

CFO INSIGHTS



*CFO balancing financial
prudence with need for*

innovation.

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National CFO Forum

INNOVATING TO MEET INDIA'S MEDICAL NEEDS

**Saumen Chakraborty, President & CFO,
Dr. Reddy's Laboratories** on increasingly
focusing to bring incremental innovations to
existing molecules and address some of the
critical unmet or undermet medical needs.

Know your CFO

Most memorable moment of career

Receiving "India's Best CFO" award from the honorable
minister of Coal, Power and Renewable Energy in 2014,
based on Business Today-Yes Bank Study

Person who has influenced you the most and how

My late father, who shaped my values and philosophies of life.
What influenced me most is the ease with which he
detached himself after successful institutionalization of
multiple institutes he founded. Consequently, I realized that
while I was extremely passionate about an assignment, I
could detach myself and move on to another assignment
without hesitation.

Your favourite quote

- 1) Anybody at any level can make
a huge difference
- 2) Consequence is inconsequential to the
process of decision making, if it is
based on sound principle
- 3) The intensity of your desire
influences the outcome


Personal interests/hobbies

Sports enthusiast, Listening to music,
Proponent of TOC and TQM

What are the things do you always carry

Driving License, wallet full of credit
and debit cards, iPhone





Access is a bigger issue relative to affordability and availability.

? India is an acknowledged leader in generic drug manufacturing. How can we also build expertise in value-added innovation and new molecule development?

✓ Increasingly generic pharmaceutical companies are recognizing the power of innovation through R&D, which requires significant focus from senior management through a combination of the following:

- High capital allocation and resource mobilization for R&D
Collaboration with innovator pharma for development.
- Partnering for Services from Specialty development firms.
- Creating capability and infrastructure through risk capital and fiscal incentives.
- Funding Research institutes.

? What is the effect of the TRIPS regime on product development in the Indian Pharma sector?

✓ This is a highly debated issue. There are pros and cons attached to this. Through TRIPS, India has agreed to a stricter patent regime (product patent vs process patent). This makes it convenient for Indian patient population access to novel drugs/NCEs which innovator companies might not have launched in India otherwise. On the contrary this delays the availability of low cost

generic medicines. Affordability is still a bigger issue for a country like India and hence generic companies have different means to address this:

- There are some provisions through which a generic company can get a 'Compulsory License' to launch the generic version even when the patent protection is on.
- Filing pre grant or post-grant oppositions to invalidate the relevant patent.
- Shifting manufacturing to neighbouring countries – however it can have some impact on the cost.

? Which therapeutic areas are Dr. Reddy's focusing to file New Drug Applications (NDA)? What has been the rationale for selecting these areas?

✓ Dr. Reddy's was a pioneer in the field of NCE research in India. Focus and rigor has not changed however, considering the risk return profile of such research activities, we are increasingly focusing on bringing incremental innovations to existing molecules and thereby addressing some of the critical unmet or undermet medical needs across various indications. Currently, we are targeting some of the critical unmet or undermet medical needs in Dermatology and CNS areas. This choice is a combination of our expertise, market opportunity and commercial feasibility.

? What are the emerging trends in product development in the Pharma sector? How do

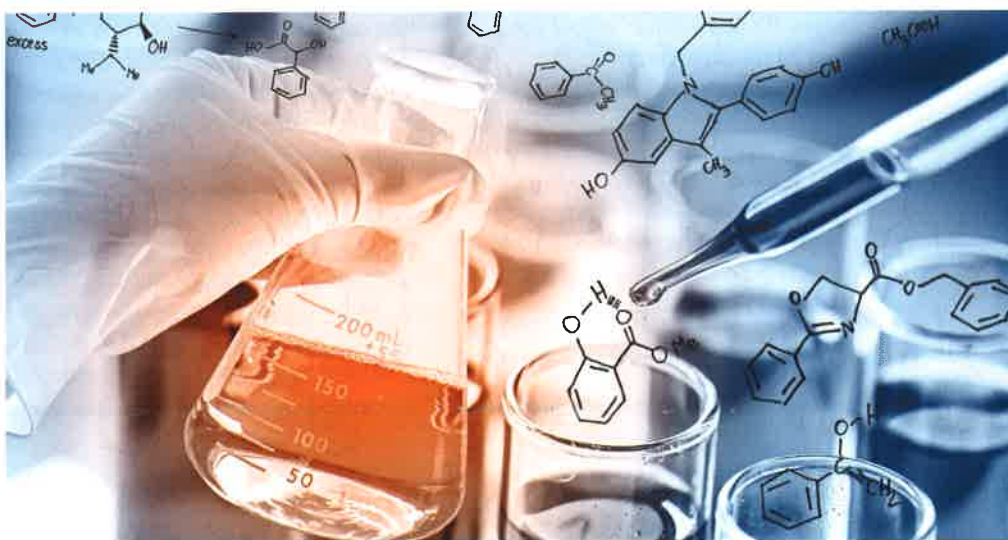
you see genomics and proteomics impacting pharmaceutical R&D?

✓ Overall the Indian pharmaceutical sector is continuously evolving. Started as an API supply hub, companies advanced quickly to oral dosage formulations to injectables and so on. This is a natural progression guided by the need to (a) secure sustainable market participation; (b) adherence to global standards of medication; (c) meeting unmet medical needs and; (d) improving patient compliance standards. The current trend amongst the large pharma (including DRL) can be best explained as follows:

- Simple oral dosages to complex oral dosages and injectables
- Extended release technologies for oral and IV administration
- Softgels, topicals / patches
- Biosimilars

Also there is increasing trend towards greater reliance on co-development and external development, resulting in increasing number of tie ups.

Genomics and Proteomics will help sharpen patient selection in clinical trials and enable faster recruitment and faster result. Both proteomics and genomics provide a much deeper understanding of the 'human' target and thus provide a solid basis for an intelligent molecular design, which coupled with combinatorial chemistry and recombinant DNA technology continue to promise the potential of designing molecules that were not possible a decade ago.





CFO has to evolve finance teams as value creators by actively participating in strategic decision making.

? In the Indian context, what are the innovations you think would be relevant to ensure access to affordable healthcare?

✓ I believe companies and government should work towards improving access. Increase of access to medicine and diagnostic infrastructure should be the primary target to achieve. Access is a bigger issue relative to affordability and availability. This needs to be addressed in both conventional and unconventional manner.

- Availability of medical diagnostic equipment, hospitals, hospital beds in Class V and below towns need to increase.

- Easy access to basic diagnostic tests like blood pressure, sugar levels, etc. at very low cost or through some innovative smart phone apps are needed.

- Insurance needs to penetrate both in depth (Insurance doesn't cover out of pocket expenses as of now) and width (coverage).

- New opportunities like digitizing medical history of patients and easy access for practitioners through unique ID like Aadhar at low cost need to be explored.

? What is the industry's wishlist for the Government to help tide over the uncertainty due to the situation in China and possible rate hike by the Fed?

✓ These uncertainties definitely have impact on the investments by



FII's and stock prices. However for IT and Pharma industries where significant amount of revenues are from exports, these will not have much impact.

? How can the CFO help an organization optimise between financial prudence to ensure viability and risk-taking appetite to foster innovation?

✓ In the current world of high uncertainty and complexity CFO plays a very important role to keep pace with dynamic changes in the world. Innovation is the backbone for decisive value offering and success of the organisation whether it is in product portfolio or geographical reach or services offered to improve patients compliance etc. CFO has to evolve finance teams as value creators by actively participating in strategic decision making, providing insights through analytics, business modelling and structuring besides business partnering, risk mitigation, compliance, and assurance.

? How do you see the rollout of new accounting standards and corporate governance norms from next year, impacting the role of CFO?

✓ Dr. Reddy's applies Indian GAAP for all its Indian filing requirements and applies IFRS for its filing requirements in the US. So, as a company that has been applying IFRS since financial year 2009, implementation of Ind AS, as such, does not pose any major implementation challenge. I believe that most of the companies not practising IFRS so far have to do a lot of homework given the paradigm shift in the two accounting frameworks. To cite an example, pharmaceutical companies that actively are involved in out-licensing arrangements, multiple-deliverable contracts (where the contract has more than one performance obligation) will have a significant impact while for a typical pharmaceutical company with trading operations, impact may be minimal.