

## LUPIN LIMITED:

Procurement  
excellence for  
ambitious growth

A large, solid red chevron graphic pointing to the right, positioned behind the text "High performance. Delivered."

High performance. Delivered.

## Client profile

Established in 1968, Lupin Limited is headquartered in Mumbai, India. It manufactures and distributes generic formulations and bulk drugs through operations across India, Japan, Europe and the United States. Lupin employs approximately 16,000 people and its FY16 revenues amounted to INR 13,701 Cr (\$2.1 billion).

## Opportunity

Lupin, like many manufacturers of generics, wanted to grow its business rapidly. Over the course of the last five years, it had been growing at a compound annual growth rate (CAGR) of 21 percent. Over the next five years, Lupin set itself an ambitious target to grow at a CAGR of 28 percent, while maintaining its earnings before interest, tax, depreciation and amortization (EBITDA) margins above 28 percent.

Lupin was abreast of the changes in the business environment. To support this growth by transforming its business, Lupin identified several key priorities it would need to focus on across all the functions in its value chain. These included developing a robust leadership team and enhancing its current team, reducing the cost of its operations throughout the value chain, deploying leading technology solutions, using analytics to enable insightful decision, and aligning its research and development towards value-added generics, novel drug delivery systems (NDDS) and biosimilars.

To achieve these objectives, Lupin chose to team with Accenture Strategy in a multi-year business transformation program. Accenture Strategy was selected based on an existing relationship, successful outcomes from previously delivered manufacturing and supply chain-focused initiatives, and Accenture Strategy's deep industry experience, proven credentials and appropriate expertise.

The procurement excellence program was the first project of the multi-year partnership and aimed at addressing the priorities that had been identified for the procurement function. Key objectives included strengthening Lupin's core procurement processes, structures,

technology and people, as well as reducing its costs across both direct and indirect procurement categories.

## Solution

Accenture Strategy delivered a comprehensive procurement operating strategy to help achieve business excellence, comprising key aspects of value realization through strategic cost reduction initiatives; and infrastructure build through process optimization, organization restructuring, technology enablement and capability development.

- **Value realization.** This workstream focused on reducing material costs across all direct and indirect categories contributing to a significant proportion of spend. Accenture Strategy conducted detailed discussions with category owners and cross-functional stakeholders, and performed comprehensive spend analysis and external benchmarking with industry peers to identify improvement initiatives. For each category, value engineering workshops were conducted with cross-functional teams to facilitate idea generation and idea validation. Ten idea generation workshops were conducted with cross-functional participation from Procurement, Process Development, R&D, Quality Assurance/Quality Control, Regulatory Affairs, Manufacturing, Supply Chain, Sales and Marketing and Finance teams, resulting in out-of-the-box ideas across value engineering and commercial levers in both direct and indirect material categories. Accenture Strategy's proprietary Winning Hand Tool, along with Value Engineering tools, were used to conduct all the brainstorming workshops. It then leveraged its

prioritization framework to prioritize approximately 250 initiatives for design and implementation. Thereafter, a rigorous implementation process was established for each initiative, driven by category champions with support from Accenture Strategy. The implementation required considerable liaison with multiple functions, and cross-functional collaboration was fundamental to its success.

- **Infrastructure build.** This workstream focused on procurement process optimization to create a unified way of working, aligned to driving business outcomes. In addition, Accenture Strategy evaluated Lupin's existing IT landscape and identified opportunities to leverage technological advances to enable efficient process execution. For as-is process mapping and gap identification, the team combined observations from data-based analysis with qualitative insights from discussions with key stakeholders. The assessment covered key strategic and operational processes including data management, requisition to payment, supplier relationship management, category management and procurement strategy. As-is process maps were created across all process areas and improvement initiatives were identified to address any gaps. Potential solutions comprising process improvements and IT requirements were identified and implemented. Standard Operating Procedures (SOPs) and performance metrics were defined respectively for process area responsibility mapping and embedding performance monitoring in Lupin's culture. Technology enhancements were enabled to support

"Project APEX has been a transformational journey for Lupin and the Global Sourcing & Contract Manufacturing team. The project has enabled creation of a scalable global sourcing organization that endeavors to service future business priorities in line with Lupin's growth ambitions. Accenture has helped us build a scalable infrastructure and develop our people capabilities to achieve business excellence. We have also seen cost savings of 6-8% across all procurement areas and will continue to reap the benefits of value realization. All in all, project APEX has laid the foundation for a best-in-class sourcing & procurement organization and helped us achieve excellence."

Mr. Debabrata Chakravorty, President – Global Sourcing and Contract Manufacturing (GSCM)

adherence to defined processes in the form of SAP reports, mobile applications, Qlikview (Lupin's homegrown application) dashboards for review of key metrics, ARIBA for catalogue-based buying and e-auctions, SAP-based automated supplier scorecards for managing key supplier relationships, risk scores, and development programs.

- **Procurement organization restructuring.** Accenture Strategy conducted a detailed assessment of Lupin's current organizational structure, bearing in mind its organizational priorities of scalability, cost control, responsiveness, and minimizing disruption. Multiple options of function-based structure, category-based structure, and hybrid structure were evaluated against the defined guiding principles. Based on the assessment and industry benchmarking, the team defined a category-focused structure. In addition, a Strategy and Analytics cell was formalized for the facilitation and sustenance of the initiatives going forward. A host of additional change management activities were undertaken to help ensure smooth rollout of the new structure, with timely communication to all stakeholders and effective management of cutover activities.
- **Capability development.** Accenture Strategy helped Lupin develop new workforce capabilities across all workstreams. These included skills-based sessions such as the Winning Hand and Negotiation workshops, and technical training such as Microsoft Office and SAP hand-holding of users. All process guidelines and learnings were documented and detailed handover sessions were conducted for future reference. Furthermore, with the objective of enabling continuous learning to sustain the outcomes from improvement initiatives and to keep pace with global leading practices in procurement, a capability development program was launched for select participants. This program focused on enhancing capabilities through focused learning interventions that are both need-based and technology-enabled through Accenture Academy.

## Results

Accenture Strategy's deep understanding of the life sciences industry, coupled with its expertise in procurement cost reduction, process optimization and capability development, helped deliver optimal value. Additionally, prior engagements and knowledge of Lupin's business further strengthened the team's ability to deliver. Specific results included:

- **Value realization.** Cost savings of approximately 6-8 percent were identified through various technical and commercial initiatives across both direct and indirect categories. Lupin has already started to see benefits for various initiatives, with approximately 50 percent of identified savings implemented and 25 percent already accrued. For some key initiatives requiring considerable cross-functional involvement, the procurement team has attributed the success to Accenture Strategy's ability to align stakeholders across functions and enable collaboration to achieve benefits.
- **Infrastructure build.** Improvement initiatives were identified across both strategic and operational processes. Optimization of data management and requisition to payment processes has resulted in a 10 percent improvement in procurement on-time-in-full (OTIF)—a key metric for the procurement function. In addition, strategic processes such as category management and supplier relationship management, were defined to encourage a dedicated focus on sourcing-related activities. Interventions in procurement strategy processes have enabled accuracy in budgeting and long-range planning activities.

To help minimize risk, Accenture Strategy involved cross-functional teams in the implementation of each value realization initiative and responsibility for each step in the process was clearly defined. The benefits estimated for each initiative were validated with the business finance team to help ensure accuracy and enable rigor in the implementation. Moreover, regular progress updates were provided to senior stakeholders.

Guiding principles based on leading practices were defined to help Lupin in its future endeavors and standard operating

"Project APEX has been able to help us institutionalize systems and processes in our procurement organization positively impacting the functional efficiency and responsiveness to business requirements. The transformation journey has culminated in the restructuring of our procurement team into a 'Global Sourcing and Contract Manufacturing' function that blends a mix of category expertise and scalability to meet the challenging needs of our rapidly growing global organization. Accenture's procurement expertise combined with the collaborative approach of its team are two critical factors in the APEX success story."

Mr. Nilesh Gupta, Managing Director

procedures were created to support the embedding of the processes and responsibilities into the procurement team. All process and organization structure interventions were aimed at reducing risk from procurement strategies and processes, considering the global coverage of the team across multiple geographies and sites.

The success of the value realization workstream led to the solution being extended to another large Lupin entity in Japan to help identify raw material cost reduction opportunities. Savings opportunities of approximately 8-10 percent of the cost base were identified and are under currently being implemented. Furthermore, the success of the infrastructure build workstream led to its extension to seven additional plants in India to help optimize all procurement processes.

Collaborating with Accenture Strategy has helped Lupin establish a high-performance procurement function that provides it with a strong foundation to achieve its growth targets.

## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world's largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 394,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

## About Accenture Strategy

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow [@AccentureStrat](https://twitter.com/AccentureStrat) or visit [www.accenture.com/strategy](http://www.accenture.com/strategy)

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