

Business Standard

A natural choice for Dr Reddy's

G V Prasad's elevation this week as the chairman of Dr Reddy's Laboratories has not come as a surprise to those in the industry. For them, the move is a logical step in succession planning, following the death of the company's founder, K Anji Reddy, and a well-considered professional exercise.



There is no doubt that Prasad's contributions to the company have been immense. He has seen Dr Reddy's fortunes ebb and flow and to a large extent he has been the architect of the new face of the pharmaceutical company.

For a good part of its existence, Dr Reddy's along with Ranbaxy was leading the Indian charge in the global market. It acquired assets abroad, got into patent litigation with big pharmaceutical companies and also attempted to discover new molecules.

Towards the end of the last decade, Dr Reddy's was hit by a slew of setbacks. It suffered reverses in its new drug discovery programme after molecules it had licenced to Novo Nordisk for development were discontinued. It also had to make provisions of Rs 860 crore in 2009-10 for erosion in value on account of the Betapharm acquisition (Dr Reddy's had acquired Germany's Betapharm for euro 480 million in 2006).

"We started asking the question why we were not the darling of investors. We found out that they want to see less volatility in business, they prefer a model that is predictable and profitable," Prasad had told Business Standard then. Prasad was the vice-chairman and chief executive then and it was left to him to straighten things out. He decided to straightjacket the company's

strategy and instead of going all over the place focus on five key markets with the aim to be among the top five players in each of them. “This will drive growth after five years,” he had said. It also became clear to him that the urban market was more difficult to crack than the rural market and, therefore, Dr Reddy’s readied an aggressive push into the rural market. His strategy was to be the first in the “highly under-penetrated market.” “The incomes are going up. The government is spending a lot of money in the National Rural Health Mission,” Prasad had said.

While Dr Reddy’s may have been able to steady itself from the extreme volatility of 2009-10, its challenges are far from over. The company may miss the guidance of touching the \$2.7 billion-revenue mark in 2012-13. It also faces the near-term challenge of bringing new streams of revenues from biosimilars and other niche products in the face of dwindling off-patent opportunities.

In the past, Prasad has proved his credentials in academics and then as an entrepreneur many times over. At Purdue University, from where he graduated in chemical engineering, he was nominated to the Dean’s list for high academic achievers. After a brief stint in his father’s construction business, he co-founded Benzex Labs, a bulk drug manufacturing company, in 1985.

This company was later acquired by Dr Reddy’s. Later, Prasad was chosen to head Cheminor drugs as its managing director in 1990, a partnership started by none other than Anji Reddy and Murali K Divi who founded Divi’s Laboratories the same year. Prasad became the vice-chairman and chief executive officer of Dr Reddy’s in 2001 after the merger of Cheminor Drugs with Dr Reddy’s. In his new role he was credited with building a successful global generics strategy, which helped the company emerge as a global generics player providing affordable medicines across the continents.

Besides Anji Reddy, the credit goes to his son-in-law Prasad and son Satish that Dr Reddy’s did not remain a family-run concern. The pharmaceutical major had been transformed into a professionally-run company long back. Of late, the duo even stopped attending press conferences, leaving the presidents and the chief financial officers of the company to brief the media.

“Both are thorough professionals and good persons. They strictly confine to their own brief in the company and never interfere with others’ job,” says M Narayana Reddy, managing director of Virchow Laboratories, who is also a long-time associate of Anji Reddy. According to him, Anji Reddy left everyday management of the company to the “two gentlemen 15 years ago to pursue his dream of drug innovation”.

For the old-timers in the family, Prasad provides continuity in ethical management of Dr Reddy’s, which, they say, never believed in shortcuts to success. He also has to bear the burden of Reddy’s legacy of pursuing the ultimate goal of making the firm an innovation-driven company. Industry observers say Prasad is yet to prove himself on the leadership front at a scale that Reddy proved himself to be. He was, after all, a leader amongst giants.