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Drug-maker to focus on proprietary and biologic products

Dr Reddy's to invest $450 million for product development

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Mumbai: Hyderabad-based Dr Reddy's Laboratories (DRL) is likely to invest around $300 million towards its proprietary product portfolio and nearly $150 million towards the biologic segment.

The company, which will also increase its research and development (R&D) spends to around 10-11% of sales in the current fiscal from 9.4% in the last, is trying to increase its focus on biosimilars and proprietary products.

Saumen Chakraborty, president, CFO and global head of IT & BPE, DRL, said in an earnings call, "We have an upper limit in terms of total cumulative cash that gets consumed by the business, because in biologics also we get some earnings out of the revenue from the emerging markets. For biologics, we have taken upper limit of $150 million. So within that, we expect to break even and start contributing to the profitability of the company."

"In proprietary product, definitely we are in higher development, and it looks like we'll be willing to put around $300 million of investment."

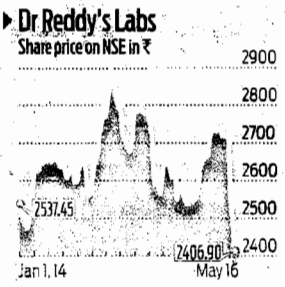
A biologic is a medical product manufactured in or extracted from biological sources, distinct from chemically synthesised pharmaceutical products. Biosimilars, also known as follow-on-biologics, are biological medical products whose active drug substance is derived from a living organism.

The company currently has four assets within its biologic portfolio, with some more in the development stage.

Satish Reddy, chairman, DRL, said, "On the biologic front, we continue to commercialise our product in emerging market as we progress our pipeline towards approval in the US and Europe. This strategy allows us three advantages. First, the ability to provide improved access to life saving medications for patients in significantly under-served emerging markets. Second, real world experience and data on our products, and third it allows us to capitalise on early revenue opportunities."

The company filed a US investigational new drug (IND) application for its proposed biosimilar rituximab in July 2013 and permission to proceed with the Phase-I trial under this IND was received during the year.

It also filed a US IND for the proposed biosimilar of pegylated filgrastim, which is peg GCSF, in December 2013 and the permission to proceed with the Phase I trial in normal healthy volunteers under that IND was received in January 2014. At present, DRL is involved in planning, designing and executing studies under these INDs.



In terms of R&D spend, the company will spend 65% on global generics and pharma services & active ingredients (PSAI) and 35% on biologics and proprietary products. It has a small portfolio of biologics at present. Chakrabarty said, "The increase in spends is because of the movement on clinical files for the two biosimilar products. But the biggest increase will also come from the global generics pipeline because there is a mix of complex generics products as well as some external partnerships. So this is a significant increase in our likely spend."