



**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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FRIDAY, FEBRUARY 19, 2010

Reddy formula

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If 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

