Deloitte.

Deal transformation and post-merger integration for pharmaceutical and life sciences



Realise synergies and optimise operations with an integrated approach

The pharmaceutical and life sciences industry faces rapid innovation, evolving market dynamics, and inorganic growth, which present significant challenges to growth and efficiency. Issues like inefficient sales management and fragmented supply chains can impede performance and competitiveness.

This document outlines the key challenges confronting industry players, their priorities for achieving synergies post-mergers and acquisitions, and an integrated approach to optimising operational and financial performance.

Overview of the key challenges faced

What are some of the biggest hurdles pharmaceutical and life sciences companies encounter in achieving synergies in their inorganic growth journey?

- Inefficient sales force tracking, leading to poor deployment and customer segmentation.
- Fragmented inventory and supply chain planning, causing delivery delays and underutilised capacity.
- Lack of unified data sources, hindering analytics and visibility into performance.
- Inadequate preventive maintenance practices, leading to machine breakdowns and reduced production efficiency.
- Weak cash flow and working capital management, extending the cash conversion cycle.
- Scalability issues, complicating operations and financial governance.
- Ineffective operating models across people, process, and technology.

Key focus areas

What priorities are pharmaceutical and life sciences companies focusing on to realise synergies and consolidate businesses consequent to a merger and acquisition?

Sales and operations planning

Improving salesforce effectiveness

Streamlining distribution channels

Enhancing procurement and logistics

Effective warehouse management

Optimising R&D and plant operations

Developing bottom-up annual operating plans

Strengthening cash flow forecasting and working capital

Establishing robust financial governance and authority matrices

KPI-based reporting and efficient period-end processes

Advancing data analytics and dashboard insights



An integrated approach towards operational and financial transformation



Deloitte India's Deal Transformation and Post-Merger Integration team can unlock value and enhance business performance through in-depth analysis and collaborative efforts focusing on sales and operations, supply chain management, financial planning, and cash management with a lens of digital transformation. We are able to facilitate this through following key interventions (this list is non-exhaustive):

Sales and distribution



- Assist in forecasting demand across customer segments, markets and product categories to facilitate growth and optimise inventory levels
- Optimise CFA and stockist network, standardising terms of trades
- Implement processes to effectively track and evaluate sales force performance
- Centralise marketing efforts and spends
- Develop a standardised product costing and pricing model, along with product mix analysis, to enhance profitability
- Re-engineer business processes (such as order-to-cash [O2C]) to prevent revenue leakage and improve overall efficiency

Operations management and related costs



- Analyse operational efficiency using metrics such as overall equipment effectiveness, yield, cycle time, and utility consumption, along with preventive and breakdown maintenance
- Consolidate R&D operations by cross-leveraging capabilities to optimise the pipeline portfolio
- Develop a capacity planning process based on key triggers and constraints across the supply chain
- Enhance warehouse efficiency by improving material storage and retrieval processes
- Develop effective planning strategies for manpower and shift allocation
- Identify and leverage opportunities for digitalisation to enhance operational effectiveness

Supply chain



- Implement strategies for inventory optimisation and establish a cost-effective framework for material requirement planning
- Optimise supply networks to effectively respond to changes in demand forecasts
- Consolidate procurement leading to economies of scale, volume discounts
- Evaluate centralisation/decentralisation of procurement and logistics processes to enhance the procure-to-pay (P2P) cycle

Financial planning and cash management

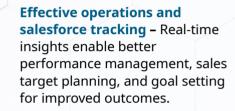


- Utilise a cash flow monitoring dashboard and implement a 16-week rolling forecast to manage cash flow effectively
- Streamline accounts payable, receivable and inventory management to enhance working capital efficiency
- Oversee capital expenditures (capex), R&D costs, and project management for better financial control
- Strengthen financial governance processes to ensure accountability and compliance by setting up a robust process of annual operating plan
- Leverage data analytics and MIS dashboards to monitor key business performance indicators (KPIs)



What are the key value drivers that enhance profitability and drive business performance? (This list is non-exhaustive)

Improved demand forecasting and planning – Accurate inventory management using historical and predictive demand forecasts aligning with growth objectives.



Efficient supply chain management - Precise demand forecasts optimise supply chains, reducing warehousing costs, holding expenses, and write-offs.

Optimised working capital and cash flows - Improved visibility enhances cash availability for operations and strategic planning, optimizes working capital costs.

Strengthened financial governance – Cutting-edge
technologies provide end-toend supply chain visibility,
streamlining operations with a
unified data source.

Enhanced data-driven insights – single source of data, analytics and real time KPI-driven assessments improve processes and enable proactive decision-making.

To discuss your business challenges and understand industry best practices, do connect with us.





Rohit Berry
President
Strategy, Risk & Transactions
Deloitte India
rohitberry@deloitte.com



Jayakrishnan Pillai Partner and Leader – M&A Strategy, Risk & Transactions Deloitte India jkpillai@deloitte.com



Tarun SonejaPartner – M&A
Strategy, Risk & Transactions
Deloitte India
tsoneja@deloitte.com



Shefali C. Khaladkar Director – M&A Strategy, Risk & Transactions Deloitte India skhaladkar@deloitte.com

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.