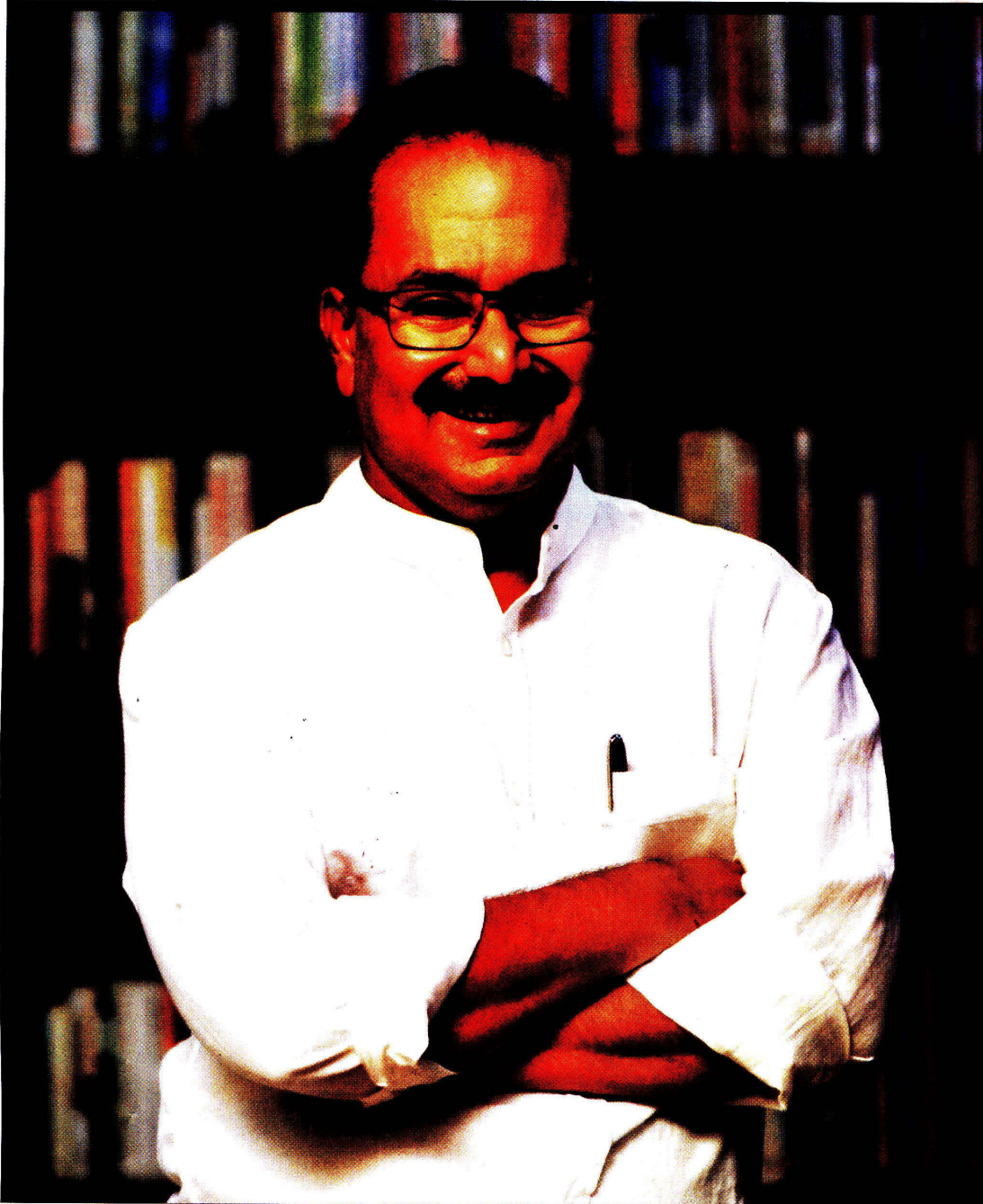


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INTERVIEW



**G V PRASAD**

# We see tighter regulations as means of upgrading ourselves

■ Integrating a competitive portfolio with strong launch and commercial capabilities is critical for Dr Reddy's Laboratories, **GV Prasad**, its Co-chairman & CEO, tells **BV Mahalakshmi**, highlighting some limited-competition opportunities and the company's plan to tap them through the launch of products in FY20

**With pricing pressure for some of your key products in the US, what would the focus be on in that market? How do you see the market in terms of pricing trends?**

The pricing trends for the US generics business are beginning to stabilise. In fact, in most of our recent conversations with top customers, the focus has shifted from price to supply. This is likely driven by many of the large generic players rationalising their portfolios. As a company, we continue to be optimistic about growth opportunities arising out of recent market dynamics in the US.

Over the coming quarters, growth for Dr. Reddy's in the US would have several drivers: one, larger and more significant portfolio offerings; two, ramp-up of new launches; and three, monetisation of the 103 filings pending approval with the USFDA. We will capitalise on our capacity for consistent quality service through our low-cost manufacturing footprint, based largely in India.

**Businesses such as biologics, proprietary products and Aurigene would continue to be growth drivers for you. Could you elaborate on the strategies for profitable growth, better asset utilisation and sounder management of their**

■ WE WOULD CONTINUE TO INVEST IN R&D FOR GENERICS, FOCUSING ON THE US, INDIA, RUSSIA, AND CHINA. BROADLY SPEAKING, 60% OF THE R&D SPEND WOULD BE ON GENERICS AND 40%, ON BIOSIMILARS, SPECIALITY AND OTHERS

**cost structures?**

Profitable growth for the three businesses would happen due to a combination of factors, including sales growth in existing products and new product launches, out-licensing deals and cost optimisation. Asset utilisation would improve by leveraging of the portfolio in existing and new markets, and higher production volumes from existing plants. The cost structures would be managed through an improvement in productivity, selective divestment of non-core assets/products, and sharing of R&D risk-rewards with partners.

**What's the plan for the R&D portfolio over the next few quarters? Could you outline the split of the R&D spend between generics and non-generic ventures?**

Over the years, our strong R&D capabilities have allowed us to build a rich pipeline of assets, which are at various stages of development. We would continue to invest in R&D for generics, with a wider approach that focuses on the US, India, Russia, China and other markets. Broadly speaking, 60% of the R&D spend would be on generics and 40%, on Biosimilars, Speciality and others.

**What's the rate of new launches been like considering the emerging opportunities and demand for biosimilars?**

The rate of new launches in the US has been fairly good over the past few months and we expect the momentum to persist. Integrating a competitive portfolio with strong launch and commercial capabilities is critical to our success. Given some exciting limited-competition opportunities, we expect to launch a few products in FY20. Additionally, we are seeing good momentum in Biosimilars in the emerging markets which remain underserved despite high demand.



**Could you detail your performance in the emerging markets business? How do you plan to grow in the domestic market?**

The emerging markets contribute about 20% of Dr. Reddy's' overall revenues and they continue to register strong growth. Growth has happened primarily on account of a higher volume offtake in the existing markets and scale-up in our new markets. While Russia remains a leading market for us, we have identified China as the next growth driver. We intend to strengthen our presence there by scaling up our JV business, increasing the number of dossier submissions, and entering the Oncology space. Recent changes in China's regulatory framework, the size and growth of the market, and our long presence in the country make it very attractive.

Additionally, Ukraine, Romania and Brazil are key markets for us. We continue to scale up the business

WE HAVE IDENTIFIED CHINA AS THE NEXT GROWTH DRIVER AND WOULD STRENGTHEN OUR PRESENCE THERE BY SCALING UP OUR JV BUSINESS, INCREASING THE NUMBER OF DOSSIER SUBMISSIONS, AND ENTERING THE ONCOLOGY SPACE

in these markets, as also the new markets, aiming to provide affordable and innovative medicines in the Oncology and Biosimilar portfolios. These initiatives, together with the focus on the key markets, should ensure for us long-term growth.

As for the domestic business, it has registered significant growth in the last three quarters with some good product launches. Our current big assets will continue to drive the top line. We will also continue investing in new sales, marketing and digital capabilities to help us compete better. Then again, the journey on cost leadership shall be sustained, helping us invest in growth.

**The pharma industry is facing challenges ranging from stricter regulations to a changing pricing mechanism. How do you plan to rewire the quality systems in that context?**

The expectations of regulatory bodies in different parts of the world have gone up. With the number of companies and manufacturing facilities supplying to the regulated market growing fast, it is but natural for agencies to tighten norms. While such measures pose some short-term challenges, we see in them an opportunity to enhance the value chain. At Dr. Reddy's, we remain committed to strengthening the quality systems and processes. We believe the current challenges will enable the industry to upgrade to higher standards. Overall, we are optimistic about the domestic pharma industry. Drivers like growth in diagnostic facilities, higher penetration of health insurance, rising disease burden, greater access to medicines, and rising demand for generics are likely to ensure industry growth of 9-12% per annum over the next five years.

In terms of challenges, the domestic industry needs to hold on to its competitive edge. Innovation is the need of the hour – we must start producing more complex, innovative and affordable medicines. And policy-makers have a key role to play in spurring innovation. Incentivisation of R&D and industry-academia linkages are very important in this context. Skill development is also significant – we must build a talent pool if we are to meet sectoral demand. The private sector and the government need to collaborate on the Skill India initiative if this is to be achieved. Notwithstanding the challenges though, India is potentially a high growth market, poised to become one of the three largest pharmaceutical markets in a few years' time.