



**Stopovers with history  
A weekend getaway in  
north Karnataka P.2**



**Pedal out of poverty  
A social enterprise for  
the small farmer P.4**

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# Reddy formula

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**I**f a shareholder had invested about Rs 2,500 in Dr Reddy's Laboratories through the IPO in August 1986 and the rights issue of 1989, what do you think the holding would be worth today? A whopping Rs 40 lakh!

This is the calculation from Dr K. Anji Reddy, founder Chairman of the Hyderabad-based pharma major, which clocked a turnover of Rs 6,940 crore in its 25th year.

How has Reddy — a researcher, developer and, later, first-generation entrepreneur — been able to build such an impressive drug and pharma company which employs over 10,000 people and delivers good returns regularly?

"People thought I had quit from Indian Drugs and Pharmaceuticals Ltd (IDPL) to be on my own but it proved incorrect," says Reddy, seated at his corporate office in Hyderabad, recalling the long and eventful journey that shaped the company, launched with a seed capital of Rs 32 lakh, into a pharma behemoth.

Reddy is happy to be one of the driving forces in transforming the Indian pharma industry from a major importer of drugs to a global supplier of life-saving bulk drugs.

"In 1967, when IDPL was started, everything was imported.

But it heralded a new beginning and became quite well-known for synthetic drugs," says Reddy.

The rich experience at IDPL, considered the 'mother of bulk drug industry in Andhra Pradesh', also proved invaluable. "Joining IDPL was a great opportunity.

I gained vast experience in making drugs in three steps compared with 18 steps involved in the process. IDPL got technology

from Russia, but in many areas we struggled hard and improved it further," he recalls.

Providing the right and timely push over the years, he propelled Dr Reddy's Labs on to high-trajectory growth.

"Three years before I resigned (from IDPL), a four-member chief technologists' group was formed in which I was a member. The objective was to end the usual tussle between the R&D team and production group," he says. This proved to be an opportunity in learning the art of translating lab process to manufacturing. "This was an experience we would not have (otherwise) got even after paying millions of dollars. This was the scenario in 1973."

## BIRTHING A COMPANY

In the early 1980s, Reddy put together a team to launch Uniloids, his first enterprise. The team started by working on metronidazole (for treating dysentery).

The major investor in Uniloids was IDBI. "I got Rs 32 lakh from IDBI and completed the project in Rs 29 lakh. When I sent a letter to them saying so, they were pleasantly surprised as I was probably the first entrepreneur in those days who honestly revealed the expenses," he says.

After parting ways with friends, his next experiment led him on to Standard Organics (a company that went on to spawn many drug entrepreneurs in Hyderabad in later years).

At the time he had Rs 83-lakh worth projects and Rs 20 lakh equity. His company received a major push after it developed sulfamethoxazole. "Fortunately, the purchase orders were always bulky — 2,000 kg or more. I wish we could get those kinds of purchase orders even now," he says.

In 1984 he found his next challenge when he began feeling that his partners did not have a long-term vision.

"This was the time I had arrived in the industry as a person with cash. I plunged into starting my own venture and Dr Reddy's

Labs never looked back as a company," he adds.

What gave him the confidence to venture into bulk drug-making? He credits it to his training as a technologist. "The bulk drug business is such that you can't fail if you are a capable technologist," he explains.

"Those were the days I was personally involved in many processes. Those were the days when I enjoyed most. But not now," he laughs.

## GRABBING GLOBAL ATTENTION

Reddy 'force landed' his company into the branded generics market by focusing on affordable medicine. "The first drug we made at Dr Reddy's was enalapril (for hypertension) which cost \$1.20 in the global market. I knew that if we have to get volumes, the only way to sell is for less. So, we priced it at Rs 1.20.

His biggest breakthrough came in the form of norflaxacin. "This was the first time that Dr Reddy's ability in making medicine affordable caught global attention. While Cipla priced it at Rs 8, I had asked my marketing managers to fix the price at 50 per cent; eventually, it was priced at Rs 3.80," he reminisces.

Reddy's decisiveness in cashing on the Para IV exclusivity in the US market propelled the company into the big league. But it also required the company to quickly expand and invest heavily on world-class manufacturing facilities to be able to bag approvals from the US Food and Drug Administration (USFDA).

"I would rather overdo than face the wrath of USFDA. This approach helped us in achieving the first exclusivity for Prozac," he adds. Dr Reddy's innovation involved making a single tablet of 20 mg for Prozac, as 60 per cent of the prescriptions were for two tablets.

"The single-dose drug was made by our company at the Hyderabad facility and filed

**25 years  
of a robust,  
healthy way  
of doing  
business.**

**K. Anji Reddy**, Founder-Chairman of Dr Reddy's Laboratories REUTERS

Continued on Page 4

# Reddy formula

*Continued from Page 1*

with the USFDA. It was granted exclusivity and Dr Reddy's became the first Indian pharma company to get it. This was a major turning point for boosting the company's revenues and placing it in the top bracket of Indian drug and pharma companies," he states proudly.

## LOVE FOR RESEARCH

The researcher in Reddy has overtaken the corporate honcho in recent years and he now spends a lot of time at the company's drug research facilities in Bangalore — Aurigene — pursuing new ideas and some exciting new molecules.

Dr Reddy's, the country's second biggest pharma entity by revenue, is now under the helm of his son, K. Satish Reddy, as the Managing Director and son-in-law, G.V. Prasad, as Vice-Chairman and Chief Executive Officer.

"I believe in the Merck model for the pharma field which emphasises on discovery. Also, the high risk and high cost of drug discovery-to-market is pushing us towards collaborations; again, the global giant Merck is ahead here. So, to de-risk and achieve greater success in chancing upon a promising molecule and turning it into a blockbuster drug needs collaboration," he explains.

He sees huge opportunities in bio-similars. "Having made a mark in the global generics business, it is time to focus in this area," he says. "In the generics business, the price erosion after the expiry of exclusivity is almost 90 per cent of the original innovator's price, which means that margin could be much lower for the industry over a period of

time. We want to repeat in biologics what we had achieved in the generics segment, in both price and quality."

Outside of business, Reddy takes interest in socially responsible initiatives. He has contributed generously to the LV Prasad Eye Hospital and towards a new neo-natal and paediatric hospital and research centre called NICE.

His brainchild The Dr Reddy's Foundation (DRF) has grown into one of the biggest CSR (Corporate Social Responsibility) organisations in the country today. It has launched the LABS (Livelihood Advancement Business School) initiative, which imparts entrepreneurship skills to poor, educated youth. It also aids efforts to improve drinking water supply, education and healthcare among marginalised sections of society.

When he's not immersed in research and business, Reddy indulges his love for travel. Asked to name his next destination, he quips: "I am searching for the country I am yet to visit." On his last visit to the US, he loved meeting the Republican candidate Sarah Palin who was busy campaigning for the Presidency.

Reading is another indulgence he finds time for these days, as also catching up with old friends at favourite haunts in Hyderabad.

But for this pharma veteran passionate about his work, his "first love remains basic research... I am passionate about getting a drug out of the company and India. We are very close on the diabetes front, with the most promising molecule, Balaglitazone. It has completed phase III trial. There will be one more trial, followed by filing of new drug application. If things go well, the drug will reach the market in two-three years. It would be a dream realised."