

# Scrip magazine

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Pharmaceutical issues in perspective

## CROS – PERFECT PARTNERS IN THE R&D PICTURE

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# Great minds think alike

Satish Reddy



Malvinder Singh



Observers will note clear parallels between Malvinder Singh and Satish Reddy's young business lives – both US-educated, the men have quickly risen to the top of two Indian pharma giants, reports Anju Ghangurde

Two of India's top pharmaceutical companies, Ranbaxy Laboratories and Dr Reddy's Laboratories, are led by men in their 30s. "That's close enough to the spunky 20s and not far away from the roaring 40s!" an industry observer quipped, best summing up the level of corporate aggression and maturity these young men are expected to combine. Malvinder Singh, Ranbaxy's CEO and managing director, and Satish Reddy, managing director and chief operating officer of Dr Reddy's Laboratories, have the right genetic make-up for sure. The suave Malvinder is the elder son of the late Dr Parvinder Singh, oft described as being ahead of his time and a visionary leader, while the soft-spoken Satish is the son of one of India's top-notch scientists, Dr Anji Reddy.

Both young men come from business families, so the move to running their respective fathers' enterprises may not come as a big surprise, but in fact, the two were drawn headlong into their companies by crises, albeit completely different in each case. The young Malvinder, who "enjoyed" economics and finance, was reportedly on his way to Singapore for an internship at the investment bank, Merrill Lynch, when news of his father's failing health became known.<sup>1</sup> "I knew at some point that I'd have to come back [Malvinder got his MBA from Duke University in the US], though I did not

anticipate that I'd come back at the time I did. One of the things that really drove me to that decision was his [Dr Singh's] health. To me it was not important what I could be; I just wanted to be with him. It was my call, dad didn't even raise the subject," Singh says.

Reddy, on the other hand, faced a different problem. Back from the US with a master's degree in medicinal chemistry from Purdue University, he saw that Dr Reddy's Laboratories was cruising along fine and had several key people who were "well entrenched". In fact, he even considered looking at projects unrelated to the pharma industry until crisis struck. In early 1993, the key members of the active pharmaceutical ingredients (API) process development team at Dr Reddy's decided to quit, leaving the company with very little in terms of a new product pipeline. Having been quite dependent on the API business, and suddenly being left without new products or new processes for the older products, the company was faced with a very difficult situation, Reddy recalls.

This put him right in the thick of all the action and he believes that his father should be credited for the "gamble" he took, placing his inexperienced but technically competent son at the helm. "Basically, at that time, I was very much like the API R&D head! I was trying to revive the business, working with the

strengths of those left behind. Like dad may have bet on me, I was also pinning my hopes on these people," Reddy explains. And clearly, he proved his mettle. The API business was back on track in under two years and the results gave him credibility, with employees looking at him as more than just the chairman's son.

## No frills, just another employee

Malvinder Singh, on the other hand, joined Ranbaxy as a management trainee as his father had made it very clear to his children that they'd have to start at the bottom of the ladder and work their way up. In fact, the young Malvinder was never pampered with the luxuries that he could have easily accessed. "I did not get any extra benefits – no fancy office, no secretary. I travelled economy class, ate in the general canteen. I was treated just like any other employee at a particular level. All my benefits, perks and my role and responsibility were linked to that level. I was not involved in any decision-making beyond my professional role," Singh explains. Clearly, this helped bridge the divide between him and other employees and they soon saw him as one of them.

Sticking to his principle of not giving everything to his children on a platter, Parvinder Singh went on to nominate

Davinder Brar, a professional manager, as CEO and managing director of the company before his death in 1999. Brar was followed by Dr Brian Tempest as CEO and managing director, by which time Malvinder had moved up to executive director and president of the pharmaceuticals business. Along the way, Singh had earned his stripes playing a pivotal role in a deal in which the company outlicensed its compound for benign prostatic hyperplasia (BPH) to Schwarz Pharma. He also revamped the company's UK operations, putting it back on track. Earlier this year, Singh took charge as CEO and managing director, while continuing to report to Tempest, who took over as chief mentor and executive vice-chairman of Ranbaxy's board.

### In at the deep end

Clearly, both Singh and Reddy have made some difficult decisions in their relatively short business careers, steering their companies through the rough and tumble of generics litigation and countering the inherent risks of drug discovery research.

Ranbaxy is now perceived as an aggressive patent challenger – being involved in the much publicised challenge against Pfizer's Lipitor – though Singh argues that's a perception which the media has created. "I don't believe we are aggressively challenging innovators. We have 59 abbreviated new drug applications [ANDAs] pending approval with the US FDA, of which only 19 are first-to-file cases and, of these, we are in litigation for just seven. I believe our strategy is balanced. I do not believe in frivolous patent challenges," he explains. Some industry critics, however, say Ranbaxy is not as R&D-driven as it used to be and would have been better off with a less risk-prone generics strategy and steady overall growth. Ranbaxy reported a 62% decline in consolidated net profits to Rs2.59 billion (US\$59 million) for the year ended December 31, 2005 as it was hit by continuing price erosion in the US. Consolidated sales declined by 2% to Rs51.95 billion (US\$1.2 billion).

Singh is, however, confident that the company is on track to achieving a turnover of US\$5 billion by 2012. "Dad was a scientist and was very passionate about R&D. We [Ranbaxy Laboratories] are in both new chemical entity [NCE] research and generics, but clearly, you need to focus on strengthening the generics business, so that you can invest on a sustainable basis in NCE

work. We've made quick progress on the NCE side but that's a long-term game. You have to be patient."

Reddy, who runs Dr Reddy's Laboratories alongside brother-in-law, GV Prasad – who is vice-chairman and CEO – has also seen his company through a difficult period. In fact, his father and company chairman, in a letter to shareholders, admitted the firm had performed below par and for the first time in its history, reported a 3% decline in revenues to Rs19.47 billion (US\$438 million) in 2004–2005. This was largely due to pricing pressures in the US generics market and on the company's API, ramipril, in Europe, and the absence of new products to counteract these pressures. The company did not react in the conventional way by slamming the brakes on R&D spending – in fact it raised R&D investments by about 41% in 2004–2005. However, the company was clear that it might have to shed its old model, in which all elements of R&D, from molecular selection to clinical trials, were under a single roof.

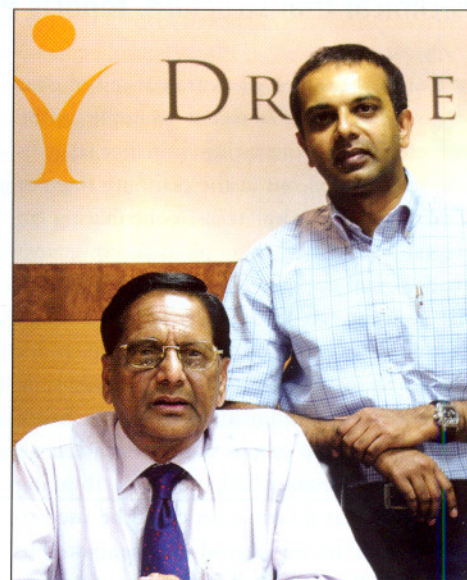
In September last year, Dr Reddy's Laboratories formed a separate integrated drug development company, Perlecan Pharma, with equity capital financing from Citigroup Venture Capital and ICICI Venture Funds Management Company. The aim: to mitigate research risks, while sharing the upside of reward. Dr Reddy's Laboratories transferred all titles and rights including the development and commercialisation rights of four new compounds, that were in preclinical to late Phase I studies, to Perlecan.

Reddy believes the way forward is ensuring that the US generics arm and its European business reach a point of self-sustainability – Dr Reddy's Laboratories acquired Germany's Betapharm in February for €480 million (US\$569 million) – where these can finance their own R&D activities. Then he'd like to see the company's specialty product business, currently in investment mode, deliver products to the market. Finally, in the long-term, he wants the company's own new compound to reach the market. "The key is execution [of strategy] for the next five years and not making any of the mistakes of the past," he says.

### Like father, like son?

But how do the leadership styles of these men compare with those of their fathers? Ranbaxy's Singh does not want to be drawn into comparisons, but admits his style may be

somewhat different. "Times are different, the environment is different, the company's of a different scale and size and so you need to do things differently. I believe that you have to evolve as a leader and have different styles depending on the needs," he explains.



Meanwhile, Satish Reddy (pictured with his father above) is more candid. "My father's the company's biggest optimist. I'm more conservative, trying to balance out things, trying to have my feet on the ground," he says.

Both leaders, however, vouch for the 'pearls of wisdom' passed on by their fathers. Singh says it is essential to have the "right" people with you. "You've got to work with them, empower them and hold them accountable. And believe in your gut [instincts]," he says. Reddy, on the other hand, says his father has always advised him against wasting too much energy dealing with minor setbacks. "It's important to look at the big picture. Be resilient," he adds.

There's one more area where these men will follow their fathers – being fathers themselves, they are expected to give their own children roots (the best education, upbringing and value systems) and wings (the freedom to choose and develop their career). That's when you realise that these men are actually closer to 40 than their 20s.

### References

1. B Bhandari. 'The Ranbaxy story: the rise of an Indian multinational', Penguin Group, 2005.

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