Bharat Forge have acquired companies across the globe with a view to gaining a strategic advantage in diverse areas such as getting access to latest technology, enhancing manufacturing capability or acquiring marketing strength

- ✚ Here again, Avesthagen appears to have invested in acquisitions but without being able to fully benefit from them due to failure to focus on execution and delivery in one or two areas. Similarly, Amforge Industries seems to have made ill-timed acquisitions resulting in not being able to capitalize on them.

- **Investment in research and development**

- ✚ Sun Pharma invested in its research center in 1991. The decision to invest in the research center SPARC (Sun Pharma Advanced Research center), with 46,000 sq ft of research space, and investments of almost the size of the year's profits was a far-sighted one as Sun Pharma rightly understood that research and innovation is a critical growth driver in the industry it

operates in. Sun Pharma spent as much as 9.4% of its turnover in 2010-11 on Research & Development.

✚ In stark contrast, Morepen Laboratories reported an R& D expenditure amounting to 0.70% of its turnover in 2010-11.

- **Good HR Practices**

✚ Bharat Forge gives utmost importance to HR practices and believes that people are its greatest asset and they must be continuously nurtured to retain leadership position. In tune with this philosophy, Bharat Forge undertakes several training & development initiatives for the overall growth of its workforce. This resulted in a highly motivated team. Similarly, Suven invests heavily in their people. The challenge is to ensure that the investment is effective, attracting and retaining people with great skills, and motivating them to do the right things in the right way. To handle these challenges Suven has put in place a continuous training process to keep employees updated on latest developments in the R&D space.

✚ In contrast, Best & Crompton was not transparent with its labor force following its acquisition resulting in prolonged settlement negotiations with its staff which considerably delayed the acquisition and infusion of badly-needed funds.

- **Innovation**

✚ Crompton Greaves' focus on R&D and innovation enables it to anticipate and meet customer needs and perform significant technology absorption and adaptation capability to suit local needs.

✚ Amforge Industries was working with large suppliers with strong negotiation power in an industry with low margins, it was essential to have innovative products. It would have required targeted R&D efforts or access to cutting edge technologies and an increased speed to market through acquisitions. Cost efficiency could also be obtained by investments in production efficiency and aggressive sourcing of high cost components. Amforge's failure to do this innovation led to its downfall.

- **Export orientation or domestic orientation as a de-risking strategy**

✚ Owing to its heavy focus on exports, Suven Life Sciences has continued to achieve 90% export turnover which is to the tune of Rs. 13601.37 lakhs out of the total turnover of Rs. 15104.23 lakhs in the year 2010-11. In contrast, Crompton Greaves' major presence in the

domestic Indian market and a widely installed equipment/ customer base coupled with a superior understanding of Indian conditions has helped the company withstand the vagaries of the global market.

- ✚ Morepen could have done well to have a similar strategic focus on either the domestic or global market rather than putting all its eggs in one basket and focusing only on sale of Loratidine in the US market.