

# *Innovating.*

F o r m a n k i n d .



**DR. REDDY'S LABORATORIES LIMITED**  
**A N N U A L R E P O R T 1 9 9 6 - 9 7**



## DR. REDDY'S LABORATORIES LIMITED

The next financial results  
announcement (for the  
half-year ended  
September 1997)  
will be made in  
November 1997.

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VD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
ACM	✓	✓	SHI	✓
YC	✓	✓		✓



DR. REDDY'S LABORATORIES LTD.

## BOARD OF DIRECTORS

Dr. K. Anji Reddy, *Chairman*  
 K. Satish Reddy, *Managing Director*  
 P. V. Venugopal, *Executive Director*  
 M. P. Chary  
 A. Subba Reddy  
 G. V. Prasad  
 Kamlesh S. Gandhi  
 Dr. Sushil Shah  
 Padmabhushan Dr. P. Siva Reddy  
 Dr. N. Bhanuprasad  
 Dr. P. Satyanarayana Rao  
 Dr. V. Mohan

## AUDITORS

M/s A. Ramachandra Rao & Co.

## BANKERS

Canara Bank  
 State Bank of India  
 Bank of Baroda  
 ANZ Grindlays Bank Plc.  
 Allahabad Bank  
 State Bank of Hyderabad

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## FOUNDER'S VISION

*'My dream...'*

Twenty-one years ago when I entered the Indian pharmaceuticals industry as a technocrat-entrepreneur I nursed a dream. I observed that drugs launched in the developed west were prohibitively expensive. A tablet priced at \$ 1.50 each would have gone unafforded by 95 per cent of India's vast population.

So I wrote out the mission of my life : to bring new molecules into the country at a price the common man could afford.

I had to wait until 1989 to see it happen. Norfloxacin was a bulk drug used in the manufacture of formulations used to treat diarrhoeal and intestinal infections. Two companies were already selling the finished dosage. But the total all-India market was of a few hundred kilos aggregating no more than Rs 30 million.

I sat back and did a few sums. A population of 800 million and the number of diarrhoeal cases reported in the country was not getting reflected in the market for norfloxacin. We concluded that the market was waiting but the prices were all wrong. The competition was selling tablets at Rs 8 each. Dr. Reddy's Laboratories launched its own formulation - at Rs 3.80 a tablet.

Boom. Within six months, the norfloxacin market expanded to two tonnes, Rs 400 million in five years and approximately 350 tonnes with an aggregate value of Rs 700 million today. Thousands of Indians, who could not afford to buy anti-diarrhoeal tablets because of the high price, now became first-time users.

We used the strategy in expanding the market for *Enam* as well. The price of the drug in the biggest pharmaceutical market of the world was \$ 1.20 a tablet; we sold the same in India at one rupee a tablet. Our sales figures showed that thousands who could never have used the tablet earlier now began to confront the problem of blood pressure more confidently.

In the process of launching bulk drugs and formulations more competitively and aggressively than most Indian competitors, Dr. Reddy's Laboratories grew rapidly. We set up bigger bulk drug capacities and new formulations units. We got into the right niches and more importantly, we developed the right economies of scale.

Which brings us to the second leg in the history of our company. With a number of patents expiring in the US over the coming decade, the market for generics is going to see its biggest

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"Because its purpose is to create a customer, the business has two - and only two - basic functions: innovation and marketing. Innovation and marketing will produce results; all the rest are 'costs'."

**Peter Drucker**

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explosion. Dr. Reddy's Laboratories is going to make an aggressive pitch for this expanding market. We have the right economies of scale. We are confident that our integration from bulk drugs to formulations, the cost at which we can develop generics and the quality standards at which we can deliver are likely to help the company emerge as not only a sourcing base for established generic makers but also help us in creating an independent and powerful identity in the international market.

Which brings us to the third - and most exciting - evolution in our history. We said we would produce a new drug and place it on the world market. We invested Rs 200 million in the assets of our research foundation and Rs 100 million each year in administrative costs. Observers laughed. It can't be done, some said. It can't be done on a shoestring, others remarked. How can Indians do it, questioned most.

By the end of June 1997, we had already filed for 18 patents and entered into an alliance with the highly respected Novo Nordisk for collaborative development. In seven years from now, we might emerge as the first company from the third world to put a patented drug on the market place.


There used to be a time when I would dream with my eyes open. When I said I would innovate for the benefit of the poor in India.

I am dreaming again. Dr. Reddy's Laboratories will innovate again.

Not just for India. For mankind.



Dr. K. Anji Reddy,  
Chairman.



"In seven years from now, we might emerge as the first company from the third world to put a patented drug on the market place."

- Dr. K. Anji Reddy,  
Chairman

## C O R P O R A T E   D E S C R I P T I O N

## *What is Dr. Reddy's?*

**D**r. Reddy's Laboratories was promoted in 1984 by the technocrat Dr. K. Anji Reddy. The company shot into prominence for being the first in the country to manufacture and sell the bulk drug methyl dopa. Over the following years, Dr. Reddy's Laboratories leveraged its expertise in synthetic chemistry, innovating and emerging with more first-time launches of bulk drugs in India. This made it possible for downstream formulators to introduce effective finished dosages priced moderately for India's vast population. To be able to add value to its production of bulk drugs, Dr. Reddy's Laboratories initiated a conscious attempt to increasingly formulate products within the company. As a result, the company now has a product basket covering 20 bulk drugs and 38 formulations (1996-97 figures). In the formulations business, the company has improved from a nationwide ranking of 36 in 1995-96 to 30 by the end of 1996-97. Research and development in bulk drugs and formulations is the driving engine of the company's competitiveness; DRL spends over 5 per cent of its total income each year to fund research within the company. To achieve its goal in emerging as the first Indian company to discover a new drug, the company co-sponsored an exclusive institution : the Dr. Reddy's Research Foundation in 1993. The Foundation had filed for 18 product patents up to June 1997. DRF has tie-ups with Debiopharm of Switzerland and Novo Nordisk of Denmark for joint development of products discovered by the research foundation in the areas of cancer and diabetes respectively. The other businesses of Dr. Reddy's Laboratories include diagnostics and product manufacture through biotechnology. The company also pursues an active social development programme under the aegis of the Dr. Reddy's Foundation for Human and Social Development. The company, which has 2,000 employees, registered a turnover of Rs 2.5 bn in 1996-97 and has a marketing presence in more than 50 countries. The shares of Dr. Reddy's Laboratories are actively traded on the National, Hyderabad, Bombay, Calcutta and Chennai stock exchanges. The company made an issue of Global Depository Receipts in 1994. The GDRs are listed on the Luxembourg Stock Exchange.

The company shot into prominence for being the first in the country to manufacture and sell the bulk drug methyl dopa.

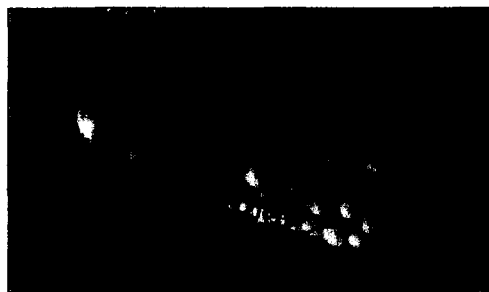


## THERAPEUTIC PORTFOLIO

# How Dr. Reddy's is

contributing to a healthier world.

**Anti-ulcerants :** A peptic ulcer is a distinct break in the gastro-intestinal mucosa, usually of the stomach or the first part of the duodenum, chiefly due to an exposure to excess acid. Ulcers result even if excess acid is not secreted when



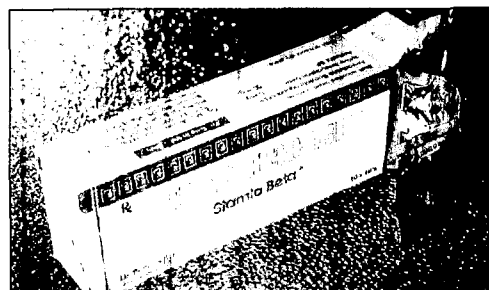
the mucosal defence reduces. Since the root of the problem lies in gastric secretion, it is important that it is inhibited to treat ulcers. *Omez* and *Lanzap* are two ulcer-healing capsules manufactured by Dr. Reddy's Laboratories. They contain omeprazole and lansoprazole respectively which inhibit gastric acid secretion by irreversibly blocking the proton pump of the parietal cells. A single dose taken daily effectively suppresses acid secretion for nearly 24 hours. *Omez* (launched in April 1991) is the largest selling proton pump inhibitor in India with a market share of 27.3 per cent in the molecule and is the principal formulations product

of DRL. *Lanzap* (launched in April 1995) reaped the brand equity of *Omez* and emerged a brand leader by April 1997. The third product to come under the gastro-intestinal umbrella at DRL is *Peristil* (cisapride) which normalises and facilitates the peristalsis of the gastro-intestinal tract, causing relief from symptoms of the above disorders.

**Pain management :** DRL's *Nise* (nimesulide) and *Ketorol* (ketorolac) have emerged as popular remedies. *Nise* is the only marketed NSAID which has a different mechanism of action resulting in a better tolerability specially for asthmatics while producing a potent anti-inflammatory analgesic cum anti-pyretic action. *Nise* is absorbed rapidly and completely into the body after oral administration. *Nise* was launched two years after its competitors in its therapeutic segment. It holds the distinction of being the fastest to hit Rs 100 million in sales in DRL's product profile. It holds a market share of 27.4 per cent and is the second largest selling formulation for the nimesulide molecule. *Ketorol* (launched in May 1992) is a pain-killer used intra-muscularly and orally in the short-term management of moderate to severe post-operative pain. It is the number two brand in its segment today.



**Cardiovasculars :** DRL has exceptional expertise in the field of cardiovascular remedies. *Enam* (enalapril maleate), *Stamlo*



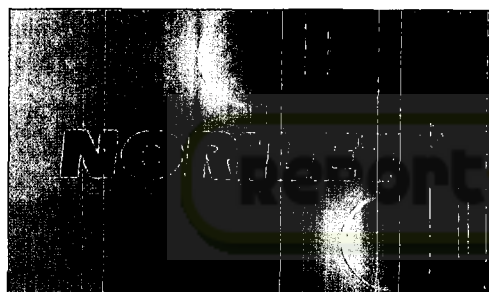
(amlodipine) and *Stamlo-Beta* (amlodipine and atenolol) are three drugs which have been well received by the users all over the country. These products are extensively used by patients who suffer from high blood pressure and Ischaemic Heart Diseases. When used as directed by physicians, these drugs not only normalise blood pressure but also prevent the dreaded complications of hypertension on vital organs like the heart, kidney, brain and eye. For example, uncontrolled blood pressure leads to an enlargement in the size of the lower chambers of the heart - the left ventricle that pumps

pure blood to the body - ultimately resulting in heart failure. Physicians therefore tend to use drugs which regress its size. *Enam* and *Stamlo* do this job extremely well.

*Enam* is classified as an ACE (angiotensin converting enzyme) inhibitor because it prevents the conversion of angiotensin I to angiotensin II, which helps to dilate the blood vessels in hypertensive patients resulting in the control of hypertension. When coronary arteries are blocked resulting in Ischaemic Heart Disease, *Stamlo* (launched in December 1994) helps in dilating the coronary arteries and improving the blood flow to the heart. *Stamlo* is a market leader by a long shot - the number two in the segment has a third of *Stamlo*'s market share. *Stamlo-Beta* (launched in August 1996) is useful in instances when monotherapy is ineffective. *Enam* commands a market share of 23 per cent, while *Stamlo* has a market share of 32.9 per cent in their respective molecules.



**Anti-bacterials :** DRL has a number of anti-bacterial remedies. The basic mechanism of action of the quinolone formulations manufactured by the company is inhibition of bacterial DNA gyrase. The company has launched finished dosage forms like *Lomaday* (lomefloxacin), *Norilet* (norfloxacin), *Perti* (pefloxacin), *Ciprolet* (ciprofloxacin) and *Sparfloxacin* to address complaints like complicated urinary tract and respiratory tract infections, gastro-intestinal infections, gonorrhoea, typhoid fever, surgical infections, bone and joint infections, pneumonia, chronic bronchitis and acute sinusitis. The company also makes *Norilet-A* which is a fixed dose combination of norfloxacin and tinidazole and is used to treat diarrhoea of different aetiologies. DRL created a corporate reputation in quinolones in the early Nineties. It successfully expanded the market with *Norilet* and



later enlarged its success with *Ciprolet* which was responsible for the transformation of DRL from a regional company into a national organisation.

**Anti-histamine :** Allergy is a hypersensitivity reaction of the body when it is exposed to allergens. The skin contains mast cells which in turn liberate certain inflammatory mediators like histamine. Histamine is a potent allergic mediator whose action is blocked by *Cetrine* (cetirizine), produced by DRL. This non-sedating anti-histamine belongs to a new generation of H<sub>1</sub> blockers that provide a better relief from allergic symptoms. Unlike other anti-histamines, *Cetrine* not only controls the symptoms of allergy but also the delayed phase of the allergy reaction. *Cetrine* is used for the symptomatic relief of hypersensitive reactions - including rhinitis and chronic urticaria. It holds 5.6 per cent of the market share in the molecule.



**Anti-asthma :** Bronchial asthma is a condition characterised by chronic airway inflammation and hyper-responsiveness of the bronchial smooth muscle to various stimuli. This results in the widespread narrowing of airways resulting in breathlessness. Inhalation therapy through aerosols is the current mode of treating asthma. For this condition, DRL markets a long-acting aerosol - *Salmeter* (salmeterol) - that provides peaceful nights for the asthmatic. It is a long-acting B<sub>2</sub> agonist administered by inhalation. This produces relief which not only lasts longer but also reduces the frequency of the attacks. *Salmeter* holds a 36 per cent market share in the molecule.