

INDIA'S MOST RESPECTED COMPANIES


PHARMA

SECTORAL RANK

1

 COMPANY
**DR REDDY'S
 LABORATORIES**

 CHAIRMAN & CEO
G.V. PRASAD (L)
 VICE-CHAIRMAN & MD
SATISH REDDY

 TOTAL SCORE
50.25

 REVENUES
Rs 11,618 CRORE

The Right Dose Of Reality

THE QUEST TO BE India's first drug discovery company helped Dr Reddy's Laboratories (DRL) win *BW*'s most respected pharmaceutical company award in 2004. A decade later, DRL regains its No. 1 spot in the sector at a time when drug discovery has gone off its radar. Also, it has put its ambition to conquer the world's largest medicine market, the US, through high-risk patent litigations, on the backburner. Today, its growth is driven by a sharp focus on select markets where it has a strong presence rather than expansion spurred by the need to be present across geographies.

'I have hardly lost anyone from my management council in the past 10 years' — G.V. Prasad

Most importantly, the company is no longer led by its founder chairman, scientist-entrepreneur Anji Reddy, who passed away on 15 March. The reins are now in the hands of his son-in-law, G.V. Prasad (chairman and CEO), and son, Satish Reddy (vice-chairman and MD). The shift in priorities, however, took place way before Anji's death.

What remains unchanged is the company's belief in "innovativeness", a parameter for which the company was ranked first by its industry peers. "Innovation doesn't mean only drug discovery. It can happen in many ways. It can happen in processes, products, in how we manage various fronts... This is where I think people consider Dr Reddy's to be innovative," says Prasad. "We have been known for our ability to experiment, do things differently, give people the freedom to experiment, and provide them the space (to do so)."

The strategy seems to be working. The company's consolidated revenues reached \$2.23 billion (based on an average realised rate of \$1 = Rs 52.10) in 2012-13. It improved performance in the US, remained at the top (among Indian pharma companies) in its second largest market Russia, and grew more than the industry average of 13 per cent in India. As on 31 March, the company had 65 pending drug approval filings with the US drug regulator, of which it expects exclusive limited period marketing for at least four.

The company was also rated high for its management. "We have a good mix of people," says Prasad. "For ex-

ample, our global generics head came from the chemicals industry. Our current API (active pharmaceutical ingredients) head is a PhD in pharmaceuticals. Umang Vohra, who was on the finance track (former CFO), is now heading the generic business in North America."

The 11-member management council, which includes Prasad and Reddy, rarely sees attrition. "I have hardly lost anyone from my management council in the past 10 years. We have people who retire, but no one who leaves in between."

One of the course-correction decisions that the council took was to reduce the importance of new drug discoveries, and not depend on Betapharm — the German subsidiary it acquired in 2006 — for global growth. DRL is also globalising its R&D. The idea is to build a portfolio of differentiated and difficult-to-manufacture products. Developing biosimilars (generic versions of biotech products) with a focus on oncology is another objective.

In biosimilars, the company has an early-mover advantage with four products in the Indian market. Exports to Latin America are also on. "The emerging market growth in biopharma will continue. But the game changer will be the deal with Merck-Serono to codevelop and launch such products for the European market," says Reddy. The biosimilars opportunity in developed markets, though, is another five years ahead.

Oncology, gastrointestinal, cardiovascular, dermatology, pain management... the company's therapeutic focus is very clear. It is also very

focused on the markets it wants to be in. Partnerships will drive the rest. For instance, DRL is one of the few Indian pharmaceutical companies to have a joint-venture manufacturing facility in China. It is also planning a Japan entry (though its tie-up plans with Fuji Films failed). It also has a joint product development and supply agreement with GlaxoSmithKline for markets where it isn't present.

According to Reddy, the company's key strength comes from robust risk management practices. "There are business risks. Fraud is part of that, but it happens at a more operational level. (Then there is) regulatory risk. For instance, increased USFDA scrutiny and issuance of warning letters. If you can see what's happening in the regulatory space, and what are the steps that need to be taken, you are managing the risks."

Apart from this, regulations can also pose business challenges. The possibility of local manufacturing requirements in Russia, or drug price control policy in India are two examples. "Enough mitigation efforts are put in place as an ongoing process," says Reddy. The company has desisted from giving a growth guidance as it feels that its base business model is exposed to a lot of volatility.

The volatile environment is perhaps why Prasad feels the company has to improve on all fronts (parameters that were considered to pick the most respected companies) except one. "On ethics and transparency, I feel we are as good as one can be anywhere in the world."

— Joe C. Mathew

INDIA'S MOST RESPECTED COMPANIES

OVERALL RANKINGS

Rank 2013	Rank 2011	Company	Total	Innovativeness	Quality & depth of top mgmt	Financial performance and returns	Ethics and transparency	Quality of product and services	People practices/ talent mgmt	Global competitiveness
1	3	Tata Consultancy Services	56.53	8.20	8.17	7.98	8.15	8.07	7.92	8.04
2	5	Reliance Industries	54.56	7.92	7.94	7.91	7.60	7.74	7.69	7.76
3	1	Infosys	54.42	7.88	7.85	7.70	7.76	7.76	7.75	7.72
4	19	Hindustan Unilever	53.80	7.85	7.90	7.66	7.41	7.73	7.68	7.57
5	2	Larsen & Toubro	52.99	7.64	7.72	7.47	7.44	7.71	7.49	7.52
6	13	ICICI Bank	52.60	7.60	7.58	7.37	7.48	7.61	7.47	7.49
7	7	State Bank of India	52.34	7.46	7.53	7.65	7.60	7.46	7.34	7.30
8	6	HDFC Bank	51.56	7.51	7.51	7.39	7.24	7.43	7.24	7.24
9	8	Tata Motors	49.54	7.18	7.15	6.99	7.10	7.15	7.00	6.97
10	53	Samsung India Electronics	48.52	7.20	7.07	6.65	6.83	6.99	6.76	7.01
11	9	Tata Steel	48.10	6.73	6.95	6.74	7.10	6.98	6.82	6.77
12	35	Dr Reddy's Laboratories	48.10	6.98	6.82	6.78	6.72	7.16	6.89	6.74
13	14	Maruti Suzuki India	47.61	6.98	6.92	6.70	6.68	6.97	6.75	6.62
14	32	ITC (Sheraton)	47.24	6.91	6.90	6.70	6.75	6.81	6.65	6.52
15	NR	LIC of India	47.21	6.76	6.77	6.86	6.78	6.86	6.66	6.53
16	16	Bharti Airtel	46.86	6.80	6.77	6.55	6.53	6.85	6.71	6.66
17	12	Mahindra & Mahindra	46.79	6.86	6.84	6.60	6.70	6.80	6.55	6.45
18	4	ONGC	46.31	6.58	6.80	6.52	6.59	6.75	6.62	6.46
19	21	Ranbaxy Laboratories	46.04	6.66	6.79	6.58	6.42	6.53	6.51	6.55
20	NR	HCL Tech	46.04	6.53	6.72	6.54	6.54	6.57	6.55	6.57

SECTORAL RANKINGS

PHARMA & HEALTHCARE										
1	Dr Reddy's Laboratories	50.25	7.79	7.53	7.38	7.06	6.91	6.79	6.79	
2	Ranbaxy Laboratories	49.53	7.11	7.08	6.92	7.11	7.18	7.05	7.08	
3	Sun Pharmaceutical Inds	49.21	7.56	7.15	7.12	6.91	7.03	6.56	6.88	
4	Cadila Healthcare	48.76	6.73	6.91	6.82	6.97	7.15	7.06	7.12	
5	Cipla	48.38	7.32	7.12	7.18	6.56	6.68	6.73	6.79	
6	Manipal Hospitals	48.26	7.13	7.21	7.04	6.54	6.54	6.63	7.17	
7	Wockhardt	48.22	6.82	6.55	6.88	6.88	7.27	6.97	6.85	
8	Johnson & Johnson	48.20	6.94	6.81	6.29	6.84	7.03	7.1	7.19	
9	Glaxosmithkline Pharmaceuticals	48.05	6.90	6.97	6.97	6.94	6.97	6.43	6.87	
10	Max Healthcare	47.65	6.59	6.50	6.55	6.55	7.14	7.41	6.91	
11	Jubilant Life Sciences	47.62	6.76	6.83	6.69	6.83	6.72	6.93	6.86	
12	Glenmark Pharma, Glenmark Generics	47.48	6.93	6.93	6.67	6.60	6.60	6.62	7.13	
13	Apollo Hospitals Enterprise	47.45	7.08	7.13	6.88	6.71	6.58	6.65	6.42	
14	Torrent Pharmaceuticals	46.85	6.84	6.87	6.61	6.26	6.61	6.53	7.13	
15	Fortis Healthcare	46.63	7.08	7.15	6.58	6.42	6.27	6.48	6.65	
16	Aurobindo Pharma	46.51	6.77	7.03	7.00	6.71	6.58	6.13	6.29	
17	Narayana Hrudayalaya Hospitals	45.78	5.89	6.37	6.47	6.84	6.95	6.84	6.42	
18	Ipca Laboratories	45.70	6.39	6.63	6.63	6.53	6.50	6.39	6.63	
19	Lupin	45.23	6.36	6.33	5.81	6.56	6.63	6.69	6.85	
20	Matrix Laboratories	43.92	6.21	6.54	6.43	6.46	6.21	6.07	6.00	