CHAPTER - 1

INTRODUCTION
**Introduction to the Topic**

HRD is mainly concerned with developing the skill, knowledge and competencies of people and it is people-oriented concept. When we call it as a people-oriented concept the question of people being developed in the larger or national context or in the smaller organizational context? Is it different at the macro and micro level? HRD can be applied both for the national level and organizational level.

But many personnel managers and organizations view HRD as synonymous to training and development. Many organizations in the country renamed their training departments as HRD departments. Surprisingly some organizations renamed their personnel department as HRD departments. Some educational, institutions started awarding degrees and diplomas in HRD even though the concept is not yet crystal clear.

HRD from organizational point of view is a process in which the employees of an organization are helped/motivated to acquire and develop technical, managerial and behavioral knowledge, skills and abilities, and mould the values, beliefs, attitude necessary to perform present and future roles by realizing highest human potential with a view to contribute positively to the organizational, group, individual and social goals.

A comparative analysis of these definitions shows that the third definition seems to be comprehensive and elaborate as it deals with the developmental aspects of all the components of human resources. Further, it deals with all types of skills, the present and future organizational needs and aspect of contribution to not only organizational also other goals.

The analysis of the third definition further shows that there are three aspects, viz.

1. Employees of an organization are helped/motivated;
2. Acquire, develop and mould various aspects of human resources;
3. Contribute to the organizational, group, individual and social goals.

The first aspect deals with helping and motivating factors for HRD.
These factors may be called Enabling factors which include: Organization structure, organizational climate, HRD climate, HRD knowledge and skills to managers, human resource planning, recruitment and selection. The second aspect deals with the techniques or methods which are the means to acquire develop and mould the various human resources.

These techniques include: Performance, appraisal, Potential appraisal, Career planning and Development, Training, Management development, Organizational development, Social and Cultural programs, and Workers participation in management and quality circles. The third category includes the outcomes contribution of the HRD process to the goals of the organization, group, individuals and the society.

1.1 Organizational climate

In any organisation there are the ropes to skip and the ropes to know. The internal working environment of every organisation has certainly commonly perceived psychological traits referred to as its culture or climate or milieu. These traits vary from organisation to organisation.

As per Moran and Volkwein (1992), Organizational Climate is defined as "a relatively enduring characteristic of an organization which distinguishes it from other organization, hence,

(a) embodies members' collective perceptions about their organization with respect to such dimensions as autonomy, trust, cohesiveness, support, recognition, innovation and fairness;
(b) produced by member interaction;
(c) serves as a basis for interpreting the situation;
(d) reflects the prevalent norms and attitudes of the organization's culture; and
(e) acts as a source of influence for shaping behavior."

The organizational climate facilitates the firm to identify the deficiencies in connection with different organizational factors, such as organizational structure, employee
compensation system, communication level, physical atmosphere, organizational culture, etc. It is the apparent trait of a firm and its sub-systems as replicated in the mode in which an organization deals with its associates, team members and organizational problems. It is comparatively enduring excellence of the in-house atmosphere that is experienced by its employees which influences their performance and can be described in terms of the values of a specific set of behaviors in the firm.

Organizational climate is the summary perception which people have about their organization. It is, thus, a global expression of what the organization is. The 90s era has seen the shift in trend to people desiring to work more in the private sector. Lured by higher remuneration, better working conditions and more incentives, the organizational climate of the public sector was viewed as a less favorable. The conduciveness of the organizational climate depends on various factors such as organizational context, organizational structure, company customs and values, physical environment, communication, reward system, employee encouragement, performance evaluation system, training and development programmes, supervision, etc.

Today, latest technology is also being implemented to survey organizational climate of the company to establish a set of baseline measures to analyze the organization's current effectiveness and level of operation. Organizational climate has a note-worthy impact on workforce performance and organizational outcomes. Workplace climate helps in boosting employees to perform their level best which in turn results in perking up of returns, increasing revenues, reducing production costs, and improving consumer satisfaction. All these outcomes have been confirmed time and time again!

Organisation culture is a cognitive framework consisting of attitudes, values, behavioural norms and expectations shared by organisation members. At the root of any organisation and culture is a set of core characteristics that is valued collectively by members of an organisation. These values when mixed and meshed give the essence of culture, these values includes:-

- Individual autonomy
➢ Position structure
➢ Reward orientation
➢ Conflict
➢ Risk taking
➢ Congeniality of relations
➢ Consideration, warmth and support
➢ Progressiveness and development
➢ Communication pattern

So organisational climate is the set of characteristics that:

a) Describes an organisation and distinguish one organisation from others
b) Are relatively enduring over a period of time
c) Influence the behaviour of people in the organisation

1.2 DETERMINANTS OF ORGANISATIONAL CLIMATE

1. Organisation structure
2. Organisational size
3. Organisational policies
4. Managerial values
5. Characteristics of members
6. Leadership style
7. External environment
1.3 ROLE OF ORGANISATION CULTURE OF CLIMATE IN ORGANISATIONS

- Culture provides a sense of identity
- Climate generates commitment to the organization’s mission
- Culture clarifies and reinforces standards of behaviour

So we can say that organisational climate is manifestation of the attitudes of organisation members and a sound organisational climate can be developed over a long period of time. The type of climate that an organisation seeks in contingent upon its members, its technology and other variables.

1.4 HRD CLIMATE

Human resource can be viewed as the sum of knowledge, skills, attitudes, commitment, values and likes of the people of an organisation. Development is the acquisition of capabilities that are needed to the present job or the future expected job.

HRD is a positive concept in human resource management. Its aim at overall development of human resources in order to contribute to well being of employees, organisation and society at large.

HRD means developing or tapping hidden qualities in people in order to make them accomplish new functions leading to organisational or individual goals.

1.5 HRD CLIMATE VARIABLES

- Openness
- Authenticity
- Proactive orientation
- Collaboration and team work
- Risk taking
- Trust
- Communication
1.6 ORGANISATION CLIMATE AND HRD CLIMATE

HRD climate is an integral part of organisational climate. It can be defined as the employees’ perceptions about the developmental environment of their organisation. It includes a number of characteristics:

- Importance given to human resource
- Openness of communication
- A general climate of trust
- Team spirit

The essence of HRD climate is the importance which it gives to development of OCTAPAC culture in an organisation:-

O – **Openness**: The term “openness” refers to “freedom to express ideas, opinions, views”, “frankness”, “and straightforwardness”. If a team is to be effective, then its members need to be able to express their views, their differences of opinion, interests and problem without fear of ridicule or retaliation. No team work is really effective if there is ‘cut-your-throat’ or ‘stabbing-in-the-back’ atmosphere where members become less willing or unable to express themselves openly.

C – **Confrontation**: The term “confrontation” refers to “conflict”, “encounter”, “disputes” to evolve effective and efficient suggestions and solutions to a given problem. There is a dire need to confront problems and issues rather than avoid them. In order to be effective, one should confront even delicate or unpleasant issues honestly and squarely instead of avoiding them.

T – **Trust**: “Trust” means “belief”, “confidence”, and “faith”. One cannot order others to trust, it comes only through their experience. Organisation employs people who come from different backgrounds, values and expectations and the perception of each one of them are different from others and the work-life involves them in many
complex relationships with others. We should understand that trust takes a long time to achieve but it can be destroyed in a few seconds.

**A – Autonomy:** The term “autonomy” refers to “freedom”, “independence”. Freedom to do things in the way one wants tends to act as a morale booster. Every individual has his own way of doing things; it is the job of his supervisor to ensure that creativity in the group is not discouraged while working for achieving objectives.

**P – Pro-action:** The term “pro-action” generally refers to “planning in advance”, “lead from the front”. As it is often said “prevention is better than cure”, the word pro-action means that the leadership/top management should be capable of forecasting, predicting, projecting things well in advance and plan accordingly to meet any eventuality at any given time.

**A – Authenticity:** The term “authenticity” refers to “genuine”, “legitimate”, “actual”. Every institution has a goal and various departments are used in the process to achieve the objectives is more important than that of extent of achievement. That means the management has to ensure that in the process of achieving objectives none of their employees/ departments uses any illegitimate/ unlawful methods which affect in varying degrees the reputation and status of the organisation.

**C – Collaboration:** The term “collaboration” refers to “cooperation”, “participation”, and “teamwork”. Cooperation means working together. It implies that individuals are committed and willing to be involved in the work they do, and that they are ready to share their skills and information with the rest of the employees, knowing that the others will reciprocate. People finds ways of being more helpful to each other and are ready to share their feelings, skills, thereby achieving the objectives with less time and cost.
1.7 Key factors of the Organizational Climate: The organizational climate has 6 key elements:

- **Flexibility** – how free the employees are to innovate
- **Responsibility** – degree to which the employees feel free to work without asking for the permission and guidance from the manager
- **Standards** – the sign the organization emphasizes the excellence, that the goals for the employees are really high but attainable
- **Rewards** – the employees have to receive regular feedback and that they are rewarded accordingly
- **Clarity** – the employees know, what is expected from them and how their efforts relate to the organizational goals
- **Team Commitment** – the employees have to know they belong to the winning team or the winning organization and that all of the employees work towards the same goals or objectives.

The organizational climate is a determinant in the form taken by an organization; the decisions within it are executed or become as relationships within and outside the organization.

In an organization we can find different scales of organizational climate, according to how this is affected or benefited. According to Litwin and Stringer these are the scales of the Organizational Climate:

1. **Structure**: This scale represents the perception that members of the organization about the number of rules, procedures, procedures, rules, constraints and other constraints they face in carrying out its work. The positive or negative, will be given to the extent that the organization puts the emphasis on bureaucracy, versus the emphasis on a workplace that is free, informal and unstructured or hierarchical.

2. **Disclaimer**: The collection of some of the members of the organization about their autonomy in making decisions related to their work. It is the extent to which the supervision they receive is of a general nature and does not close, ie the feeling of
being your own boss and know with certainty what their work and what is its function within the organization.

3. **Reward**: Refers to the perception of members on the reward received for work well done. It is the extent to which the organization uses the reward more punishment, this dimension can generate an appropriate climate in the organization, but as long as it does not punish the employee is encouraged to do their job well and if he does well is encourage him to improve in the medium term.

4. **Challenge**: It is up to the goals that members of an organization have with respect to certain goals or possible risks during the course of their work. To the extent that the organization promotes the acceptance of calculated risks to achieve the proposed objectives, the challenges for maintaining a competitive environment, necessary for any organization.

5. **Relationships**: It is the perception by members of the company about the existence of a pleasant working environment and good social relations both among peers and between bosses and subordinates, these relationships are generated within and outside the organization, understanding that there are two kinds of groups within an organization. Formal groups, which are part of the hierarchical structure of the organization and informal groups, which are generated from the friendship, which may arise between members of an organization.

6. **Cooperation**: The feeling of the members of the organization about the existence of a spirit of support from managers and other employees of the group. Emphasis on mutual support, both vertically and horizontally.

7. **Standards**: This dimension speaks to how members of an organization perceive they have set standards for productivity of the organization.

8. **Conflict**: The feelings that managers and employees want to hear different opinions, the emphasis on the problems brought to light and remains hidden or show it. At this point many times play a decisive role the rumor of what may or may not be happening at
any given time within the organization, the communication between the different scales of hierarchical organization avoids generating the conflict.

9. **Identity**: The feeling that one belongs to the company and is a valued member of a team, the importance attached to that spirit. In general, the feeling of sharing personal goals with those of the organization.
1.8 Aspects covered in my study

Although each organisational climate study is tailored to meet the needs of an individual organization, in general, they are aimed at all aspects of the employees' jobs. The study analyzes everything from an employee's workload to their relationships with co workers and superiors to their salary to organisation policies and anything in between. A climate survey was conducted on all the staff of Dr. Reddy’s Lab. In the present study following aspects were covered:-

- **Personnel Policies**- This includes HR related Policies and Practices prevailing in the organisation. It covers the entire gamut of process recruitment, selection, turnover, performance appraisal, promotion, career development, compensation, grievance redressal, gender issues etc.
- **Environment**- A work environment can be identified as the place that one works.
- **Team Work**-Teamwork is the concept of people working together cooperatively as a team in order to accomplish the same goals/objectives.
- **Management effectiveness**-In management, the ultimate measure of management's performance is the metric of management effectiveness which includes execution, leadership, delegation, communication and consideration
- **Competency**- Competence is a standardized requirement for an individual to properly perform a specific job. It encompasses a combination of knowledge, skills and behaviour utilized to improve performance.
- **Commitment**: Commitment means to duty or pledge to something or someone, and can refer to personal commitment, organizational commitment etc.: 
- **Involvement**: Employee involvement is creating an environment in which people have an impact on decisions and actions that affect their jobs. It is considered as helpful in continuous improvement and the success of organization.
Industry Profile

From ancient times, two systems of medicines were vogue in India. Firstly there was Ayurvedic medicine, which dates back to the Vedic period. Ayurvedic medicine depends largely on the combination of various herbs, minerals and metals like gold, copper, etc. Secondly there was the Arabian system of medicine. Innumerable invasions had brought the Arabian system into India. In contrast to these, two other systems of medicine, namely. Allopathic and Homeopathic were in vogue in the western part of the world.

The exact date on which the Allopathic system of medicine made its entry into the country is not available, but it is generally estimated that it happened sometime during the early part of the 19th century. Medicines were imported by the British for their personal use when they came to do business. This was the beginning of the pharmaceutical industry in India. Later, when they ultimately took over the country, the imports became a regular feature. These pharmaceutical products, which were introduced in India to provide relief to the British, soon gained popularity among people in urban areas. For the first few decades after their introduction, pharmaceutical products were being imported into the country mostly from Germany and the United Kingdom. Indigenous production of these medicines, however, was started in 1901 with the establishment of the Bengal.

The pharmaceutical industry is very aptly described as a “life-line” industry. It plays a vital role in alleviating the suffering of millions of people and controlling various ailments that afflict human beings. Recognizing this, the planners of Indian economic development after independence have rightly included this industry in the core sector. Developments after independence have rightly included this industry in the core sector.

The present-day Indian pharmaceutical industry has three main sectors:

1. The public sector,
2. The Indian private sector (including the organized sector), and
3. The foreign sector

The Indian pharmaceutical industry is the world's second largest by volume and is likely to lead the manufacturing sector of India. India's biotech industry clocked a 17 percent growth with revenues of Rs.137 billion ($3 billion) in the 2009-10 financial year.
over the previous fiscal. Bio-pharma was the biggest contributor generating 60 percent of the industry's growth at Rs.8,829 crore, followed by bio-services at Rs.2,639 crore and bio-agri at Rs.1,936 crore. The first pharmaceutical company are Bengal Chemicals and Pharmaceutical Works, which still exists today as one of 5 government-owned drug manufacturers, appeared in Calcutta in 1930. For the next 60 years, most of the drugs in India were imported by multinationals either in fully formulated or bulk form. The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970 enabled the industry to become what it is today. This patent act removed composition patents from food and drugs, and though it kept process patents, these were shortened to a period of five to seven years. The lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market, and while they streamed out, Indian companies started to take their places. Although some of the larger companies have taken baby steps towards drug innovation, the industry as a whole has been following this business model until the present.

1.9 The Indian pharmaceutical industry today

1.9.1 Statistics

In 2002, over 20,000 registered drug manufacturers in India sold $9 billion worth of formulations and bulk drugs. 85% of these formulations were sold in India while over 60% of the bulk drugs were exported, mostly to the United States and Russia. Most of the players in the market are small-to-medium enterprises; 250 of the largest companies control 70% of the Indian market. Thanks to the 1970 Patent Act, multinationals represent only 35% of the market, down from 70% thirty years ago. Most pharma companies operating in India, even the multinationals, employ Indians almost exclusively from the lowest ranks to high-level management. Mirroring the social structure, firms are very hierarchical. Homegrown pharmaceuticals, like many other businesses in India, are often a mix of public and private enterprise. Although many of these companies are publicly owned, leadership passes from father to son and the founding family holds a majority share.
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1.9.2 Top 10 Pharmaceuticals in India, (As of 2010)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Revenue 2010 (Rs crore)</th>
<th>Revenue 2010 (Rs billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ranbaxy Laboratories</td>
<td>4,198.96</td>
<td>41.989</td>
</tr>
<tr>
<td>2</td>
<td>Dr. Reddy's Laboratories</td>
<td>4,162.25</td>
<td>41.622</td>
</tr>
<tr>
<td>3</td>
<td>Cipla</td>
<td>3,763.72</td>
<td>37.637</td>
</tr>
<tr>
<td>4</td>
<td>Sun Pharmaceutical</td>
<td>2,463.59</td>
<td>24.635</td>
</tr>
<tr>
<td>5</td>
<td>Lupin Ltd</td>
<td>2,215.52</td>
<td>22.155</td>
</tr>
<tr>
<td>6</td>
<td>Aurobindo Pharma</td>
<td>2,081.19</td>
<td>20.811</td>
</tr>
<tr>
<td>7</td>
<td>GlaxoSmithKline</td>
<td>1,773.41</td>
<td>17.734</td>
</tr>
<tr>
<td>8</td>
<td>Cadila Healthcare</td>
<td>1,613</td>
<td>16.13</td>
</tr>
<tr>
<td>9</td>
<td>Aventis Pharma</td>
<td>983.80</td>
<td>9.838</td>
</tr>
<tr>
<td>10</td>
<td>Ipca Laboratories</td>
<td>980.44</td>
<td>9.804</td>
</tr>
</tbody>
</table>
1.9.3 Patents

As it expands its core business, the industry is being forced to adapt its business model to recent changes in the operating environment. The first and most significant change was the January 1, 2005 enactment of an amendment to India’s patent law that reinstated product patents for the first time since 1972. The legislation took effect on the deadline set by the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, which mandated patent protection on both products and processes for a period of 20 years. Under this new law, India will be forced to recognize not only new patents but also any patents filed after January 1, 1995. Indian companies achieved their status in the domestic market by breaking these product patents, and it is estimated that within the next few years, they will lose $650 million of the local generics market to patent-holders.

In the domestic market, this new patent legislation has resulted in fairly clear segmentation. The multinationals narrowed their focus onto high-end patients who make up only 12% of the market, taking advantage of their newly bestowed patent protection. Meanwhile, Indian firms have chosen to take their existing product portfolios and target semi-urban and rural populations.

1.9.4 Small and medium enterprises

As promising as the future is for a whole, the outlook for small and medium enterprises (SME) is not as bright. The excise structure changed so that companies now have to pay a 16% tax on the maximum retail price (MRP) of their products, as opposed to on the ex-factory price. Consequently, larger companies are cutting back on outsourcing and what business is left is shifting to companies with facilities in the four tax-free states - Himachal Pradesh, Jammu & Kashmir, Uttarakhand and Jharkhand.

As SMEs wrestled with the tax structure, they were also scrambling to meet the July 1 deadline for compliance with the revised Schedule M Good Manufacturing Practices (GMP). While this should be beneficial to consumers and the industry at large, SMEs have been finding it difficult to find the funds to upgrade their manufacturing plants, resulting in the closure of many facilities. Others invested the money to bring their
facilities to compliance, but these operations were located in non-tax-free states, making it difficult to compete in the wake of the new excise tax.

1.9.5 R&D

Both the Indian central and state governments have recognized R&D as an important driver in the growth of their pharma businesses and conferred tax deductions for expenses related to research and development. They have granted other concessions as well, such as reduced interest rates for export financing and a cut in the number of drugs under price control. Government support is not the only thing in Indian pharma’s favor, though; companies also have access to a highly developed IT industry that can partner with them in new molecule discovery.

1.10 Biotechnology

1.10.1 Biotechnology statistics

Most companies in the biotech sector are extremely small, with only two firms breaking 100 million dollars in revenues. At last count there were 265 firms registered in India, over 75% of which were incorporated in the last five years. The newness of the companies explains the industry’s high consolidation in both physical and financial terms. Almost 50% of all biotechs are in or around Bangalore, and the top ten companies capture 47% of the market. The top five companies were homegrown; Indian firms account for 62% of the biopharma sector and 52% of the industry as a whole. The Association of Biotechnology-Led Enterprises (ABLE) is aiming to grow the industry to $5 billion in revenues generated by 1 million employees by 2009, and data from the Confederation of Indian Industry (CII) seem to suggest that it is possible.
Top 10 Biotechnology Companies in India, 2010

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Revenue 2010 (Rs crore)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Biocon</td>
<td>1483</td>
<td>25.68</td>
</tr>
<tr>
<td>2</td>
<td>Serum Institute of India</td>
<td>1401</td>
<td>22.47</td>
</tr>
<tr>
<td>3</td>
<td>Panacea Biotec</td>
<td>928.41</td>
<td>32.05</td>
</tr>
<tr>
<td>4</td>
<td>Nuziveedu Seeds</td>
<td>610</td>
<td>--</td>
</tr>
<tr>
<td>5</td>
<td>Reliance Life Sciences</td>
<td>490</td>
<td>--</td>
</tr>
<tr>
<td>6</td>
<td>Quintiles India</td>
<td>476.25</td>
<td>27</td>
</tr>
<tr>
<td>7</td>
<td>Novo Nordisk</td>
<td>462</td>
<td>27.62</td>
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<td>8</td>
<td>Rasi Seeds</td>
<td>371.88</td>
<td>3.7</td>
</tr>
<tr>
<td>9</td>
<td>Maharashtra Hybrid Seed Company</td>
<td>364.9</td>
<td>--</td>
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<tr>
<td></td>
<td>(Mahyco)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Transasia Bio-Medicals</td>
<td>350</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: BioSpectrum Top 10: A threshold crossed

1.10.2 Challenges

The biotech sector faces some major challenges in its quest for growth. Chief among them is a lack of funding, particularly for firms that are just starting out. The most likely sources of funds are government grants and venture capital, which is a relatively young industry in India. Government grants are difficult to secure, and due to the expensive and
uncertain nature of biotech research, venture capitalists are reluctant to invest in firms that have not yet developed a commercially viable product. As previously mentioned, India hopes to solve its funding problem by attracting overseas investors and partners. Before these potential saviors will invest significant sums in the industry, however, there needs to be better scientific and financial accountability. India is slowly working towards these goals, but it will be a while before they are up to the standards of Western investors.

India’s biotech firms share another problem with their pharmaceutical cousins: a lack of qualified employees. Biotech has the additional disadvantage of competing against IT for ambitious, science-minded students but not being able to guarantee the same compensation. An aspiring researcher in India needs 7–10 years of education covering a range of specialties in order to qualify to work in biotech. Even if a student does choose to go on the biotech path, the ineffectual curriculum at many universities makes it doubtful as to whether he will be qualified to work in the field once finished. One estimate shows that 10% of upper-echelon biotech recruits have come from foreign countries. While this is not a problem, per se, it drives up cost in a country whose competitive advantage is based on cheap, high-quality labor. Far from ending with scientists, there is also a shortage of people with knowledge of biotechnology in related fields: doctors, lawyers, programmers, marketing personnel and others.

While little has been done about the latter half of the employee crunch, the government has addressed the problem of educated but unqualified candidates in its Draft National Biotech Development Strategy. This plan included a proposal to create a National Task Force that would work with the biotech industry to revise the curriculum for undergraduate and graduate study in life sciences and biotechnology. The government’s strategy also stated intentions to increase the number of PhD Fellowships awarded by the Department of Biotechnology to 200 per year. These human resources will be further leveraged with a “Bio-Edu-Grid” that will knit together the resources of the academic and scientific industrial communities, much as they are in the U.S.
1.11 Major players

1.11.1 Glenmark
Glenmark is an emerging leader of Indian Pharmaceutical market in sales as well in Research. Soon new chemical entities will hit the market. Glenmark Generics Limited aims to be a global integrated Generic and API leader. The Company currently markets finished dose formulations in USA, Europe, and Argentina and has Active Pharmaceutical Ingredients (APIs) presence in over 80 countries through an established group of subsidiaries, marketing front-ends and offices in India and select overseas locations. It was incorporated in 2004 - posted revenue of USD 157.9 Mn for FY 08-09 against revenue of USD 140.03 Mn registering an increase of 30 % over the previous year. GGI has grown the generic base in the US at a healthy CAGR of 130 % over the last 3 years.

1.11.2 Ranbaxy Laboratories

Ranbaxy is the leader in the Indian pharmaceutical market, taking in $1.174 billion in revenues for a net profit of $160 million in 2004. It was the first Indian pharmaceutical to have a proprietary drug (extended-release ciprofloxacin, marketed by Bayer) approved by the U.S. FDA and the U.S. market accounts for 36% of its sales. 78% of Ranbaxy’s sales are from overseas markets; its offices in 44 countries manage manufacturing in 7 countries and distribution in over 100.

IMS Health estimated that Ranbaxy is among the top 100 pharmaceuticals in the world and that it is the 15th fastest growing company. By 2012, Ranbaxy hopes to be one of the top 5 generics producers in the world, and it consolidated its position with the purchase of French firm RGP Aventis in 2003. Ranbaxy also has higher aspirations, however, “to build a proprietary prescription business in the advanced markets.” To this end, it keeps a dedicated research facility in Gurgaon staffed with over 1100 scientists. They currently have two molecules in Phase II trials and 3-5 in pre-clinical testing. It spent $75 million
in R&D in 2004, a 43% increase over its 2003 expenditure. Arun Puri is the chairman and CEO Brian Tempest is the only non-Indian on the senior management team.

1.11.3 Dr. Reddy's Laboratories

Founded in 1984 with $160,000, Dr. Reddy’s was the first Asia-Pacific pharmaceutical outside of Japan and the sixth Indian company to be listed on the New York Stock Exchange. It earned $446 million in fiscal year 2005, deriving 66% of this income from the foreign market. In order to strengthen its global position, Dr. Reddy acquired UK-based BMS Laboratories and subsidiary Meridian Healthcare. *Anji Reddy* is the chairman of Dr.Reddy's.

Although 58% of Dr. Reddy’s revenues come from generic drugs, the company was committed to WTO-compliance long before the 2005 bill took effect, and most of these products were already off patent. Dr. Reddy has long been a research-oriented firm, preceding many of its peers in setting up a New Drug Development Research (NDDR) in 1993 and out-licensing its first compound just four years later. Dr. Reddy’s has since outlicensed two more molecules and currently has three others in clinical trials.

Although Dr. Reddy’s is publicly traded, the Reddy family (including founder/chairman K. Anji Reddy, son-in-law/CEO GV Prasad and son/COO Satish Reddy) holds a hefty 26% share in the company.

1.11.4 Nicholas Piramal

The company led by Asish Mishra grossing $350 million per year, Nicholas Piramal started its existence with the 1988 acquisition of Nicholas Laboratories and grew through a series of mergers, acquisitions and alliances. The company has formed a name for itself in the field of custom manufacturing. It cites its 1700-person global sales force as another
core strength; with its acquisition of Rhodia’s inhalation anaesthetics business, Nicholas Piramal gained a sales and marketing network spanning 90 countries.

Nicholas Piramal is well poised for the challenge of surviving in the aftermath of product patent protection. The company has respected intellectual property rights since its inception and refused to "support generic companies seeking first-to-file or early-to-market strategies." Instead, it decided to make its own intellectual property and opened a research facility last November in Mumbai with hopes of launching its first drug in 2010 at a cost of $100,000.

1.11.5 Cipla

Cipla is one of the oldest drug manufacturers in India. It is led by Dr. Yusuf K. Hamied, Chairman and Managing Director. Cipla burst into the international consciousness in 2000 with Triomune, an AIDS treatment costing between $300 and $800 per year that infringed upon patents held by several companies who were selling the cocktail for $12,000 per year. Long before this news, Cipla had been building a strong global presence, and it now distributes its 800-odd products in over 140 countries. Privately held Cipla holds a prominent spot in its home country as well; it is the leader in domestic sales, having just unseated GlaxoSmithKline for the first time in 28 years. Revenue in 2004 totaled $552 million (using Rs 43.472 = $1) about 75% of which was derived in India. Cipla did not report having a research program.

Dr. Kiran Mazumdar-Shaw is the Chairman and Managing Director of Biocolchemicals company seeking to break into the Indian market, Biocon is now the leading biotech in India, bringing in Rs 646.36 crore (almost $150 million) in revenue for fiscal year 2004. It initially made its money by producing enzymes, but Biocon recently decided to become a research-oriented company with the goal of bringing a proprietary new drug to market.

The company went public in March 2004, and "its shares were oversubscribed by 33 times on opening day." Eight months later it launched Insugen, a bio-insulin that is its first branded product. Biocon also has two wholly owned subsidiaries, Syngene and Clinigene, which perform custom research and clinical trials.
1.11.6 Serum Institute of India

Serum Institute of India was founded in 1966 with the aim of manufacturing life-saving immuno-biologicals, which were in shortage in the country and imported at high prices. The Serum Institute of India can make the enviable claim that 2 out of every 3 children in the world are immunized with one of their vaccines. It is the world’s largest producer of measles and DTP vaccines, and its portfolio includes other vaccines, antisera, plasma products and anticancer compounds. Their range of products has been used in 140 countries across the globe. The Serum Institute earned Rs 565 crore ($130 million) in revenue in fiscal year 2005, selling mainly to UN agencies and to the Indian government. The Serum Institute is part of the Poona Walla Group, whose holdings include a horse stud farm and manufacturers of industrial equipment and components. Dr. Cyrus Poonawalla is the Chairman of the company. The Ernst and Young (E&Y) Award for Health and Life Sciences, 2007 being awarded to Dr Cyrus Poonawalla.

1.11.7 Sun pharmaceuticals

Sun Pharma began in 1983 with just 5 products to treat psychiatry ailments. Sales were initially limited to two states in Eastern India. Sales were rolled out nationwide in 1985. Sun Pharma was listed on the main stock exchanges in India in 1994; and the Rs. 55 crore issue of a Rs. 10 face value equity share offered at a premium of Rs. 140/-, was oversubscribed 55 times.

It is an international specialty pharma company, with a large presence in the US and India, and a footprint across 40 other markets.

In the US, which is our largest market, we have built a strong pipeline of generics, directly and through our subsidiaries Caraco and Sun Pharmaceutical Inc. Taro add strong dermatology range to this portfolio.

In September 2010 acquisition of Taro Pharmaceuticals doubled the size of their US business and brought a range of generics including a strong line of dermatological. Taro's manufacturing facilities in Israel and Canada substantially add to their production capacity. In 2011, Dilip Shanghvi, their CMD, received the E&Y Entrepreneur of the Year Award for 2010.
COMPANY PROFILE

Established in 1984, Dr. Reddy’s Laboratories (NYSE: RDY) is an emerging global pharmaceutical company. As a fully integrated pharmaceutical company, our purpose is to provide affordable and innovative medicines through our three core businesses:

- Pharmaceutical Services and Active Ingredients, comprising our Active Pharmaceuticals and Custom Pharmaceuticals businesses;
- Global Generics, which includes branded and unbranded generics; and
- Proprietary Products, which includes New Chemical Entities, Differentiated Formulations, and Generic Biopharmaceuticals.

Our products are marketed globally, with a focus on India, US, Europe and Russia. Dr. Reddy’s conducts NCE research in the areas of metabolic disorders, cardiovascular indications, anti-infectives and inflammation. Our strong portfolio of businesses, geographies and products gives us an edge in an increasingly competitive global market and allows us to provide affordable medication to people across the world, regardless of geographic and socio-economic barriers. Dr. reddy’s lab. is the fastest Indian Pharma company to cross $1 billion in revenues

"At Dr. Reddy’s we aim to foster a culture of building fair, effective, and mutually beneficial—winning—collaborations. The importance that we place on building winning collaborations is evidenced partly by the early and substantial involvement of senior management. In this way, we achieve quick decision-making and the allocation of necessary resources to achieve success."

G V Prasad
Vice Chairman and CEO
We are:

- Among the leading global pharmaceutical companies from India
- 5th largest branded generic player in Germany
- Ranked 7th in the retail segment in Russia, the largest player from India
- Among the Top Ten generic companies in India
- Among the Top 3 Active Pharmaceutical players globally
- Top 3 Abbreviated New Drug Application (ANDA) and Drug Master File (DMF) pipeline in the USA
- Among the largest players in the Custom Pharmaceutical Services (CPS) segment
- 4th on Environment & Social Governance Index, India
- Best Workplace in Pharma & Biotech - Great Place to Work 2008 and 2009
- The fastest path to USD 1 billion in revenues amongst Indian Pharma companies

Both in the developing and developed world, it is a grim fact that millions of people suffer from treatable illnesses and disease simply because they cannot afford the medicines that will restore them to health. Even in high income countries like the US, brand name drugs are often prohibitively expensive, particularly for the growing numbers of uninsured. Around the world, having access to lower-cost generic medicines can mean the difference between health and sickness, solvency and bankruptcy for countless people.

Our state-of-the-art manufacturing facilities are ISO14001 and ISO9001 certified and have an excellent record of regulatory compliance. Our generics business is supported by our integrated Product Development Infrastructure which is dedicated to bringing new medicines in the market. Today, we have a strong presence both in highly regulated markets like the US, UK and Germany and in emerging markets, including India, Russia, Venezuela, Romania, and CIS (Belarus, Ukraine and Kazakhstan). Moreover, we are steadily building our presence in other key markets. Dr. Reddy’s lab got **Scrip Award** for

1.12 Recognition

The year saw Dr. Reddy’s win numerous awards. Some of the key ones were:

- “Corporate Social Responsibility Award” at the CNBC TV18’s India Business Leader Awards (IBLA);
- “Golden Peacock Award for Excellence in Corporate Governance” and “NASSCOM CNBC IT User Award” 2009 in the Pharmaceutical vertical for the 2nd year in a row.

For its HR initiatives, Dr. Reddy’s won the:

- Recruiting And Staffing Best In Class (RASBIC) award 2009-10 for the ‘Best Overall Recruiting and Staffing Organization’ and ‘Best Recruiting Evaluation Techniques’

- ‘Organization with Innovative HR Practices’ and ‘Outstanding Contribution to the Cause of Education’ awards at the World HRD Congress and was adjudicated the best in the ‘Great Places to Work Survey’ in the pharmaceutical and biotechnology industry.

The Company’s Annual Report was conferred the ‘Merit Award’ for the year 2008 in the category ‘Manufacturing Sector’ by the South Asian Federation of Accountants.
1.13 ENVIRONMENTAL MANAGEMENT & CLIMATE CHANGE

The organization is working towards maintaining a harmonious relationship with the environment, which calls upon them to engage ethically with their stakeholders and to do everything in their power to reduce their ecological footprint. They mandate now, is

‘Every new product should have a sensible footprint’.

Efforts are on to achieve a suitable blend of energy conservation, use of renewable sources of energy, water conservation, control on generation, disposal of hazardous waste and green chemistry.
Leadership Academy: The Leadership Academy at their Bachupally campus in Hyderabad is a state-of-the-art infrastructure aimed at being a catalyst for their company-wide culture of continuous learning and leadership development. The academy provides a platform for people to come together to ideate and introspect. In FY10 a total of 6,068 man days of training was provided.

Diversity: There is a conscious effort at building diversity in the workforce, which has led to a greater proportion of women employees. In FY10, almost 13% of the recruits were women. Also, of all the campus hires, 31% were women. Their global employee strength comprises of 13,000+ associates from over 25 nationalities. Over 2,600 associates are based outside India.

Self Managed Team (SMT): They were the first pharmaceutical company in India to implement the Self Managed Teams (SMTs) concept at their manufacturing operations. A SMT is an empowered, multiskilled team with operational decision-making authority. Turning traditional thinking on its head, the SMT concept, implemented at their plants at Baddi and Yanam in India have proved to be a resounding success.

1.14 PRODUCT RESPONSIBILITY

The trust of patients and doctors is crucial to their business. They ensure there is ‘No scope for error in anything we do’ by addressing quality management, regulatory compliance, product safety requirements and putting in stringent procedures for packaging to protect patient safety. They are adopting a Quality by Design (QbD) approach where it is no longer enough to do a quality check at the end of the process. Their aim is to ensure that every step in their process is done ‘first time right’.
1.15 CARING FOR COMMUNITIES

‘To progress and provide for the community around us’ and ‘to benefit individuals and society at large’ are their focus areas in sustainable community development. Caring for communities is a part of their values statement. They channel their wide network of social activities through Dr. Reddy’s Foundation (DRF), address health education needs and patient care activities through Dr. Reddy’s Foundation for Heath Education (DRFHE) and create positive impact on communities through Corporate Social Responsibility (CSR) teams in each location.

» Dr. Reddy’s Foundation: The activities of Dr. Reddy’s Foundation (DRF) span two broad areas of social intervention:

✓ Livelihoods Create, implement and disseminate sustainable and replicable livelihood models through partnerships.

✓ Education Provide learning opportunities for those who have never been to school, or are dropouts, while improving quality of education across schools.

» Dr. Reddy’s Foundation for Health Education (DRFHE) Conducts programs like Post Graduate Certificate in Healthcare Management (PGCHM) and certificate program in cancer counseling. Students passing out from these courses assist healthcare professionals and doctors in providing better care to patients. ‘Life at Your Doorstep’ is a palliative care initiative that helps terminally ill patients and their families better manage serious illness.
THE MANAGEMENT COUNCIL MEMBERS IN PICTURE

ROW 1 SITTING L TO R
SATISH REDDY, G V PRASAD

ROW 2 SITTING L TO R
DR. CARTIKEYA REDDY, VILAS M DHOLYE, ABHIJIT MUKHERJEE,
PRABIR KUMAR JHA

BACK ROW STANDING L TO R
AMIT PATEL, UMANG VOHRA, K B SANKARA RAO,
SAUMEN CHAKRABORTY, DR. RAGHAV CHARI
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<tr>
<th>NAME</th>
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<tr>
<td>G V PRASAD</td>
<td>VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER</td>
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<tr>
<td>SATISH REDDY</td>
<td>MANAGING DIRECTOR AND CHIEF OPERATING OFFICER</td>
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<tr>
<td>ABHIJIT MUKHERJEE</td>
<td>PRESIDENT, GLOBAL GENERICS</td>
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<tr>
<td>AMIT PATEL</td>
<td>SENIOR VICE-PRESIDENT, NORTH AMERICA GENERICS</td>
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<td>DR. CARTIKEYA REDDY</td>
<td>SENIOR VICE-PRESIDENT, BIOLOGICS</td>
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<td>K B SANKARA RAO</td>
<td>EXECUTIVE VICE-PRESIDENT, INTEGRATED PRODUCT DEVELOPMENT</td>
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<td>PRABIR KUMAR JHA</td>
<td>SENIOR VICE-PRESIDENT AND GLOBAL CHIEF OF HR</td>
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<td>DR. RAGHAV CHARI</td>
<td>SENIOR VICE PRESIDENT, PROPRIETARY PRODUCTS</td>
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<td>SAUMEN CHAKRABORTY</td>
<td>PRESIDENT, CORPORATE</td>
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<td>UMANG VOHRA</td>
<td>SENIOR VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER</td>
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<td>VILAS M DHOLYE</td>
<td>EXECUTIVE VICE-PRESIDENT, FORMULATIONS MANUFACTURING</td>
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1.17 HUMAN RESOURCES

As they set their selves a target of reaching $3 billion by FY13, they realize that it is their people – their biggest strength – that will get them there. Their employees are the engine that drives their organization forward. They are committed to nurture and develop the tremendous talent that exists at Dr. Reddy’s by providing their people a platform to achieve greater things in life.

In today’s rapidly changing business environment, the organization that is efficient and effective wins. It means having people who fit your needs perfectly, when you need them. Dr. Reddy’s global employee strength crossed 13,000 in 2009-10, of which over 2,600 are based at locations outside India. There is a conscious effort at building diversity in the workforce, which has led to a greater proportion of women employees. In FY10, almost 13% of the recruits were women. Of all the campus hires, 31% were women. Their consistent pursuit to create an ever-flourishing organization built on a platform of unyielding integrity and sound values has indeed, gone a long way in making them an employer of choice.

1.18 TALENT ACQUISITION

During the year, around 4,100 new employees were hired, including replacements. The highlights of the hiring program are:

- India field and manufacturing hires have contributed 25% each to the overall hiring while 24% of the hiring was in Quality, Research & Development and Engineering Services.
- Critical talent was added in the areas of Life Cycle Strategy, Formulations Scale-Up Development, Regulatory Strategy,
- Legal, Corporate Development & Strategic Planning, Safety Health & Environment, Pharmacovigilance & Clinical Development, Bioassay and Medical Sciences.
- 24 Management Trainees and laterals were recruited from prestigious B-Schools including IIMs, ISB, TISS and about 628 technical trainees were recruited which
includes a number of IIT graduates. We also ramped up our Self Managed Teams (SMTs) in Baddi and Vishakapatnam.

1.19 TALENT MANAGEMENT

Nominations for promotion to and within Senior Management were taken through the Talent Management Board (TMB) process for the first time on a pilot basis. The TMB process roadmap was drawn up with the top management and is slated to be executed in FY11. The deployment of this initiative will be top down with TMBs for top management being done at the Corporate and for others in the Business Units. The Company’s Management Council (MC) will lead this process to reinforce the commitment of the top management to the development of leadership in the organization. We are also partnering with a global consulting firm to work on critical interventions related to role clarification, job evaluations and competency management.

1.20 HR AWARDS

In FY10, the Company received the following key recognitions for its HR initiatives.

- Recruiting and Staffing Best in Class Award (RASBIC) 2009-10 for the ‘Best Overall Recruiting & Staffing Organization’ and ‘Best Recruiting Evaluation Techniques’
- Employer awards at the World HRD Congress for ‘Organization with Innovative HR Practices’ and ‘Outstanding Contribution to the Cause of Education’
- Adjudicated the best in the ‘Great Places to Work Survey’ in the Pharma and Biotech industry.
1.21 SAFETY HEALTH & ENVIRONMENT

They are committed to maintaining the highest standards of Safety, Health and Environment (SHE) by complying with the laws and regulations first, and then going beyond the mandate to keep their plant safe for future generations. Minimizing the environment impact of their operations assumes utmost priority. The year 2009-10 saw significant steps taken in the direction of building a fool-proof and robust Safety, Health & Environment system in the organization.

1.21.1 SAFETY UPDATE

- During the year 124 safety related incidents were reported across allocations out of which eight were Lost Time Accidents.
- They initiated a system of cross-unit audits of all 16 manufacturing units and a total of 546 safety audit observations were noted. For 70% of audit observation, corrective actions were implemented and closed as on 31st March 2010. In a new initiative, “Batch Chemical Safety” cards with all key safety data were released for 34 products in the CTOs.
- Five new safety guidelines & six audit protocols were released during the year.

1.21.2 OCCUPATIONAL HEALTH

- Occupational health surveillance was conducted at all CTO units.
- Industrial hygiene qualitative risk assessment was carried out at all manufacturing facilities using in-house tool based on hazard and control banding concept.
- Basic occupational health awareness training was conducted for 180 shop floor operators and block-in-charges.
1.21.3 ENVIRONMENT MANAGEMENT

✓ Post the commissioning of the Zero Liquid Discharge Plant (ZLDP), the absolute water consumption at the Biologics Development Center has come down by 50%.
✓ Effluent treatment plant at CTO – 1 was upgraded by adding RO based polishing plant and one more ZLDP being commissioned in FTO – 3
✓ Waste minimization teams were formed at CTO manufacturing units to achieve significant effluent load reduction.
✓ Two new guidelines on Environment Management to ensure a uniform documented system for environment management were released.
✓ World Environment Day was celebrated across all units. Clearance from Ministry of Environment and Forests was obtained for new SEZ projects.
✓ 1,747 MT of organic residue from CTO units was disposed as auxiliary fuel to cement plants. This constituted 50 % of the total organic waste generated and the rest was sent for incineration at TSDF facility.
✓ 71 energy conservation measures were initiated this year resulting in an annual saving of 5.0million kWh.