

Aurobindo Pharma: Managing the Global Footprint

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- Aurobindo Pharma, an Indian multinational pharmaceutical company, has expanded overseas in recent years, establishing subsidiaries around the world.
- The company sought a comprehensive payments solution that would allow its headquarters in India to oversee the banking transactions of its overseas subsidiaries.
- HSBC proposed a solution via HSBC*net*, the bank's Internet banking platform, whereby overseas accounts for the subsidiaries were mapped to a single profile for Aurobindo.
- Implementation of the solution provided Aurobindo Pharma real-time access to all its accounts overseas, allowing the company to monitor the payments of its various subsidiaries across the globe.

The Indian pharmaceutical industry today is at the forefront of the country's science-based industries, with wide ranging capabilities in the complex field of drug manufacturing and technology. It is a highly organised sector with an estimated worth of USD7.2bn growing at about 12.9% annually. Given the global pharmaceuticals' market size of USD749.6bn, it ranks fourth in terms of volume and 13th in terms of value. The industry is likely to double its value to USD14.7bn by 2011.¹

FIGURE 1: Leading Indian Pharmaceutical Companies

Company name	Net sales in 2007 (USD m)
Ranbaxy Labs	912
Dr Reddy's Labs	872
Cipla	830
Aurobindo Pharma	460
Lupin	458
Sun Pharma	386
Nicholas Piramal	380
Jubilant Organosys	374
GlaxoSmithKline Pharma	361
Cadila Healthcare	328

Source: Cygnus Business Research, 2008 edition

Aurobindo Pharma

Founded in 1986, Aurobindo Pharma became a listed venture in 1992. It started operations in 1988-89 with a unit manufacturing semi-synthetic penicillins in Pondicherry, Southern India.

Over the years, Aurobindo Pharma has evolved into a knowledge-driven company. Its focus is on research and development, and the company has a multi-product portfolio with manufacturing facilities worldwide. After establishing cost-effective production capabilities and a portfolio of loyal customers, the company has entered the high-margin speciality generic formulations segment, with a global marketing network.

1. *Cygnus Business Research, 2008 edition.*

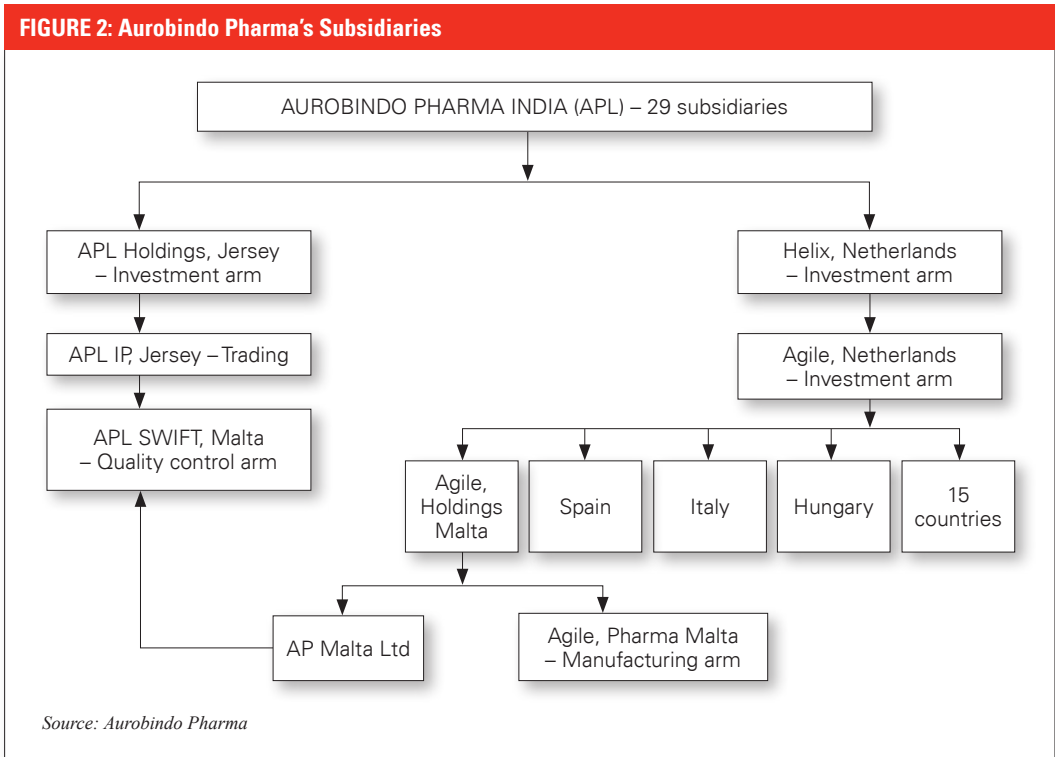
Today, Aurobindo Pharma is an acknowledged leader in active pharmaceuticals ingredients (APIs) particularly in anti-infectives; anti-viral and select lifestyle disease drugs. In order to further penetrate the API and dosage-formulations segments, Aurobindo Pharma has established a number of wholly owned subsidiaries, joint ventures and representative offices at strategic locations around the world. This process has seen Aurobindo Pharma rapidly expand into a truly global player in the pharmaceutical industry.

Aurobindo Pharma’s Global Banking Requirements: The Challenge

Aurobindo Pharma originally used multiple banks for its overseas transaction needs. This fragmentation meant that the company was unable to generate real-time management information system (MIS) reports or operate on a single delivery platform.

Aurobindo Pharma does not have any on-the-ground finance or treasury representatives in its overseas operations, partly because the company wishes to maintain a lean, cost-efficient structure and partly because its local banking requirements are relatively straightforward. Most subsidiaries’ transaction banking is managed centrally from India. At locations where there are no authorised signatories, or for new ventures in countries where Aurobindo Pharma is not present, all banking requirements are handled by the Indian headquarters.

Figure 2 uses Aurobindo Pharma’s Jersey (UK) and Malta operations as an illustration of its global operations.



- ▶ Aurobindo Pharma India provides funds to Helix (the holding company of Aurobindo Pharma in the Netherlands) and then payments are made to each subsidiary.
- ▶ APL IP (an Aurobindo Pharma company specialising in intellectual property) based in Jersey, purchases licences from Aurobindo Pharma India (i.e. the parent company sells licences to its subsidiaries).
- ▶ The Jersey team then leases those licenses to the subsidiary in Malta.

- ▶ AP Malta (an Aurobindo Pharma company in Malta) makes payments to APL IP for the leases.
- ▶ AP Malta provides the licensed material to APL SWIFT (another Aurobindo Pharma subsidiary based in Malta) for quality control.
- ▶ AP Malta sub-licenses to all European countries.
- ▶ All the above payments are made through wire transfers.

Aurobindo Pharma's other global operations operate in a similar manner as the operations in Malta.

HSBC's Solution and Implementation

After HSBC made a presentation on the *HSBCnet* solution and its network capabilities to Aurobindo Pharma's finance director, the bank was awarded the mandate for the company's overseas operations. HSBC immediately embarked on a consultation process with the company in order to build an understanding of Aurobindo Pharma's existing processes and systems, as well as any requirements, objectives and constraints that needed to be taken into account when structuring the "best fit" solution. Once this assessment process was complete, HSBC was able to propose a comprehensive overseas payments solution for Aurobindo Pharma based upon *HSBCnet*:

- ▶ Overseas accounts are to be opened with HSBC in each country and mapped onto a single *HSBCnet* profile for Aurobindo Pharma.
- ▶ Aurobindo Pharma initiates payments using *HSBCnet*, either from India or from another country. The payments are either inter-company fund transfers between subsidiaries or external vendor/administrative payments.
- ▶ The payment transactions are authorised via *HSBCnet*. Authorisation is flexible, with the option of either the India-based or the overseas signatory authorising the payment based on the specific country requirement and the availability of a local signatory.
- ▶ After authorisation via *HSBCnet*, the payment transactions are processed at the back-end of *HSBCnet* and routed to the respective country where the debit account is maintained.
- ▶ In accordance with the payment instructions, the relevant accounts are debited and a wire transfer initiated for the credit of either another Aurobindo Pharma subsidiary account (in-country or elsewhere) or an external vendor.

Figure 3 illustrates how the solution works in relation to Aurobindo Pharma's Jersey and Malta operations.

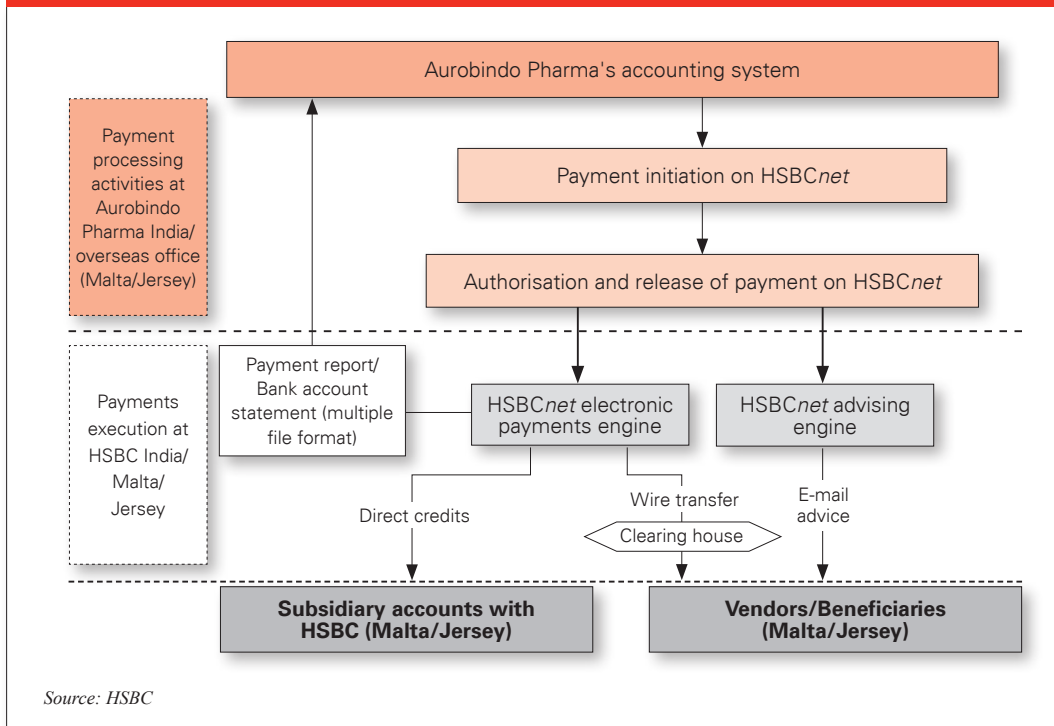
HSBC's implementation of the solution was in two phases, one for each country. There were different stakeholders for each location, hence close coordination was needed and a project structure was used to manage the implementation methodically.

The implementation involved considerable collaboration among Aurobindo Pharma and HSBC personnel in both India and the local offices. An implementation plan was jointly developed and a system for progress monitoring and reporting was established.

In addition to expediting the processing of account applications and signatories, a structured training program was initiated to fast-track Aurobindo Pharma personnel on the use of *HSBCnet*. Both Aurobindo Pharma and HSBC personnel conducted a post-implementation review and to ensure consistent service quality, ongoing post-implementation support is being provided by a dedicated HSBC customer service team that covers all Aurobindo Pharma offices.

Results

The solution provides Aurobindo Pharma with real-time access to all its overseas accounts via *HSBCnet* so the company's treasury can monitor the debits and credits of its various subsidiaries. Payment MIS reports

FIGURE 3: Aurobindo Pharma's Solution

and account statements can be directly uploaded onto Aurobindo's ERP system thereby automating AP and bank account reconciliation.

Benefits

The implementation has delivered a number of key benefits for Aurobindo Pharma:

- ▶ The company now enjoys a simplified payment process via a single banking platform – HSBCnet manages the inter-company and vendor payment process across multiple overseas entities.
- ▶ Online authorisation of all payments from India through HSBCnet allows the team in India to remotely manage the payment process for overseas locations.
- ▶ The flexible authorisation process on HSBCnet means that timely overseas payments and ease of operation are now the default, because signatories in India or in remote locations can authorise and process payments as required.
- ▶ The availability of electronic account statements and payment MIS reports on HSBCnet for Aurobindo Pharma's overseas accounts now expedites the reconciliation of accounts.
- ▶ Global real-time account reporting means that payment tracking and cash management are optimised.

Conclusion

The new overseas payment solution provides Aurobindo Pharma with considerable extensibility. The company's future expansion is now supported by a solution that has alleviated existing bottlenecks but that is also completely scalable. The company's treasury processes have become more efficient, and future roll out to new markets will also be simpler and faster.