Dr Reddy's readies plan to scale China operations

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Dr Reddy's Laboratories is chalking a strategic plan to consolidate its presence in China, and intends to bring several products in the next five years in the select therapeutic areas across the market. The firm aims to grow its China portfolio significantly over the next seven to eight years from the current $100-million revenue.

Dr. Reddy's operates in China through a representative office, a local manufacturing joint venture and wholly-owned subsidiary. "The strategic direction for this market is to strengthen our presence by scaling our JV business as well as by increasing the number of dossier submissions and entries into the new therapeutic areas,'' MV Ramana, CEO, branded markets (India and emerging markets), told FE without specifying the numbers. However, a recent Edelweiss report revealed Dr Reddy's, the largest foreign player in China, was well poised to benefit from regulatory changes in the country, and hoped to launch about 60 products and improve revenue significantly over the next seven to eight years.

The company has built strong relationships with its local partners in the country through whom some of the imported brands have been successfully commercialised. As operations expand, it will adequately support resources to enable its expansion strategy. In FY18, the company clocked revenue of $100 million, with the help of its JV — Kunshan Rotam Reddy.

"The size and growth of the market, our long presence and also the recent changes in China's regulatory framework make this an attractive space for Dr. Reddy's. In terms of market size and expanded generic opportunity, China is the second-largest pharma market with $130 billion in size, and generics form 65% of the hospital market. About 22% of the market is with off-patent innovators. While shortening the market access and reimbursement timelines for innovative drugs, China intends to replace the off-patent innovators with high quality generics that opens up this share of market to generic firms,'' he said.

On the current regulations in China, he said the US/EU portfolio of Dr. Reddy's would mostly comply, while additional studies specific to China might still be required. "While in the past five years, we have had some good pipeline of filings, the plan is to scale this up and file a good number of dossiers in next few years,'' he said. The Edelweiss report states that a growing Chinese pharma market and a relaxed Chinese drug regulator, CFDA, are likely to attract many Indian generic players. With the relaxed norms, Indian companies can file their USFDA-approved products in China and expect CFDA

approval within months. The prominent drugs in demand include those for treatment of obesity, diabetes, respiratory illness and cancer.

On the challenges to get approval, Ramana said, “While the regulations have been aligned with International Council of Harmonisation (ICH), there are China- specific requirements, which could pose challenges. Dr. Reddy’s will continue to work to build strong regulatory capability and build on our experience to increase the probability of success for any new filing.’’