

Covid-19: Supply chain disruptions on logistics side are over in pharma sector, says Dr Reddy's CFO

Supply chains across the country were torn apart after a strict lockdown was imposed on March 25, to lower the spread of the Covid-19 virus. From Pharma to Electronics and transport to construction whole supply chain was broken and industries were impacted across. But now with recent measures of relaxing some of the norms, the situation is on the way to normalcy says, Saumen Chakraborty, CFO, Dr Reddy's, country's second-largest drugmaker.

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Saumen Chakraborty Dr Reddy's

In an interaction with ETCFO, the country's second largest drug maker Dr Reddy's CFO Saumen Chakraborty discussed the company's growth outlook, status of supply chains & operations, and shared his leadership thoughts in the virus age. Edited excerpts.

Q: Considering the relaxation in the lockdown do you see any improvement in the supply chain?

Saumen Chakraborty: Initially, there was some disruption on the logistics side during the last week of March, when the lockdown was first imposed in India. As the interstate travel was restricted, the supply was disrupted. A few issues also came on the procurement front, albeit insignificant. A similar story emerged in the international markets, where the freight costs went up, and proved to be additional expenses due to Covid19.

But subsequently, the supply chains improved over a period of time, and now normalcy is restored in all logistics. Covid-19 disruptions, therefore, on the logistics side are over.

Q: Can you explain more on the operations side?

Saumen Chakraborty: Being classified under the essential business category, we continued our operations even during the lockdown period. The company ensured supply continuity except for the first 8-10 days of the lockdown, and at the same time took the safety of employees.

We have an adequate digital infrastructure in place, this allows employees to work from home, thereby saving time, and enhancing productivity. Only a select few employees are required to come to the office where it is an absolute necessity.

As far as our plants are concerned, almost all of them are operational; we are adhering to the government's social distancing guidelines.

Q: Are you facing any challenge with regard to labour shortage in your plants?

Saumen Chakraborty: Initially, there were some challenges while opening up our plant in Himachal Pradesh (Baddi); since workers belonged to Punjab and Chandigarh. But as we gradually ramped up, the issues have been resolved. The company has ensured both its objectives of business continuity and employee safety.

Q: What is your outlook for growth?

Saumen Chakraborty: We have to wait and watch the real impact of Covid-19 before thinking about the outlook. It will be difficult to comment on the numbers. The impact needs to be assessed on the entire industry first and then the [pharma](#) sector specifically. This point in time, we can only see we would grow at a better rate than the industry, which is the case in the last few years.



Also, at this point, cash becomes important. Collection mechanism, therefore, is required to be strong, management needs to consistently look at new resource lines, or opportunities to borrow money. It is important for finance executives to convert problems into opportunity and then respond to this Covid19 environment.

Q: How are the US markets shaping up? There has been some price erosion there...

Saumen Chakraborty: Price erosion has been a major factor in the US, but there is relatively some kind of stabilisation which is happening now, due to factors like customer consolidation. In the last fiscal, Dr Reddy's launched about 27 products; in FY21 we would be launching a good number of products.

Q: How does the leadership change during Covid-19?

Saumen Chakraborty: First and foremost, leadership is all about the new future of work. Management needs to be quick digitally with regard to collecting and analysing big data. The company has got an extremely good response to its digital infrastructure.

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Remember there will be challenges, but in the history of mankind, people have always overcome them. Three or four years down the line, no one is going to give much importance to Covid-19.

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