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Business

Father, scientist, pharma czar

IT WAS 15 minutes to 10 am. We reached the largest Indian pharmaceutical company — Dr Reddy's Laboratories Ltd's corporate office — a modest building — situated at one of Hyderabad's busiest commercial centres to meet its founder and chairman, Dr Kallam Anji Reddy, and his son and the company's MD and chief operating officer, Mr Satish Reddy. Soon, we were ushered into Dr Reddy's office — which reportedly has remained unchanged for the last 25 years.

The foundation of Rs 20,000-crore pharma major Dr Reddy's Laboratories Ltd (DRL) traces back to 1965, when Dr Reddy was pursuing his PhD in Pune. "I saw a Pfizer plant and decided to build one of my own," recollects the pharma czar. Ever since Dr Reddy, son of a turmeric farmer, has come a long way from being an employee of an Indian public sector company Indian Drugs and Pharmaceuticals Ltd to the chairman of DRL.

At 70 years of age, the pharma stalwart is still the doctor in search of drugs.

At 10 am, Dr Reddy and his son Satish arrived in his office to share the details of past, present and future of the company, which is shortly going to celebrate its silver jubilee with Deccan Chronicle team — SYED AKBAR AND S. UMAMAHESHWAR.

Excerpts:

DC: Congratulations on DRL's 25th anniversary. Over the last 25-30 years, Hyderabad has become a pharma industry hub. You have been a part of this. What's the reason?

Dr Reddy: The reason is very simple. Hyderabad had India's first synthetic drugs company — Indian Drugs and Pharmaceuticals Ltd (IDPL). Till IDPL was set up, nobody was making bulk drugs (active pharmaceutical ingredient used to make tablets). All other pharma companies such as Unichem, Ranbaxy, Cipla used to import bulk drugs from Italy for manufacturing tablets here. Americans were reluctant to share technology. So Russia came forward to transfer bulk drug technology — though rather crude in quality — to IDPL. It was from IDPL, we learnt the skills of developing a bulk drug and refined it further. When I was successful, others followed me. That is how the industry has grown in Hyderabad.

DC: When you quit your job in 1976, government jobs were at a premium. Was there any resistance from your family when you quit job to start your own venture?

Dr Reddy: No, my father — a turmeric farmer in Tadepalli near Guntur — was a little reluctant about me quitting my job at IDPL. But he knew that I wouldn't listen to him (laughs). Others thought I will fail.

DC: What were the initial drugs like?

Dr Reddy: I entered the pharma industry in partnership. Along with partners, I started a company called Uniloids in 1976. During those days, I used to be a salesman, production manager and everything. At Uniloids, we were the first to manufacture metronidazole (an antibiotic) in the country. The quality of our metronidazole was better than the imported one. In 1980, I founded Standard Organics in 1980 in partnership. In 1984, I started DRL in Hyderabad with an initial capital of Rs 25 lakh. Now if you see, you will find that almost 70 per cent of them are our offshoots (laughs).

DC: As an entrepreneur yourself, are there any plans to encourage budding entrepreneurs by offering venture capital?

Dr Reddy: No, we have not



Father and son K. Anji Reddy and Satish Reddy. — DC

“ I had said long back that they (Prasad and Satish) are looking for a better CEO, so that they can relax.”



such plans. Actually, he (Satish) can explain to you how we have developed several entrepreneurs. Our own people are making intermediaries for us.

Satish: We are mainly into bulk ingredients, there are several intermediaries used in the manufacturing of a drug. A lot of people, who worked with our company, went on to set up their own companies to supply to us — some on their own, while some with our support. This is how we have been promoting entrepreneurs.

Dr Reddy: We have promoted entrepreneurs not to invest (our) money. We have done it to encourage people and, obviously, our company has also benefited as it got a readymade supply without taking trouble of supervising them.

DC: All these years, Indian pharma companies have competed with the multinationals. All of a sudden, there is a trend towards collaboration — Indian firms tying up with MNCs. You too have a tie up with GlaxoSmithKline. Why the shift?

Satish: In the current scenario, the tie-ups, including

the recent one with say GSK for example, is due to the changing scenario in the pharmaceutical industry.

The big pharma companies run on innovation model. But the number of their products that are approved every year is actually going down. The economic crisis and the subsequent patent expiries have also caused a decline in their sales in the developed markets. So they want to focus on huge generic space and the emerging markets such as India and China. For the Indian firms, it will give access to new markets. We don't have presence in Latin America and some small countries. In those countries, we can use the distribution set up of MNCs to sell our generic products.

DC: You have exited from Asia-Pacific. So, now you are focussing more on building depth in markets where you are present. Does it mean that you won't foray into other high profile markets such as Japan and Brazil?

Satish: We have exited from small countries in Asia Pacific, which have very low sales. We are present in China in a joint venture. Japan is just opening up for generics. It's also a focus market for us but it's too early. We are still looking at the option. In other markets, where we don't have any foothold, we will piggyback on the GSK alliance.

DC: What will be your approach for regulated markets?

Satish: The largest markets are the US and some European countries. A number of products, including high profile, high volume ones, are going off patent. We are there in several of those products. So the new launches and the attractiveness of the market will lead us to a good growth in the US and Germany.

Dr Reddy's Labs, the first private enterprise that took pharma MNCs head on, will shortly celebrate its silver jubilee. Dr Anji Reddy and his son Satish Reddy talk exclusively to Deccan Chronicle about the remarkable journey of the largest Indian pharma firm.

DC: Could you tell us about your R&D business? Initially, you spun off your own company and then merged it with Aurigene?

Dr Reddy: In 1993, I felt that unless we get into drug discovery, we cannot become an A-tier company in the world. So, I spent Rs 6 crore in 1994, which went up to Rs 100 crore later on and led to changes that we have done now. Somebody may say that 'you don't have a drug in the market.' But to bring one drug into the market it takes Rs 5,000 crore now; so what is Rs 100 crore? In just three years after we started R&D, we discovered and licensed a diabetic drug to the world's number 1 diabetic company in Denmark for \$3 million. Within 12 months after we licensed the first drug, we have discovered a first in class, which lowers blood glucose as well as lipids like triglycerides.

DC: What are your plans for anti-diabetic Balaglitazone?

Dr Reddy: We are approaching the European Medical Agency with whatever data we have on Balaglitazone and would seek their guidance. We will move according to their advice.

DC: There are allegations that drugs, which have been banned elsewhere in the world, are still sold in India. Why?

Satish: Our regulatory systems are strong enough. There is also enough data, which should become the basis of any decision on a particular product and not just some event that is happening in some country.

DC: What are the drugs that changed your career?

Dr Reddy: In 1976, we succeeded to manufacture Sulfamethoxazole, which helped us in the initial days. We got Ciprofloxacin in 1991 and we were the only company that was making and selling the bulk drug.

DC: Are there any misses? Dr Reddy:

In late 90s, I developed my second diabetes drug but first in class, which drug lowers blood glucose as well as lipids like triglycerides. The cost was just Rs 6 crore. We licensed the drug to Novonordisk, which spent \$100 million on its R&D. As I had not named the drug, they named

it as Ragaglitazar. This name was derived from Reddy Alpha-Gamma. They have named it after me as they thought they should honour me for this discovery. But unfortunately in 2003, they found that it causes tumours in rats. So, it was abandoned. If our drug had crossed that small glitch, you would have been interviewing a different Dr Reddy now. And we would have been getting royalties of 15 per cent, which would have been thousands of crore rupees every year.

DC: When you look back and see, have you missed on anything in the last 25 years that you wanted to do?

Dr Reddy: No. It was the god's decision that my drug fell out. With a little bit of luck, we would have transformed ourselves. Despite this, we didn't stop. The innovation continues. Just because Pfizer spends \$8 billion, it doesn't mean that only it can discover drugs.

DC: Were there any misses on the personal front?

Dr Reddy: I have not missed anything. In fact, I will miss out if I stop drug discovery. The straightforward Dr Reddy says in today's age he cannot give drugs free. "But we have made drugs cheaper, as affordable as possible. If I priced the anti-ulcer drug at Rs 50 a tablet, this Rs 50 will cause more ulcers than the drug could cure". Inspiration is something he had in plenty from his father, but support for his plans was another matter. When he wanted to quit his government job in 1974 to start his own business, he didn't have his father's enthusiastic backing. This is something he has taken care to ensure his son Mr Satish Reddy never has to face as he runs day to day operations of Dr Reddy's Laboratories. In turn, it allows Dr Anji Reddy time to indulge in his true passion, which is research. He is now completely engaged in the pharmaceutical end of the business while son Satish and son-in-law G.V. Prasad manage the business.

DC: But you had a drug like sumatriptan too.

Dr Reddy: Yes, true. They are authorised generics. When we got authorised generics for Zocor, there was a furor in New Jersey. Reacting to it, I had said that, "Father-in-law gives dowry only once. And actually, I was wrong. Father-in-law gave the second dowry in sumatriptan." But I never believed that father-in-law gives a second dowry.

DC: Who has been your inspiration?

Dr Reddy: To be honest, I take inspiration from my father, a turmeric farmer. We were a well-to-do family but not very wealthy. He used to make and administer herbal medicine for free. But unfortunately, I can't give drugs for free like my father. So the next best thing is give it at as low a price as possible and make some profits. We sell blood pressure drug for \$1.20 in America, so I decided to sell it for Rs 1.20 in India.

DC: As a successful entrepreneur, any advice for aspiring entrepreneurs?

Dr Reddy: My advice is that they should dream big but at the same time only people who have got that spirit, would do it. There is a saying in the Upanishads: "You are what your deep driven desire is. As is your desire, so is your will. And as is your will so is your day. And as is your day, so is your destiny." One need to have a strong desire. If you don't have desire, but still want to become Bill Gates, you will fail. In my case, I had seen a Pfizer's pilot plant in 1965 and decided that, 'I'll build a Pfizer.' Since I had that desire inside, if not Pfizer, I have built Dr Reddy's, which is 52nd top pharma company in the world.



Dr Reddy with his son-in-law G.V. Prasad at an annual general body meeting in Hyderabad.

A tradition of inspiration

SYED AKBAR DC | HYDERABAD

Feb. 21: For the Reddy family at the helm of Dr Reddy's Laboratories, inspiration runs in the family. Mr Satish Reddy looks up to his father, the founder, as an inspirational figure. For Dr Anji Reddy, inspiration, like charity, begins at home. "To be honest I drew inspiration from my father. He was a turmeric farmer. We were a well-to-do but not wealthy family. He used to prepare herbal pills for dysmenorrhoea in young girls. It used to work. He used to give this free. Once he gave the pill to the daughter of a district collector, he says in a voice filled with pride. The Rs 10 given by the collector went to a temple hundi, the doctor recalls fondly.

The straightforward Dr Reddy says in today's age he cannot give drugs free. "But we have made drugs cheaper, as affordable as possible. If I priced the anti-ulcer drug at Rs 50 a tablet, this Rs 50 will cause more ulcers than the drug could cure".

Inspiration is something he had in plenty from his father, but support for his plans was another matter. When he wanted to quit his government job in 1974 to start his own business, he didn't have his father's enthusiastic backing. This is something he has taken care to ensure his son Mr Satish Reddy never has to face as he runs day to day operations of Dr Reddy's Laboratories. In turn, it allows Dr Anji Reddy time to indulge in his true passion, which is research. He is now completely engaged in the pharmaceutical end of the business while son Satish and son-in-law G.V. Prasad manage the business.

As the managing director of Dr Reddy's for more than a decade, Satish has emerged as a magnate in his own right. So how do the father-son duo share the responsibilities? They stay in touch, but each is completely responsible for his own tasks. Although there is clear-cut division of work, the younger Reddy does seek advice on vital issues, but the decisions both take are independent. "Our work dimension is compartmentalised. I do not interfere and he will not interfere in my work. If I continue to ask him his problems, I will become a nervous wreck, says Dr Anji Reddy.

The proud father says he is often asked if there have been clashes. "We never had differences of opinion at all. Many have asked us about this several times. Someone even pestered me a lot. He looks after the business part and I concentrate on research," says Dr Anji Reddy. Both men do not discuss anything personal with others. Says Dr Anji Reddy, "During my morning walk, a person used to ask me about our family relations. I avoided him and preferred someone who would accompany me for the morning walk without asking questions."

Dr Reddy reads books when he has time off from his research lab work. "I used to read the columns of American humorist Art Buchwald. He was a great philosopher too.

I was initiated into reading books by a business journalist, he says. He says in 1992 the journalist presented him with a book titled *Innovations*, which deals with the growth of companies such as Kodak. Dr Reddy has since read the book 10 times.

An avid reader, Dr Reddy has recently completed *Simply Fly* by Capt Gopinath Reddy and can now be seen engrossed in a copy of *Philanthropic Capitalism*.

Timeline

- 1984:** Dr. Anji Reddy establishes DRL
- 1986:** DRL enters into international markets with exports of Methylidopa
- 1986:** Goes public; Gets listed on BSE
- 1987:** Formulations Operations Begin. Obtains USFDA approval for Ibuprofen API
- 1988:** Buys Benzex Labs to expand its bulk business.
- 1990:** Exports Norfloxacin and Ciprofloxacin to Europe and Far East for the first time in India
- 1991:** First formulation exports to Russia commence
- 1993:** Dr Reddy's Research Foundation established
- 1994:** Foundation stone laid for a finished dosage facility to cater to the US.
- 1997:** First ANDA filed with US FDA for Ranitidine.
- 1997:** Licenses anti-diabetic molecule Balaglitazone to Novo Nordisk. Becomes the first Indian pharma firm to out-license an original molecule.
- 1999:** Acquires American Remedies in India
- 2000:** DRL becomes India's third largest pharma firm with the merger of Cheminor Drugs
- 2001:** Becomes the first Indian pharma company to obtain an 180-day exclusive marketing rights for a generic drug in the US market with the launch of Fluoxetine on August 3, 2001
- 2001:** Becomes the first Asia Pacific pharma company, outside Japan, to list on the NYSE.
- 2002:** Acquires BMS Labs and Meridian Healthcare in the UK — the first overseas acquisition.
- 2003:** Launches Ibuprofen, first generic product to be marketed under the DRLs label in the US
- 2005:** Acquires ROCHE'S API Plant in Mexico
- 2006:** Acquires betapharm — Fourth largest company in Germany
- 2006:** Revenues touch \$1 billion in December 2006
- 2007:** Becomes No.1 pharmaceutical company in India in turnover and profitability.
- 2008:** DRL formally announces its US Specialty Business, Promius Pharma, LLC.
- 2008:** Acquires BASF's pharma manufacturing contract business and related facility in Louisiana.
- 2009:** Announces tie-up with GlaxoSmithKline.



Dr Reddy, G.V. Prasad, Satish Reddy and others ringing the opening bell marking the listing of shares in NYSE on April 11, 2001.