

Dr. Reddy's – Quick Catch-up

"We want to be a truly innovative company discovering and marketing drugs the world over."

Dr. Anji Reddy

The total revenue of Dr. Reddy's Lab reached \$1.5bn (€1.1bn) in the year 2007. This is an increase of 168% with comparison to the previous year. In the year 2005-06 the total revenue of the company was Rs 24, 267mn which became Rs 65, 095mn in the year 2006-07. Out of the total revenue there is an increase of 11% only from India. In the year 2005-06 India was the largest market source, which was replaced by North America in the year 2006-07, which is contributing about 44% to the revenue with a 611% increase compared to the previous year. The company is almost present in more than 100 countries.

Established and founded by Dr. Anji Reddy in 1984, the company went public in the year 1986. In 1987 Dr. Reddy's obtained its first USFDA approval for Ibuprofen API and started its formulations operations. In 1988, Dr. Reddy's acquired Benzex Laboratories Pvt. Limited to expand its Bulk Actives business. Dr. Reddy's Research Foundation was established in the year 1993 and the company started its drug discovery programme and today the company has filed for more than 64 patents. In 1999, the company made a new acquisition by buying up American Remedies Limited, based in Chennai, which boost Dr. Reddy's formulations capacity. And in the same year the company has also set up a research subsidiary, Reddy US Therapeutics, in Atlanta, USA. Dr. Reddy's Lab exports bulk actives, branded formulations and generic formulations to over 60 countries. Dr. Reddy started its foreign acquisition in the year 2002, by acquiring BMS Laboratories Limited and Meridian Healthcare in the UK. But before that in 2000 the company made another important acquisition, Cheminor Drugs Limited, which enabled Dr. Reddy's to claim the number three spot among Indian pharmaceutical companies. That year, the company launched the commercial distribution of its first generics in the United States. In the year 2006, the company acquired Betapharm- the fourth-largest generics company in Germany.

Today Dr. Reddy's Lab has a global workforce of over 9000 associates across 40 geographies. Out of this 9000 human resource 2000 are based in foreign countries. But in the year 2006 the scenario was completely different from today. In the year 2006 the total employee strength was 7000, out of which 1200 are foreign based. So there is an increase of 28% on the total employee where as in the case of foreign based employees there is an increase of 66%. In the field of sales the company earned most from the foreign sales. It earned almost 83% of the total sales from foreign market. If we will look at the market share of the company then it will be clear that in the year 2005-06 the company has a market share of 34% in India and rest in the foreign market, but in the year 2006-07, the company's market share in India came down to 14%. The table below mentioned about the market share of the company in different markets.

Market Share

Year Country	2005-06	2006-07
Russia	15%	8%
Europe	18%	23%
North America	16%	44%
India	34%	14%
Others	17%	11%
Total	100%	100%

According to the company report, there are some factors which are responsible for the success in the year 2006-07. Those factors are:

1. The company's successful launch of generic products in North America, in June 2006.
2. The impressive growth of company's basic business like the Active Pharmaceutical Ingredients.
3. The efforts that the management has been quietly making over the last few years to put in place the various building blocks for sustainable growth.

Further, according to the company officials 'all the building blocks for growth are in place, therefore the outlook for 2007-08 is encouraging and the company looks forward to continuing a healthy financial performance in the future'.

Today the company has wholly owned operations in several countries of the world. It has a manufacturing unit in China. But according to the company officials the investment in China and Brazil was a wrong decision. But in the coming years the company wants to invest in the areas like Active Pharmaceuticals Ingredient (APIs), which is considered as the basic ingredients that go into final manufacturing of drugs and they also want to go for custom produced production. So far the help from different institutions is concerned, according to the company officials there was no direct help from the government though the laws on FDI and foreign exchange are very much helpful for company in the process of internationalization.

Questions

1. How did the company catch up fast in the international business?
2. What were the major huddles in the in its internationalization process?
3. How did the company meet the quality standards of international market?
4. How did the company convince international clients?
5. What was the regulatory framework in India that helped the company?
6. What were the systems & processes that helped the company to operate in foreign market?
7. How did the leadership in the company shape the destiny of the company's international business?

References

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