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INTERNATIONALIZATION OF CIPLA PHARMACEUTICALS

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ABSTRACT

Cipla Pharmaceuticals is the global company. The case study discusses the path of internationalization of the company over ages.

INTRODUCTION

Cipla is a global pharmaceutical company. It is one of the oldest pharmaceutical companies in India and is present in more than 170 countries across the world. The list of countries includes the U.S., Canada and countries in Europe, Africa, Australia, Latin America and the Middle East.

Synopsis of the company

Cipla have 34 manufacturing facilities that make Active Pharmaceutical Ingredients (APIs) and formulations, which have been approved by major international Regulatory Agencies. They have 2000 products in 65 therapeutic categories with over 40 dosage forms. Cipla's research and development focuses on developing innovative products and drug delivery systems. It has been responsible for creating multiple new products that are accepted in India as well as globally. Despite the tightly regulated environment of foreign countries, Cipla today has more than 30 manufacturing facilities across India that have been approved by major international regulatory agencies including US FDA, MHRA-UK, WHO, Department of Health-Canada, MCC – South Africa, ANVISA – Brazil, and PMDA – Japan. The company engages in R&D and also offers technical consultancy services.

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CIPLA's R&D focuses on innovation, both product and process, that result in cost and time saving. CIPLA has gained expertise in producing generics of very complex molecules. The company has given many generic solutions to India and to the world.

Path to Internationalization

The core of Cipla's international business is strategic alliances for product development, registration and distribution of the products. Its international business continues to be a major revenue driver for the company. Their overseas sales represent 53% of the total income. Cipla continues to expand and modernize its manufacturing and Research & Development facilities. Table 1.2 lists out the international operations history of Cipla since inception. Cipla has been one of the largest exporters of pharmaceutical products from India, exporting API and formulation products to over 170 countries. This includes the U.S., Canada and countries in Europe, Africa, Australia, Latin America and the Middle East. Cipla started in USA in 1984, when it became the first Indian company to receive US FDA approval. United States of America is a key market of the company. Cipla USA Inc., the US subsidiary of Cipla Limited, is based in Miami, FL. The company has executed over 20 US partnerships and currently has over 40 commercialized products in the US. Cipla has supported the development of more than 170 ANDA's and has received 89 final approvals plus 2 NDA's approved and marketed in the US.

Table 1.1. Cipla – Basic Facts

Headquarters	Mumbai, India
Public or Private	Public
Year of Establishment	1935
Revenues (2013-14)	\$1.6 bn
Specialties	Pharmaceuticals

CIPLA also has partnerships and alliances for product development, technical support and marketing. Medpro Pharmaceuticals, South Africa's first generic drug producer formed a strategic alliance with Cipla around 2002. This strategic alliance gave CIPLA an outlet to sell its products in African markets. The strategic alliance was later converted into a joint venture. Recently, in July 2013, Medpro Pharmaceuticals was acquired by CIPLA for US \$440 million and the company is now known as CIPLA Medpro. As part of their growth strategy, Cipla acquired Celeris in 2013. It is a pharmaceutical distribution company based out of Croatia and was recently renamed as Cipla Croatia.

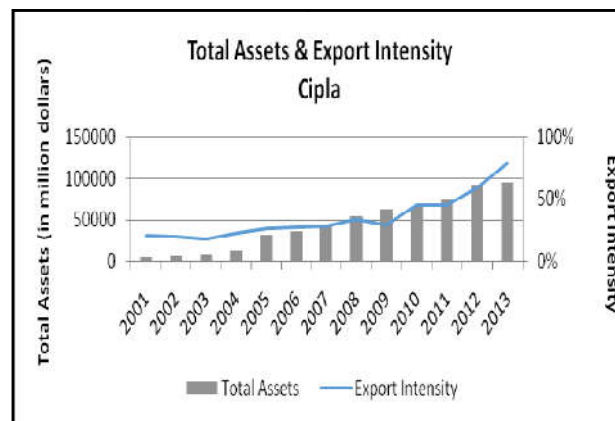


Fig 1.2. Total Assets & Export Intensity – Cipla

Currently, CIPLA is one of the world's largest generic pharmaceutical companies with its products sold in over 180 countries. So far, the main mode of international business is exports of formulations, Pharmaceutical ingredients,

Table 1.2. International Operations History - Cipla

Year	Modes of internationalization	Company Name	Country	Motivating Factor
1984	Subsidiary	Cipla USA Inc.	USA	first Indian company to receive US FDA approval
2002	Exports		Anglo America, South Africa	Market Seeking
2002	Strategic Alliance	MedproPharma	South Africa	Strategy alliance to enter the African market
2011	Acquisition	manufacturing unit	Uganda	Market Expansion
2012	Acquisition			Integration of value chain and strategic asset seeking
2012	Joint Venture	Aspen Pharma	Australia	First Mover Advantage
2013	Acquisition	Celeris	Croatia	
2013	Acquisition	CiplaMedpro	South Africa	Low Cost Advantage, expansion and recognition
2014	Collaboration	TevaPharma Industries Ltd.	South Africa	Low Cost Advantage
2014	Licensing Agreement	Gileed Sciences Ltd.	USA	To sell and manufacture low cost medicines.
2014	Joint Venture	S&D Pharma	U.K.	Market seeking, Strategic Asset seeking
2014	Marketing Agreement	BioQuiddity		to market One Dose Ready in regional anesthetic applications
2015	Joint venture	Cooper Pharmaceuticals.	Morocco	Market seeking
2015	Acquisition	OkasaPharmaceuticals	Satara	Operational and financial efficiency

In July 2014 Cipla signed an exclusive partnership with Bio Quiddity (Europe based company) to market One Dose Readyfus ORTM (a drug used in regional anesthetic applications for post-surgical pain management). Cipla also entered into an alliance with Serum Institute of India to launch vaccines in Europe.

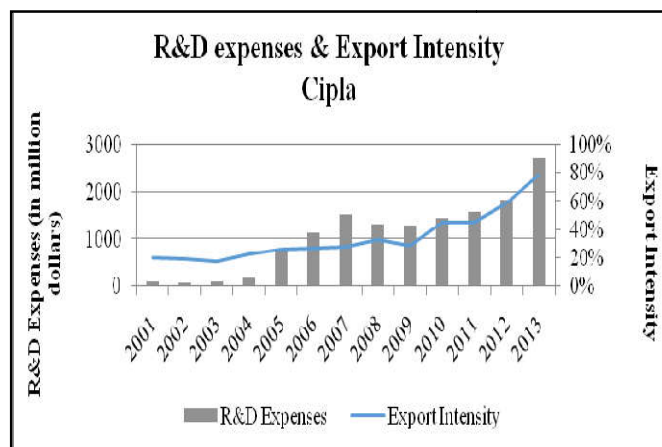


Fig. 1.1. R&D expenses & Export Intensity – Cipla

prescription and over-the-counter drugs, and veterinary products. However, going forward CIPLA is looking to make a shift in its business model.

Analysis and Conclusion

Cipla is the oldest company amongst its Indian peers. It did not realize the benefit of merges, acquisitions soon enough and so got left behind a little but is now catching up fast. Just like its peers in Top pharmaceutical companies of India, and as can be seen in Fig.1.1 and 1.2 below, the export intensity has been directly correlated with R&D expenses as well as Total Assets. Apart from Medpro's acquisition, CIPLA did not grow inorganically through mergers and acquisitions. The company has always expanded organically. Further, except Medpro, CIPLA's physical expansion always took place within India. This may be because any expansion outside India might have made CIPLA vulnerable for legal suites for the previous breach of intellectual property rights. Therefore, while operating from India, CIPLA conducted its international business through indirect exports. However, the company hopes that it will not face too many challenges when it moves abroad in the near future because it has partners across the globe to help with whom it has long standing relationships.

Company is planning to undertake foreign direct investment for expansion in near future. The expansion is most likely to be a forward expansion as the company aims to build marketing and sales network in abroad.

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