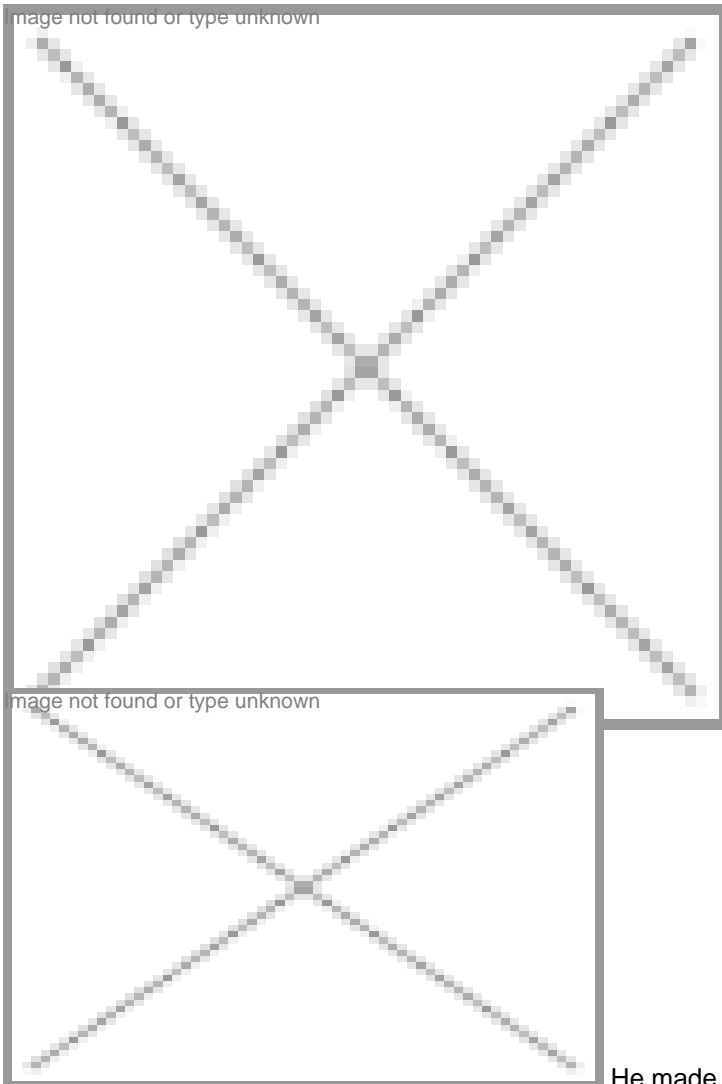


Life Time Achievement

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He made healthcare affordable, and not just in India but worldwide

When Dr Anji Reddy talks pharmaceuticals, people listen. He proved to the world that pharmaceuticals can be a great business, that one can make money selling affordable drugs. Almost single handedly, he brought India the epithet of bulk drugs capital of the world.

Dr Anji Reddy started Dr Reddy's Laboratories in 1984 and in 26 years, the company under his leadership has carved a niche for itself in generics, discovery of new molecules and patenting. The company has retained its focus on bulk drugs and provides raw material to a number of formulation manufacturers.

Dr Reddy's Labs has become one of the largest Indian partner for global pharma companies, turning the Indian bulk drug

industry from import-dependent in the mid-1980s to self-reliant in the mid-1990s and, finally, into the export-oriented industry that it is today.

BioSpectrum goes back in time with Dr Reddy to bring you glimpses of his journey from a chemist to an entrepreneur with a passion for pharma.

From student to entrepreneur

As a student, he always found science fascinating and was academically excellent at school. "I used to have a lot of fun and never read much. I always had a very good memory so I would top my exams and my friends who played with me would fail," confesses Dr Reddy.

Dr Reddy spent his early years in the village of Tadepalli near Guntur in Andhra Pradesh, India where his father, a farmer, grew turmeric. Recalls Dr Reddy, "I grew up playing in turmeric fields and my first brush with technology in the form of electricity happened when I was 12 years old."

He completed his early schooling from the local high school and went on to earn his bachelor of science degree from Andhra Christian College at Guntur in 1958. Thereafter, he did his masters in pharmaceuticals and fine chemicals from Bombay University followed by a PhD in chemical engineering from the National Chemical Laboratory, Pune, in 1969.

His career began in the state-owned public sector undertaking (PSU), Indian Drugs and Pharmaceuticals Limited (IDPL). But then, the entrepreneur in him took over. He decided to set up his own venture, Uniloids, in 1976. He later founded Standard Organics Limited, before founding Dr Reddy's Labs in 1984 with an initial capital from financial institutions.

Shares Dr Reddy, "My experience in IDPL formed the bedrock of my career. I came out of IDPL as early as 1973 with the objective of making new drugs for the first time in the country. I became an entrepreneur. I did not set upon an office, but, a laboratory. I kept moving from one laboratory to another making it better each time and today, I have one of the best laboratories in the world. I have one Integrated Product Development Organization (IPDO) which I refer to as Taj Mahal where 800 scientists work. It is one of the biggest laboratories in terms of the number of scientists," he recounts with evident pride.

For a man who has been at the forefront of Indian pharma evolution, through generics Dr Reddy is also a tireless crusader for intellectual property rights in India.

Passion in pioneering drugs

Dr Reddy is the pioneer of some of the very important compounds and drugs. These have proven to be vital in terms of affordability and availability for the common masses. The drug that he produced first is Metronidazole, which was better than the Italian product that India was importing at that time. The fact that he was making things, which were even better than the Western countries gave a boost to him. This confidence propelled him to move forward into newer areas.

Later he also succeeded in making Sulphamethaxazole of higher standards. Then when he came out of partnerships and started Dr Reddy's Laboratories, made Methyldopa, which was the only drug available at that time for hypertension. Merck, a well known pharmaceutical company bought that product.

Recalling his initial hardships and challenges, Dr Reddy says, "There were many well-established pharmaceutical companies like Ranbaxy and Cipla at that time, which were in existence for a long time. In 1987, when I started my pharmaceutical brand it was very difficult for a new entrant to penetrate. So, how we made our place is an excellent example to the India pharmaceutical industry."

This chemistry's child went on to make newer drugs. An important one being Narfloxacin, an antibacterial drug which created an uproar in the pharma market and positioned his company high for all times. The drug, according to Dr Reddy, was much better than the versions of Ranbaxy and Cipla. The two companies that were then the Indian pharmaceutical leaders priced their products at \$0.173 (Rs 8) while Dr Reddy's made the same drug at half the price making it affordable for all.

Shares Dr Reddy, "The only way to enter the market which is almost reserved for the existing players is to get down to a price where a common man can afford. We priced our drug at \$0.0823 (Rs 3.80), chemists started returning stocks of Ranbaxy and Cipla and started buying our products. This forced them to bring down their prices."

"The medical profession had recognized that if there is something called as affordable medicine it is Dr Reddy's who can do it. From that day onwards, the notion of affordable medicine was associated with Dr Reddy's Laboratories," he adds.

The passion of making newer drugs continued and Dr Reddy moved on to make a blood pressure drug, an anti-hypertensive and priced it at \$0.0259 (Rs 1.20) while Merck was selling the same medicine at \$1.2 (Rs 60). With a series of brilliant

compounds and affordable pricing, Dr Reddy's Labs found its foothold as a strong pharmaceutical company. And 20 years later, the company has become India's number one pharmaceutical player.

The other drug he pioneered is Ciprofloxacin. His company remained the only producer in the country for four years without any competitors. "I made a lot of profit during that time. I gave one bonus share for every two shares. The second year I increased it to one bonus share for every share and the third year I gave two bonus shares for every share. That is how I became the darling of the stock market in 1993," he says.

His company experienced a blazing growth rate from \$108 mn (Rs 500 crore) in 1999 to \$1.516 billion (Rs 7,000 crore) in 2009. "What kept us ahead of some of our competitors was having our own brands. A brand always earns more money than an API," believes Dr Reddy.

"Our entry into Russia also helped us tremendously. We consider it as our most profitable center. I am emotionally attached to Russia, they gave me the IDPL technology to start APIs. So, when the Russian market crashed, many left, but I stayed and today, we are the tenth largest pharmaceutical company there," he adds.

Major milestones

Dr Reddy's Labs was the first company to take up drug discovery research in India in 1993.

April 2001, the company also became the first Asian pharmaceutical company outside Japan to be listed on the New York Stock Exchange (NYSE). It is worth mentioning that it was also the best performing company on NYSE.

"We are also the first company to do authorized generics in the US along with our partner Merck for two products," shares Dr Reddy.

This generics pharma czar does not mind being called 'copy cat'. He happily says, "Yes we are copy cats and there is nothing negative about it. The government allows us to do it, it is not illegal. We are definitely not innovators. But we are the ones who have cut the cost of pharmaceutical substances making it affordable world over. The big pharma who call us copy cats, they too manufacture and market generics. They also fight patent challenges with other innovator companies."

Ups and downs

Dr Reddy's Labs has led the industry from being dubbed as copy cats for several years to now being acknowledged as innovators. Dr Reddy says, "If you want to be a world-renowned pharmaceutical player you should have your own discovered product in the world market, at least one to start with."

India changed its patent laws, the Indian Patent Act of 1970 was passed. Product patents for medicinal products were no longer recognized and only process patents continued to be recognized. The pharmaceutical industry in India grasped this opportunity with both hands and proved dramatically that its reverse engineering skills were second to none in the world.

"While everyone was pre-occupied feasting on this opportunity, in 1992, I started thinking in a different direction-with 25 years of experience in synthesizing a plethora of drugs I made up my mind and took the plunge in November 1993. We jumped into discovery with a budget of about \$1.40 million (Rs 6.5 crore)," he shares.

And in three years from inception, Dr Reddy discovered one of the most potent glitazones and licensed the molecule now called balaglitazone to the world leader in diabetes, Novo Nordisk of Denmark. Balaglitazone is a partial peroxisome proliferator-activated receptor (PPAR) gamma agonist and phase II results indicated a better side effect profile than the existing glitazones.

"More than the molecules that we discovered, the big difference we made is that we have gained recognition from the world that we are the front-runners in the field that we have chosen. The mission is to make healthcare affordable and improve the quality of life across the world, regardless of geographic and socio-economic barriers," he says.

Investing for Social Change

Twelve years ago he began the important journey of connecting with society and taking responsibility for human development apart from sustaining a profitable and competitive business. Years later, Dr Reddy has built a benchmark model in this area as he continues to engage himself with sections of society that experience poverty and the lack of opportunity to access sustainable livelihoods.

Dr Reddy is no longer involved in the day-to-day operations of the company. He spends more than half of his time on philanthropic activities. And it's not just time that he invests. He has been spending a bulk of his earnings to fund initiatives to alleviate hunger, create livelihoods, provide education and access to safe drinking water and pull back children from

hazardous industries through his not-for-profit organization-Naandi Foundation. He has set a target of transforming a million lives by the end of 2010.

It is also with this perspective that Dr Reddy founded Dr Reddy's Foundation in 1996 to pursue causes close to his heart. The Foundation is particularly active in the field of creating livelihoods. Its initiative, called Livelihood Advancement Business School or LABS, has, so far, trained over 130,000 youngsters with skills suited for entry-level jobs in sectors such as hospitality, ITES and customer relations.

Dr Reddy has committed a huge amount of fund for over 10 years that will make the L V Prasad Eye Institute self-sustaining. LV Prasad Eye Institute does a lot of free and subsidized eye treatments. The institute is the only one in India and one of the few in the world that uses stem cells for corneal reconstruction. It has treated over 500 such cases over the last five years, the highest anywhere in the world.

He also launched a social initiative called "Sparsh," an assistance program for cancer patients who cannot afford a treatment. Patients identified by the doctors through Sparsh are provided Reditux, the anticancer biologic drug from Dr Reddy's Labs free of cost. He is also the man behind the Institute of Life Sciences (ILS). The institute focused on the interface between life sciences and chemistry. Here, chemists and biologists work together to seek solutions to human health issues. The model is to create its own intellectual property and commercialize it in collaboration with the industry.

"These philanthropic activities keep me going and help me stay connected to the society," he says. He confesses, "I am always inquisitive. So if I had become a chemist, I would have been a journalist." As a person, he likes seeing different places and knowing people. "Apart from pioneering drugs and running a business house I am also good at guessing a person's origin by the way he/she speaks English," he laughs.

25 years of Innovation

In February 2009, his company completed 25 years of its life. "It is a significant milestone. We have grown from a small establishment located in Hyderabad to a strong global company with facilities in India, Europe, the USA, Russia and China-earning a net revenue of \$1.37 billion in 2008-09," he shares.

"I am happy with the way we have grown over the years. But I am happier still with the fact that, throughout the growth process, the company has never forgotten the basic reason for its existence-to provide affordable and innovative medicines to patients across the world. And that it has the strategy to leverage research and development, product offerings and customer services to be a leading global pharmaceutical company," he says.

The history of pharmaceuticals in India is a story of this bold entrepreneur whose pioneering efforts demonstrated that he could master processes that could be used to manufacture chemicals and molecules that would help India progress towards a sustainable twenty-first century.

The story of Dr K Anji Reddy is thus all about the ability to chase a dream and make it come true.

Jahanara Parveen in Hyderabad