

**Plain Talk** In his first interview after taking the helm, GV Prasad says increased scrutiny is good for industry & will help get its act together

# Falling Standards Pharma's Bane: Dr Reddy's Boss

**CR SUKUMAR  
& RAJI REDDY KESIREDDY**  
HYDERABAD

The pharmaceutical industry is facing pressure from regulators in the US because companies have allowed standards to decline, the head of one of India's biggest drug makers has said.

GV Prasad, who took over as chairman of Dr Reddy's Laboratories in April from the company's late founder Anji Reddy, said the increased scrutiny is good for the industry and will help it get its act together.

"Increasing regulatory pressures are largely because the companies have slipped off in terms of quality, in terms of systems, in terms of integrity. And we are feeling the pressure of that," he told ET in an interview, his first to an Indian publication since taking over as chairman. "I think, in the long run, it is good for the industry to get its act together and comply with the regulations."

Prasad's statement comes in the backdrop of a record \$500-million (₹3,000-crore) fine imposed by the US on Ranbaxy. Now owned by Japan's Daiichi



Sankyo, Ranbaxy pleaded guilty to violating manufacturing norms and making false statement to US drug regulator FDA.

Prasad, whose company sold drugs worth over ₹11,600 crore in 2012-13, said Ranbaxy under its new owners has improved and adopted an "uncompromising approach towards quality".

India has emerged as an important global supplier of low-cost generic medicines, helping to drive down prices of drugs that were hitherto inaccessible to low-income patients.

# 'Ranbaxy Saga has Opened Eyes of Cos, You've Got to be Strong on What you Do'

The \$500-million (₹3,000-crore) fine imposed by the US on Ranbaxy is an eye-opener for pharmaceutical companies on quality-related issues, but there is little to complain about in intellectual property protection in India, says **GV Prasad**, the chairman of Dr Reddy's Laboratories. Here are edited excerpts from an interview with **CR Sukumar and Raji Reddy Kesireddy**.

## What is your assessment of India's pharmaceutical industry and Dr Reddy's in particular?

I would say that the Indian pharmaceutical sector is playing a massive role in making healthcare affordable in the world today. I don't know how much of it the government recognises but if you actually see the number of pills or the active pharmaceutical ingredients that are going from India and creating affordable medicines worldwide, it has a massive impact.

So in that sense the Indian industry is really doing a great service today. If you look at Dr Reddy's, we tackled the difficult challenges. We have always chosen to do the most difficult things and created value by doing those things. Now, we are doing biosimilars. Over \$100 billion of pharmaceuticals sales are from biologics. So now we are moving into making biologics more affordable through our biosimilars initiative. We are also working on drug discovery and proprietary products but I think it will take some time to get there.

## What is the role the US market in sustaining growth momentum?

The US is a commodity market and as

competition increases, value tends to diminish.

The only way we create enhanced value is through innovation. Increasing regulatory pressures are largely because the companies have slipped off in terms of quality, in terms of systems, in terms of integrity.

And we are feeling the pressure of that. I think in the long run it is good for the industry to get its act together and comply with the regulations. As a company, we have always focussed heavily on improving our quality systems, our training, our approach towards regulatory compliance. I think it is going to be a competitive advantage for Dr Reddy's.

## Do you see the Ranbaxy episode affecting the brand image of Indian pharmaceutical companies?

I think the fine is massive – \$500 million is probably unprecedented for a generic company to have paid. To that extent it is a kind of a negative milestone for the industry. But every company has had some trouble in the regulatory areas. It is not unique to Ranbaxy.

I think in India we have given it a lot more visibility than internationally. I think people have taken it in their stride. And Ranbaxy is a different company now. It's a Japanese company. They have very uncompromising approach towards quality. I think the market recognises that. I think it (the episode) has opened the eyes of Indian companies that you have to be very strong on what you do and it is happening. And this is not a new story. This has been brewing in the industry and we knew that this was coming.



## What are your thoughts on the policy of price caps for essential drugs?

I don't have any specific comments. On the negative side it decreases the value of the market and on the positive side I would say that they have moved away from a cost-based regime.

Earlier price orders used to be based on the cost of manufacturing plus a markup and lot of bureaucracy was involved. Now at least it's a transparent system based on competition, relative market shares and prices. The government has a role to keep prices affordable and we take in our stride. It's not something we are happy about it. But what can we do?

## What is your view about foreign investment in the pharmaceutical sector?

They are getting money into the stock market, they are buying shares of companies and that is fine. But why can't

you (government) let them come in and establish here or buy existing company? What difference does it make? It's a free market. Today nobody restricts us from buying their companies anywhere in the world. Why should we put all these things? Competition will take care of pricing. And you have the pricing regime anyway.

## There are concerns on the availability of some drugs.

That availability is driven by our own policy weaknesses not by other companies coming in. Why will companies come in and deprive customers of a product?

## How would you address concerns about intellectual property protection?

The Glivec verdict (against Novartis by the Supreme Court) was a well-written argument. So I think it's a maturing country. This is part of the learning process for the judiciary, for the bureaucracy and for the industry. I think we are on that path of giving full respect to all intellectual property. Even US patents are overturned. We all go and fight patents there and the patent is overthrown. That doesn't mean that the US doesn't respect intellectual property.

## Some countries are insisting on local manufacturing for government-funded products.

The primary thing you are talking about is Russia. That is big for our company and we are monitoring the situation closely. If required we will put up local manufacturing. As of now we have not decided. But if it makes a difference to our competitiveness we will.

## on US Market

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