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News / Story reproduced with thanks:- **Business Standard**

DRL to move 25% more Betapharm production to India.

Direct link to the News/Story:-

<http://www.business-standard.com/india/news/drl-to-move-25-more-betapharm-production-to-india/386185/>

Dr Reddy's Laboratories is shifting production of more drugs from its German subsidiary, Betapharm, to India to remain competitive.

Since all the medicine supply contracts it had managed to get in Germany were for products it sources from India, Dr Reddy's has decided to shift the production of 25 per cent more of Betapharm's products to India in about six months.

Dr Reddy's, India's second largest drug maker, had already moved 35 per cent of Betapharm production from Germany to India, considerably reducing the German workforce.

The company recently won supply contracts for 29 products by winning tenders floated by German insurance companies TK, Spectrum K, IKK and GWQ. "All the products that were successful in the tenders were the ones sourced from India," said Umang Vohra, chief financial officer of Dr Reddy's.

Shifting of more products to the low-cost manufacturing destinations in India will enable Dr Reddy's to be more competitive in future tenders. Currently, the bulk of Betapharm revenues come from the tender business.

It is also engaged in talks with employee representatives to cut its workforce from 250 to below 100 in the next three to six months. "The number of employees in Betapharm might come down to 80 in six months," said Vohra.

Ever since Germany moved towards generic medicines and became a price-sensitive market, Dr Reddy's had been trying to reduce the cost of operations in Betapharm. It had declared a loss of Rs 522 crore on account of writedowns of intangible assets and goodwill amounting to ₹109 million (Rs 700 crore) in its Betapharm operations during the October-December quarter. Earlier, in March 2009, the company recorded impairment of approximately ₹200 million (Rs 1,200 crore) relating to the goodwill and intangibles of Betapharm.

With this, the company wrote off about 70 per cent of the total value of Betapharm, industry analysts said. Post impairment, Betapharm is carrying a value of about ₹93 million (Rs 584 crore).