KALLAM SATISH REDDY

OUR FOCUS: PRODUCTS THAT ARE **DIFFICULT TO MAKE**

The near- and mid-term goals for his company's India business is to make a difference to the lives of patients in the therapy areas it chooses to compete in through differentiated launches and portfolios, **Kallam Satish Reddy,** Chairman, Dr Reddy's Laboratories, tells **BV Mahalakshmi**. He says this will enable delivery of industry-leading growth and improve competitiveness. And while North America is an important market, he sees headroom for growth in India, given the poor diagnosis and treatment rates. Edited excerpts:

Your company's business in the domestic market has stabilised over the last several quarters with revenue growing from single digits to healthy double digits. What are your plans to increase your focus in the domestic market?

The domestic formulations business has built robust momentum in a very consistent manner over the past few quarters based on multiple growth levers. The aim for our India business is to make a difference to the lives of patients in the chosen therapy areas through differentiated launches and an enriched portfolio. We believe that this will enable us deliver industry leading growth in the coming years.

We have also integrated UCB's acquired business and announced a number of business development deals which will help broaden our portfolio. Additionally, go-to-market innovation efforts are being driven through multiple technology-based patient-care services for super-specialty and chronic drugs. These services are aimed at improving access to medicines by providing hassle-free financial support, enhancing diagnosis through appropriate diagnostic subsidies and detection camps, and driving better patient outcomes through therapy adherence support.

The near- and mid-term goals for our India business is to make a difference to the lives of patients in the select therapy areas that we choose to compete in through select differentiated launches and portfolio. We believe that this will enable delivery of industry-leading growth and improve our competitive position.

What are the growth drivers for expanding your presence in the North American market given the increasing competition and regulatory hurdles? How do you plan to reduce your dependency on the US market and look at newer geographies?

The US continues to remain the largest pharmaceutical market representing over one-third of the global total. It is expected to grow at a CAGR of around 5% through 2018, significantly higher than the 3.6% growth over the past five years. Strong economic recovery in the US coupled with recent healthcare reforms have already had a positive impact on the use of medicines. This is expected to grow the market through the first half of the forecast period.

Implementation of the Affordable Care Act will have a positive impact on demand for medicines during the first half of the forecast period due to greater enrolment in the state-funded Medicaid programmes and increased use of tax credits to purchase private health insurance. However, expanded

coverage will increase budgetary pressure on payers, with drug spending being a popular target for cost containment.

We have two key areas of focus: First, we would like to make products that are difficult to make. This is a cornerstone of our strategy, as we strive to distinguish ourselves in a consolidated market like the United States.

Second, we always have to be on the shelves when a customer demands our medicine. Our service level and supply chain is key to this need being fulfilled effectively. This balance in focus on product development and efficient supply helps us succeed in the North American market. We are trying to differentiate ourselves from our competitors by diversifying our product portfolio. We believe that there is ample opportunity in the United States as it is the largest pharmaceutical market in the world. We generate 47% of our overall revenues from the US business, and we hope to increase this figure by growing our generics, PSAI (pharmaceuticals, services and active ingredients) and proprietary businesses. We are excited about bridging our product offerings in North America with those in emerging markets and we look forward to further organic growth in the future.

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What are the opportunities and challenges in the European market beyond the Beta-pharm story and the tender-based model?

In Europe, our business is worth about $100 million driven by two major countries, Germany and the UK. In recent years, we have moved away from government tender businesses and will focus on the institutional business across the top five EU

markets and core therapy areas in Germany and the UK. We have made a conscious shift away from large single-winner tenders and transitioned to a lean and cash-positive model.

Looking at innovation-driven research, is there a revenue milestone? From product development to patient management, how do you plan to use technology for better product development?

The company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant. Innovation is embarked on by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.

What is the company's research philosophy? What will be the future focus on your R&D activities across various therapeutics?

Over the past five years, we have built strong R&D capabilities across all businesses and increased focus on biologics and proprietary products development. Our skills in science and technology range from synthetic organic chemistry, development of biologics and formulation development to small-molecule-based drug discovery. These are complemented by specialised research facilities. Our product development capabilities cover chemistry, analytical chemistry, process engineering, formulations development, polymorphism, bio-pharmaceutics, management of intellectual property and projects and regulatory science. Octoplus, our specialty research facility in the Netherlands, concentrates on development of injectables, which work better, longer and with fewer side effects. Chirotech, a facility located at Cambridge (UK), helps our custom pharmaceutical services business with its distinctive competencies in organic and bio-catalysis. And our biologics facility in Hyderabad has helped us build unique biotechnology capabilities and so create biosimilars for complex and expensive therapies, making them accessible to patients.

Given the challenging regulatory environment, how do you look at the growth of Indian pharma industry? Can you also give detail the opportunities and challenges for the growth of this sector?

India is still a fragmented market place, though with a lot of headroom for growth given the poor diagnosis and treatment rates. Most diseases are highly under-diagnosed and under-treated as a result. We are seeing investments in healthcare infrastructure, growth in the number of retail chemists, and patients becoming more aware as a result of rising incomes and improving socio-economic trends. For a company like ours, this is a great opportunity to help improve access to high quality medicines and impact healthcare in the country.

> GO-TO-MARKET INNOVATION EFFORTS ARE DRIVEN VIA MULTIPLE TECHNOLOGY-BASED PATIENT-CARE SERVICES FOR SUPER-SPECIALITY AND CHRONIC DRUGS