K SATISH REDDY

Need to shed silo mindset towards healthcare

Amidst the changing market conditions, Dr Reddy's Laboratories would continue its focus on high-complexity, limited-competition products, its Chairman K Satish Reddy says in an interview to BV Mahalakshmi. Excerpts:

The pharma industry has been facing challenges that range from strict regulations to a changing pricing mechanism. How do you plan to rewire the quality systems?

It's true that the expectations of regulatory bodies across the world have gone up. With the number of companies and manufacturing facilities supplying to the regulated markets growing fast, it is but natural for the agencies to tighten their mechanisms. While that evidently poses some short-term challenges, we see in it a great opportunity to enhance the value chain. We continue to strengthen our processes, automation, operating procedures, and quality management systems. We believe that the present challenges would enable the industry to upgrade to world-class systems.

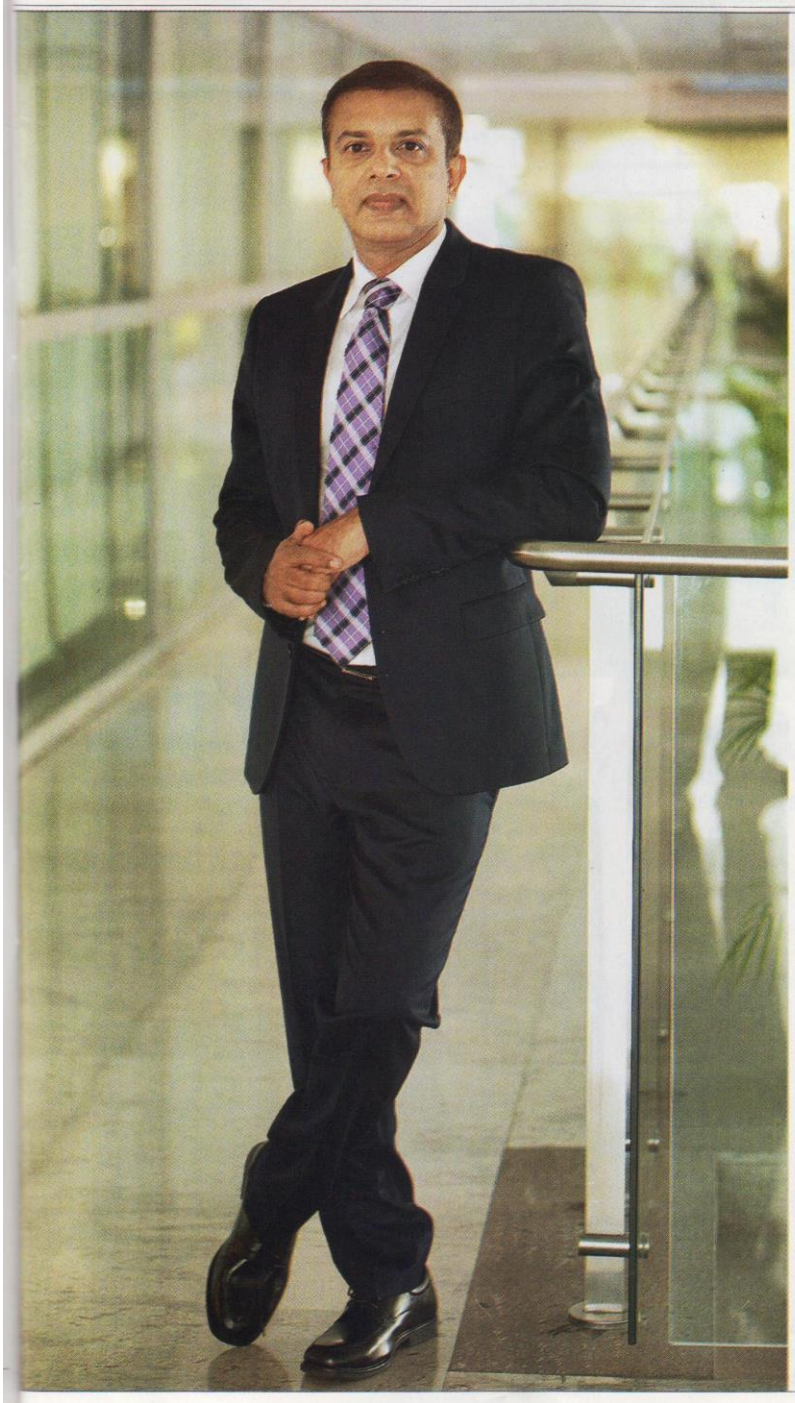
What are the growth drivers for the North American market given the increasing competition among players? How do you plan to reduce dependence on the US market and tap newer geographies?

The North American generics market is going through a transitionary phase of consolidation for customers/buyers, leading to pricing pressures. A large number of new generic approvals in the commoditised segment has further heightened the competitive pricing pressures. Amidst such challenging conditions, Dr Reddy's continues with its strategy to develop and commercialise high-complexity, limited-competition products. This year alone, we have had 12 launches in North America, of which four were in the limited competition space. With ramp-up, these launches should enable us to offset the pricing erosion to a greater extent.

While the US, Russia, India and Europe remain our core markets, the last couple of years have seen us significantly expand our footprint across emerging markets. Establishing a presence through our oncology and institutional business portfolio is the strategy for the newer markets. We have started operations in Colombia and are strengthening our active pipeline in Brazil and China. We are also continuing our efforts to enter markets like Chile, Algeria, Malaysia and Thailand. These initiatives, together with our focus on the key markets, should ensure long-term growth of the company.

Affordable and innovative medicines have been the founding platform for your research activities. What steps are being taken to ignite innovative research and improve operational excellence?

Our focus on innovation and affordability gives our customers access to the most complex active ingredients of a global quality standard. The company remains committed to science and innovation, addressing unmet needs in various parts of the world through biosimilars, differentiated formulations in dermatology and neurology (proprietary products), and our specialised discovery-stage biotech subsidiary Aurigene. For proprietary products (PP), we are being recog-



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nised as an emerging leader in neurology and dermatology. The first set of launches — Zembrace and Sernivo — are ramping up well and we are focused on hastening profitability. We have also licensed three clinical stage assets from our PP group.

For operational excellence, we have invested significant time and resources on strengthening its three foundational aspects — People, Systems & Processes, and Technology. We continue to ensure product quality through structural changes across product lifecycles, integrating product development, quality and manufacturing.

You have tried to enlarge your presence in the domestic market through tie-ups with NBFCs for health insurance and efforts to groom health start-ups. What technological initiatives (web-based apps) have you undertaken to upgrade your operations?

We have made substantial progress in our digitisation journey, particularly in manufacturing, quality and product development. We are leveraging high-impact platforms such as Manufacturing Execution System (MES), Laboratory Information and

Management Systems (LIMS), and Document Management to create an efficient digital backbone that caters to our present needs as well as future growth. Our focus on patient care beyond medication is relatively unique in the generic industry. Our early efforts of patient-centric innovation have gathered momentum. After success in services beyond-the-pill, such as adherence programmes for patients in specialty care, we have extended adherence services to cardiovascular patients in India.

Our "CheerApp" empowers chronic kidney-disease patients by ensuring its management with a mere click from the doctor's end. We are also leveraging MiUnnati, a digital platform that is used by more than 4,500 field employees to connect with around 35,000 doctors on a daily basis.

What do you think of the growth prospects for the pharma industry? What is the outlook for Indian companies given the Trump effect, Brexit, generics pricing pressure, GDUFA, and increasing USFDA inspections?

India is potentially a high-growth market that requires the right policy support. While we are seeing some green shoots, there is a need to look at healthcare in the country holistically and not in silos, if the end-to-end value chain is to be enhanced. The thrust on rural health programmes, improved healthcare infrastructure and healthcare financing augurs well for the pharma industry though.

The global demand for Indian medicines is going up, with India's share of the US generic market growing rapidly. The challenges the industry faces globally are likely to lead to consolidation. There would also be cost restructuring and operational overhaul. At the same time, we could see a drift towards portfolio enrichment and R&D capacity-building. Indian companies would continue to look at global expansion and enrichment of the biosimilar portfolio, the latter being a key growth driver. While there could be some headwinds going forward, there would also be opportunities.