

Dr Reddy's Not as Big as It Should be in India... We Want to Grow More

ET Q&A

Hyderabad-based Dr Reddy's Laboratories sprung a surprise on

Wednesday when it announced that it will acquire the domestic business of Wockhardt Pharma for ₹1,850 crore. The deal signifies Dr Reddy's de-risking strategy with regards to its US business, which has taken a hit because of regulatory actions. In an exclusive interview with **Divya Rajagopal, GV Prasad**, CEO of Dr Reddy's, said the future capital allocation by the company will come into emerging markets such as India. Edited excerpts:

With this Wockhardt deal do you see exciting times for the market again?

India is a strategic market for us. We are focussed on improving our market share and ranking share. Organically, too, we are doing well and we would like to accelerate our growth. This [Wockhardt] opportunity came along so we wanted to participate in it.

The focus for Indian generic companies seems to be on shifting away from US towards Russia, Brazil and India. Will this be a trend?

I don't know if it is a trend. From our perspective, the commodity markets – meaning the distributor-led markets like Europe and the US – are easy to grow. In

branded markets the growth is sustained, and so is the value. But it takes a long time to build.

You can't just go into the market and build a branded franchise that fast, like you do in a commodity market where you just lower the price and get market share. So, we have been in the emerging markets for a while.

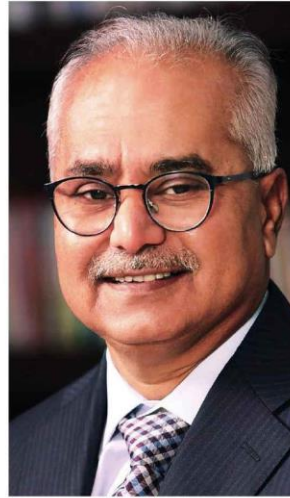
Our India business relative to our size and reputation is small. We would like to grow more here. So we feel we are not as big as we should be in the Indian market. So, we looked at inorganic options. With this deal, we will jump a few ranks in the Indian pharma space.

Going by your strategy to build a branded business will we see more inorganic growth?

We have already mentioned that we will gradually move capital allocation towards emerging markets and this [deal] is consistent with that.

We don't have any number in mind. But, we don't have much leverage with this acquisition. We will take on some debt. We will be prudent, but our capital allocation strategy will be diversifying away from the commodity market, where we had disproportionately invested in the past three years.

The Indian pharma market has seen



GV PRASAD
CEO, Dr Reddy's

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its own challenges. We have had price cuts and court verdicts on fixed-dose combinations that have impacted the domestic companies. What's your view on the policy side?

I hope it gets rational. One positive thing was that they moved away from a cost-based price control regime to a competition-based one. In future, we hope there will be a better administration of price control.

For example, as an individual, I feel products below a certain cost should not be looked at from a price control point of view. If they are expensive medicines I can understand.

If a tablet is, say, ₹2, there is no point in cutting it. I hope that logic prevails. Even if you give ₹5 to somebody today, nobody is going to take that kind of money. So, what is the point of cutting the price of a product which is ₹5 or ₹10.

There are talks about promoting generic medicines... will that have an impact?

I haven't seen the layout for that. But in many countries the market is a branded generic market. Especially, markets which are self-paid. So, our country is largely a self-paid market and branding is important to signal the source of the product, the reliability and quality of the product.